

Muskrat Falls Corporation

Corporate Office
500 Columbus Drive
P. O. Box 15000, Stn. A
St. John's, NL Canada A1B 0M4

Lower Churchill Project Operations Office

350 Torbay Road, Suite 2
St. John's, NL Canada A1A 4E1

6 October 2015

LTR-CH0032001- 0071

ANDRITZ HYDRO CANADA INC.
6100 Trans-Canada Hwy.
Pointe-Claire, Quebec
H9R 1B9

Attention: Mr. William Mavromatis

Subject: Agreement CH0032-001 Supply and Install Powerhouse and Spillway Hydro-Mechanical Equipment
Andritz Proposed Spillway Acceleration & River Diversion Bonus Plan dated 28 September 2015

Dear Mr. Mavromatis:

This letter confirms our receipt of Andritz Revised Proposed Spillway Acceleration and River Diversion Bonus Plan. In principle, Company agrees with the proposal for an early payment, milestone progress payments and bonus figures as well as decreasing incentives for failure to complete the diversion milestone of 15-June-2016. However Company notes there are errors in your proposed completion dates and the related financial data. The bonus for reaching river diversion by 15-June-2016, if Contractor fails to achieve that date should decrease by \$200,000 per day until 01-July-2016 where the bonus will be reduced to zero. In the event 1-July-2016 is not achieved, further cost reductions will be applied up to 15-July-2016 to reduce incentives to base cost only. Please be advised that 15-July-2016 is the absolute final date for completion and any date beyond is completely unacceptable.

The projected costs to Contractor for lost productivity are over estimated. Company has reviewed the Canmec submission detailing the calculated additional hours due to lost productivity for "Changes in Climatic Conditions", "Learning Curve" and "Overstaffing" and "Overcrowding". The reasoning presented is overstated and the resultant additional hours utilizing the NRC Study are over estimated. Company calculates that the estimated costs for loss of productivity due to schedule acceleration should be capped at \$4.58M.

Yours truly,



Scott O'Brien
Project Manager – Muskrat Falls Generation
Lower Churchill Project