



LOWER CHURCHILL PROJECT – MUSKRAT FALLS

CH0007: CONSTRUCTION OF INTAKE AND POWER HOUSE, SPILLWAY AND TRANSITION DAMS

Muskrat Falls Corporation
350 Torbay Road, Suite 2
St. John's, NL Canada

19-Aug-2015

ACI- MFC-0391
LTR-CH0007001-0723

Attention: Mr. Scott O'Brien

Subject: LCP Muskrat Falls Contract No. CH0007
Construction of Intake Powerhouse, Spillway and Transition Dams
Force Majeure

Reference: Letter LTR-CH0007001-0714
Letter LTR-CH0007001-0718
Letter LTR-CH0007001-0719

Dear Mr. O' Brien:

Contractor acknowledges receipt of referenced Company letters:

- 1) LTR-CH0007001-0718; Site Protest and Blockade
- 2) LTR-CH0007001-0719; Company Notice of Force Majeure

LTR-CH0007001-0718; Site Protest and Blockade

Contractor is in total disagreement with the Company position stated in LTR-CH0007001-0718. Contractor specifies the following statements made by Company that are deemed to be incorrect and/or non-factual:

- 1) *"notwithstanding Company's position the labour dispute and blockade of the site are a Contractor caused event"*
 - Contractor notification of Force Majeure was as follows: "civil disturbance (including blockades to and from site). Contractor did not report a labour dispute and does not agree with this classification that has been utilized by Company. Further, if Company position is to classify this as a labour dispute, Contractor demands that Company provide documented evidence supporting this statement.
- 2) *"the Force Majeure event was caused by Contractor's fault and/or negligence which could have been avoided by reasonable diligence, including by failing to maintain labour peace in accordance Article 32"*
 - This statement is patently groundless and unjustified. It is the position of Contractor, that all reasonable actions were performed in dealing with a previous workplace item, including, but not limited to; Suspension of worker during the initial occurrence of the workplace item, verbal and documented discussion with the suspended employee when suspended and upon return to work & Construction Management supervision of this item.



- The reference to Article 32 is not applicable from Contractor perspective, as aforementioned, Contractor did not classify this Force Majeure event as a labour dispute but a civil disturbance. Further, in association with Article 32, Contractor does not comprehend the Company's utilization of the labour dispute classification. It is the Contractor's position that the Company is unilaterally determining the classification of this event and is not working in good faith with the Contractor in addressing this event from a contractual perspective.
- 3) *"Contractor will not be entitled to any additional compensation or extension of time as a result of this event."*
- Contractor advises Company that an email received from Company on August 13, 2015, titled 'Actions with Protestors', clearly indicates that the Company was in direct control of this event and further references the IBA, which is an agreement between Nalcor and the Innu Nation. Company notification, through this email, clearly indicates that Company had full responsibility and leadership for resolution of this event.
 - Contractor requests an explanation on reasons for Company delay in resolving this event.

LTR-CH0007001-0719; Company Notice of Force Majeure

Contractor is in disagreement with the stated Company position in LTR-CH0007001-0719. Contractor provides the following responses to statements made by Company:

- 1) *"On August 12, 2015 protesters commenced acts of civil disturbance at the entrance to the Muskrat Falls site; on August 13, 2015 the protesters blockaded access to the Muskrat Falls site at the entrance off Route 510"*
 - Contractor is in agreement with these statements
- 2) *"Company provided services, including but not limited to those set forth below, are, or may be, adversely affected."*
 - Contractor agrees with the aforementioned Company statement, but reminds Company that these are Company responsibilities and are out of control of Contractor. It requires to be noted that since the occurrence of this event, Contractor has worked diligently with Company, taking all steps, as may be commercially reasonable in the circumstances, to minimize the effect of the Force Majeure occurrence and continue with the execution of the work in a safe environment.
- 3) *"in response to Contractor's letter No. ACI-MFC-0389 (Aconex No. LTR-CH0007001-0714) the labour dispute and blockade of the site are due to Contractor's fault and/or negligence which could have been avoided by reasonable diligence, including by failing to maintain labour peace in accordance Article 32."*
 - Contractor refers Company to responses 1, 2 and 3, under the heading, LTR-CH0007001-0718; Site Protest and Blockade, as detailed in this letter.
 - Contractor does not understand how the Company, through written



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Correspondence, can classify this event under two separate and distinct headings, Civil Disturbance and Labour Dispute. As previously mentioned, Contractor has classified this event as a Civil Disturbance and not a Labour Dispute. Company's opinion, that this event is Contractor's fault and/or negligence is incorrect and unsubstantiated.

Contractor is, as previously stated in Contractor Letter CH-0007001-0714, tracking all cost and schedule impacts associated with this event and will notify Company, as soon as the results are known. Further, Contractor's primary focus, during this event, has been on the safety and health of Contractor and Subcontractor employees in the performance of work activities that could be reasonably executed. Contractor, reserves it rights at law, in respect to this Force Majeure event.

In closing, Contractor notes that, in a situation which would require cooperation and joint efforts (as exerted by Contractor), Company instead lodges unjustified and unacceptable allegations of Contractor's fault and negligence.

Sincerely,
Astaldi Canada Inc.

A handwritten signature in blue ink, appearing to read "Don Delarosbil", is written over a horizontal line.

Don Delarosbil
Project Manager
Lower Churchill Project – Muskrat Falls

cc: MFC – Mr. Mike Harris; Mr. Alphonsus Kelly; Mr. Mel Melhem; Mr. David Burton
Astaldi – Mr. Giacomo Orsatti; Mr. Georges Bader; Mr. Ricarrdo Rocci; Mr. Enrico
Veccia; Mr. Enrico Mongili, Mr. James Walsh; File