

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

4 March 2016

LTR-CH0032001-0260

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
Performance Default Notice**

Dear Mr. Mavromatis:

Pursuant to Article 32.1, Company gives Notice that Contractor is in default of its obligations under the Agreement. The nature of the default is set out below. Contractor has ten (10) business days from today to cure the default. If not rectified to Company's satisfaction by 14 March 2016, Company will call on the Letter of Credit pursuant to Article 7.5 to the Articles of the Agreement to pay for Company's losses caused by Contractor's failure to complete by June 15, 2016, the work required for river diversion. Those losses will exceed \$15 million.

Company wishes to express, in the strongest terms possible, our total dissatisfaction with Contractor's performance with specific respect 'inter alia' to a number of crucial obligations which have been ongoing and remain unresolved since late 2015 as follows:

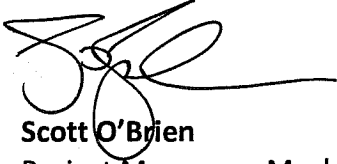
1. Failure to execute the works in a timely manner;
2. Failure to provide and maintain appropriate site management and craft resources and managing the requirements of the day-to-day site activities;
3. Failure to manage and control Contractor's sub-contractor;

In addition, Contractor has also failed to

1. Promptly respond, appropriately address and resolve Company identified concerns and site issues thereby directly impacting the schedule and placing the river diversion date of June 15, 2016 in jeopardy.
2. Comply with formal issued instructions and change orders (with particular respect to change order No 10) irrespective of any disagreement regarding commercial terms as per Article 26.5 & 26.6 of the Articles to the Agreement.

Within the cure period of ten (10) business days Contractor must submit a detailed resource loaded recovery plan that meets the river diversion date of June 15, 2016, plus individual letters from Contractor's subcontractors confirming their commitment to the same.

Yours truly,

A handwritten signature in black ink, appearing to read 'Scott O'Brien', with a long horizontal flourish extending to the right.

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