



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

28-Sep-2018

Don Delarosbil
Project Manager
Astaldi Canada Inc.
PO Box 177, Station "C"
Happy Valley, Goose Bay NL
AOP 1C0

Dear Mr. Delarosbil:

Agreement Number: CH0007-001
Title: Construction of Intake Powerhouse, Spillway and Transition Dams
Subject: Notice of Default

Company hereby gives Notice to Contractor that Contractor is in default pursuant to Articles 24.1(a), (b),(i),(k) and(c) of Agreement CH0007-001 dated 29 November 2013 between Company and Contractor ("Agreement").

Company also gives Notice to Contractor that Contractor is in default pursuant to paragraphs 39(a), and (c) of the Completion Contract dated 1 December 2016 ("Completion Contract") and paragraphs 28(a),(c) and (d) of the Incentive Funding Contract dated 6 September 2018 ("IFC").

The particulars of Contractor's default include the following:

- Contractor does not have either sufficient funds on deposit in its bank accounts and/or access to sufficient credit facilities available from any financial institution to provide necessary funds to finance working cash flow.
- Contractor does not have any source of revenue other than compensation to be earned under the terms of the Agreement, the Completion Contract and the IFC.
- Contractor's parent company, Astaldi SpA is unable or unwilling to provide funds to assist with Contractor's cash flow needs.
- Contractor has accounts payable based on invoices from its Subcontractors and suppliers in excess of \$18 million which are due and payable, and Contractor has failed to pay its debts as they generally have become due [Article 24.1(i) and (c) and paragraph 28(c) of the IFC].
- Contractor is unable to meet weekly payroll for its Personnel [Article 24.1(i) and (k) and paragraph 28(a) of the IFC].
- Contractor has failed to complete work scope objectives by the dates specified in the Completion Contract [paragraph 39(a) of the Completion Contract of the IFC].


a Nalcor Energy company

- Employees and Subcontractors have filed liens for unpaid invoices, wages and/or benefits in excess of the amount set out in paragraph 28(d) of the IFC.
- Compensation available to be earned by Contractor under the Agreement and Completion Contract is not sufficient to pay the costs to complete the Work under the Agreement and satisfy its debts owed to Company, Subcontractors, suppliers and third parties, including but not limited to the following:
 - (i) Contractor owes Company \$92.8 million;
 - (ii) Contractor owes approximately \$78 million to Astaldi SpA as of August 13th, 2018 as confirmed by Fabrizio Tonucci of Astaldi Canada Inc.;
 - (iii) Contractor owes approximately \$51 million to Unicredit as of June 30th, 2018 as confirmed by Fabrizio Tonucci of Astaldi Canada Inc.

[Articles 24.1(i), 24.1(k) and 24.1(c)].

This Notice of Default is issued by Company to Contractor pursuant to Article 24.2 in respect of the default pursuant to Article 24.1(c). Company reserves its right to exercise the remedies available to it under Articles 24.3 and/or 24.4.

Yours truly,



Scott O'Brien
Company Representative
Muskrat Falls Corporation

cc. AIG Insurance Company of Canada
 Liberty Mutual Insurance Company

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LTR-CH0007001-2947

18-Oct-2018

ASTALDI Canada Inc.

Box 177 Station C
Happy Valley-Goose Bay,
NL, Canada, A0P 1C0

Attention: Don Delarosbil, Project Manager

Agreement No.: CH0007-001

Title: Construction of Intake and Powerhouse, Spillway and Transition Dams

Subject: Contractor Default – Stoppage of Work

Dear Mr. Delarosbil,

Further to Company's letter 2879 dated 28-Sep-2018, Notice of Default, Contractor has failed to cure Contractor's default or provide any remedies to do so. Contractor has further failed to provide a plan to address how Contractor plans to facilitate continuity of the work, including provision of payroll to Contractor's personnel, as requested in Company letter dated 17-Oct-2018. Contractor has advised Company today 18-Oct-2018 that Contractor has no intention of providing any information as to how Contractor plans to maintain operations to complete the Works notwithstanding Contractor's ongoing insolvency.

Pursuant to Article 24.4 (e), Company instructs Contractor that effective immediately, Contractor shall safely secure all Contractor work fronts and shut down all site operations. Pursuant to Article 24.7, Company requires Contractor to immediately demobilize Contractor's personnel from site.

Regards,

Muskrat Falls Corporation

Scott O'Brien
Company Representative, Muskrat Falls Generation