

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

LTR-CH0032001-0314

04 April 2016

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
Re: Spillway Schedule and Acceleration
Ref: LTR-CH0032001-0308

Dear Mr. Mavromatis,

Company acknowledges receipt of Contractor letter dated 31-Mar-2016, reference AH-Letter-PM-140 and would respond as follows.

1. Contractor indicates it is working diligently to improve its schedule to achieve River Diversion by 15-Jun-2016. It is a matter of record that Contractor continues to revise, review update and re-submit its River Diversion Schedule due to failings on the part of Contractor Group to commence, progress and complete numerous activities on its historical River Diversion Schedules.
2. Contractor schedule dated 18-Mar-2016 is the current schedule which progress is being monitored against.
3. No further comment.
4. Contractor has included for the concurrent concreting activities to Bays 3, 4 & 5 in its Schedule dated 18-Mar-2016, however, it is noted that as of 02-Apr-2016, the concrete pour scheduled by Contractor to Bay 1 SRG Sill for Friday 01-Apr-2016 has been delayed and revised by Contractor initially for Saturday 02-Apr-2016 and now to Sunday 03-Apr-2016 for reasons entirely attributable to Contractor.
5. Contractor has increased its Subcontract (CRT) manpower for concreting activities, no concurrent activities has as yet occurred.
6. Contractor has provided no explanation relating to its abandonment of the downstream activities in October 2015. It is acknowledged that the Company advised date of 01-

May-2016 for completion of downstream activities is not a contractual date or a target milestone of Contractor.

7. As noted in Item 2, Contractor schedule dated 18-Mar-2016 is the current schedule which progress is being monitored against. Contractor has indicated that there is no remaining float in this schedule, therefore, In addition to all previously recorded Contractor delays, Company will hold Contractor fully accountable for all delays incurred from 18-Mar-2016 that delay River Diversion date of 15-Jun-2016. Contractor has indicated that in excess of 30 days unforeseen delay have been incurred prior to 18-Mar-2016. The unsupported and unsubstantiated reasons, indicated by Contractor, for the delay(s) and the overall delay are unacceptable. Should Contractor consider that a delay has occurred, which materially affects progress and/or commencement or completion of critical activities, the procedure for notification and mitigation should be adhered to as expressed in the Agreement. It is unacceptable to simply state that delays in excess of 30 days have accrued without full and detailed notification, substantiation and effect being provided in addition to any and all mitigating measures to reduce or eliminate the delay being demonstrated.
8. No further comments

The advised costs of CAD \$ 4,000,000 relating to the concurrent concreting activities to Bays 3, 4 & 5 are noted, this amount remains unsupported and Contractor has not as yet provided all of the resources it considered in support of its initial calculation of CAD \$ 5,000,000 to recover Contractor caused delays of 3 weeks on the overall schedule. Contractor is also referred to comments included in paragraphs 4 & 5 above.

Regards,



Scott O'Brien

Company Representative
Project Manager – Muskrat Falls Generation
Project Delivery Team
Lower Churchill Project