

**Muskrat Falls Corporation**

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17 February 2015

ASTALDI Canada Inc.  
358 Hamilton River Road  
Happy Valley-Goose Bay, NL  
AOP 1C0 Canada

Attention: Giacomo Orsatti, Project Manager

Subject: Agreement No.: CH0007- 001: Construction of Intake and Powerhouse, Spillway and Transition Dams – Construction Schedule

Dear Mr. Orsatti:

On February 10, 2015 Contractor provided a draft 120-day construction schedule. This schedule was the outcome of a commitment made at the Alignment Meetings held in Happy Valley-Goose Bay on January 27, 2015. On February 11, 2015 Astaldi provided a revised 120-day schedule which you reviewed with Mr. Lance Clarke and Mr. Bruce Hallock at a site meeting to which Mr. Ed Bush and Mr. Ron Power attended by telephone.

Over the past weekend, February 14 and 15, 2015, Company became aware that Contractor was going to cease work in the Power House. In Contractor's email of February 16, 2015 Contractor confirmed that work had been suspended in the Power House until such time as the overhead cranes in the ICS are commissioned. Contractor stated it planned to reassign the workers from the Power House to the Spillway and the South Dam.

Contractor's notice was most unexpected in light of the fact that Contractor had just submitted a 120-day schedule which showed work was continuing in the Power House. Thus Contractor's current schedule will need to undergo a major revision. Contractor's actions in this regard have raised serious concerns on several fronts:

1. The suddenness of this decision and major alteration in the logic and sequence of the work seriously shakes the confidence Company can place on any future schedule submittal.
2. Installation of permanent construction power to the Spillway, Power House and Batch Plant has been an outstanding issue for some time, with limited progress. While we have been supportive of the efforts to date, and will continue to be, Contractor's inability to provide a meaningful plan and schedule as to when the permanent construction power will be provided puts the date for commissioning the overhead cranes in the ICS, and resumption of work in this area, in serious doubt.
3. Contractor has yet to advise Company when it will submit a plan for the balance of its work for the year, and the dates to which it will commit for the completion of Milestones M4A and M4B. This places Company at great risk with the Hydro Mechanical Equipment Contractor (CH0032).

Accordingly, at 9:00 am, Thursday, February 19, 2015, there will be a meeting in the Company's Torbay Road office in St. John's to discuss this matter with the goal of setting out a detailed plan with specific commitments for:

1. Installation of permanent power.
2. The viability of Contractor continuing any work on the ICS which continues to be a major impediment to Contractor's work and progress on the Project.
3. The additional resources required to develop a detailed work plan for the balance of the year including a meaningful manpower forecast and the dates Contractor will commit to achieving Milestones M4A and M4B.
4. The specific action plans, as discussed last week, for the key focus areas identified in the Productivity Review for Supply Chain Management, Logistics, and Equipment Maintenance to insure the going forward schedule to be developed, can be sustained.

Respectfully,  
Muskrat Falls Corporation



Scott O'Brien  
Company Representative  
Project Manager - Generation