

March 27th, 2015

AH -Letter– PM- 012

Muskrat Falls Corporation
Lower Churchill Project Muskrat Falls Corporation
350 Torbay Road Plaza, Suite No. 2
St. John's, NL, A1A 4E1

Attention: Scott O'Brien – Project Manager, Muskrat Falls Generation

Reference: CH0032: Supply and Install Powerhouse and Spillway Hydro-Mechanical Equipment

Subject: -Delays to Civil Works – Exhibit 9 Interface Milestones
-LCP LTR-CH0032001-0009 dated 15-Dec-2014
- LCP LTR-CH0032001-0018 dated 19-Mar-2015
- LCP Change Order CH #06 – revised Exhibit 9

Dear Mr. O'Brien,

Andritz Hydro ("AH") acknowledges receipt of LCP's letter LTR-CH0032001-0018 dated 19-Mar-2015 and LCP's Change Order #06 dated 18-Mar-2015. AH's response to these communications from LCP is as follows:

- 1) AH understands that the Exhibit 9 Milestone I1A, Upstream of Spillway ready for start of Hydromechanical Works, is no longer mid to late Q2 2015, as previously notified by LCP through letter LTR-CH0032001-009, and will be delayed by LCP to a later date which has not yet been determined by LCP.
- 2) AH understands that the Exhibit 9 Milestones M4 to M13 remain unchanged, as LCP is not yet in the position to revise these dates. It is AH's understanding that since the magnitude of the delay to Milestone I1A - Upstream of Spillway ready start of Hydromechanical Works, has not been determined by LCP, the impact on subsequent milestone dates will only be assessed after LCP advises AH of the revised Milestone I1A date. AH will only complete an analysis of the schedule and financial consequences of the modified Interface and Milestone Schedule Dates once LCP issues concrete Exhibit 9 revised dates.
- 3) As stipulated by LCP in Change Order #06, AH will make its best effort to mitigate costs resulting from this Change Order by adapting its manufacturing, logistics and installation schedules to reduce cost impacts to LCP.

- 4) AH recognizes that a 60 day notification period will be given to AH for the new Upstream, and Downstream of Spillway ready for start of Hydromechanical Works dates – Milestones I1A and I1B respectively. AH will therefore plan to have the necessary staff, subcontractors and equipment on stand-by in order to ensure that the 60 day notification period can be fulfilled. As specified in LCP's Change Order #06, the cost impact to maintain site staff, subcontractors and site equipment on a 60 day notice to mobilize period will be evaluated by AH separately.
- 5) An updated Control Schedule cannot be provided by AH to LCP per Section 8.5 of Exhibit 3 (Coordination Procedures) until the actual Milestone Dates in Exhibit 9 are confirmed by LCP.
- 6) AH expects that Liquidated Damages specified under Article 36.1 and Section 11.1 of Exhibit 2 will be modified once the Milestone Dates in Exhibit 9 are determined by LCP.

Please confirm that the above interpretation by AH to LCP's Change Order #06 is correct. AH will adjust its mobilization plans and will put its resources on 60 days' notice to mobilize once a confirmation is received by LCP. To clarify any doubt, AH is unable to recognize LCP's Change Order #06 as an actual Change per Article 26 of the contract until the above points are mutually agreed between AH and LCP.

AH looks forward to continued collaboration with LCP to reaching a final schedule and financial agreement in the interest of the Muskrat Falls Project success.

Please feel free to contact me should you have any questions.

Bill Mavromatis



**Project Manager
Andritz Hydro Canada Inc.**

CC: Frank Gillespie, LCP Deputy Company Representative/Area Manager
Bruce Drover, LCP Package Leader - Hydro Mechanical Equipment
Line Tremblay, LCP Senior Contract Administrator