



Appendix C: Shareholders' Letter

July 29, 2014

Nalcor Energy
500 Columbus Drive
St. John's, NL A1B 0C9

Attention: Mr. Ken Marshall, Chair of the Board of Directors (Acting)
Mr. Ed Martin, President and Chief Executive Officer

Re: The Muskrat Falls Project (the Project") - Reporting to the Muskrat Falls Project Oversight Committee

Information pursuant to the Project Financing Agreements (the 'PFA's')

On November 29, 2013, Nalcor Energy and various subsidiaries of Nalcor Energy entered into the following project financing agreements:

1. The MF/LTA Project Finance Agreement (the "Muskrat/LTA PFA");
2. The IT Project Finance Agreement (the "IT PFA"); and
3. The LIL Project Finance Agreement (the "LIL PFA").

The PFA's required Nalcor to provide various oversight and reporting documents to the lenders for the Project and their agents. The Province, as the provider of equity for the Project and ultimate owner of the Project, requires, at a minimum the same information required to be provided under the PFA's. Therefore, the Province requires Nalcor to deliver, or cause to be delivered, to the Muskrat Falls Project Oversight Committee (the 'Committee') true and complete copies of all reports, certificates, notices and other documents (whether prepared by Nalcor, a subsidiary of Nalcor, the independent engineer for the Project (the "Independent Engineer"), the insurance consultant for the Project or any other consultant, engineer or expert) which are required to be delivered pursuant to the PFA's at the same time as such reports, certificates, notices and other documents are delivered pursuant to the PFA's, including all deliverables required to be provided pursuant to:

- (a) Article 11 of the Muskrat/LTA PFA;
- (b) Article 11 of the IT PFA;
- (c) Article 11 of the LIL PFA;
- (d) all Funding Requests and Construction Reports in the form and at the times required under an applicable PFA;
- (e) all certificates issued by the Independent Engineer; and
- (f) any such other documents or information that the Committee may require.

Additional Oversight Committee Project Information

In addition, Nalcor shall provide to the Oversight Committee the following information:

1. Cost Information
 - a. Baseline Budget with Basis of Estimate (DG3 Estimate) and June 2014 revision
 - b. Cost report showing in period and cumulative data for the following: Budget (Baseline, Changes, Cost to Complete, Final Forecast Cost, Variance
 - c. Contingency draw log, report of planned vs. consumed contingency
 - d. Performance graphs showing performance, trend and/or forecast
 - e. Contract and Work Package level cost reporting including: original commitments, changes, revised commitments, invoiced and incurred to date
 - i. Detail shall be provided for all material contracts
 - ii. Summary level for all other contracts, with Cost Performance Index CPI (period and cumulative) is required where that information is being tracked on a contract.
 - f. Rolling cash flow– forecast and planned versus actual
 - g. PFA Funding Request/Log for tracking funding draws. (Including record of all Liens as noted in McInnes Cooper report)
 - h. Variance analysis and corrective action for all material cost variances

2. Schedule Information
 - a. Schedule Development & Control Plan including Schedule Specification, Basis of Schedule and Assumptions
 - b. Integrated Program Schedule (IPS) report to Level 3 including: Schedule milestone report showing Baseline Finish, Actual/Forecast Start and Finish, Schedule Performance Index (where available), Variance, % Complete, Critical and Sub-Critical Path, Predecessor/Successor and Float analysis, with further levels of detail available as requested
 - c. Performance Graph showing performance, trend and forecast where available for Program as a whole and each Material Contract/Work Package
 - d. Variance and analysis and corrective action for all material schedule variances

3. Other Information
 - a. Standard project monthly progress report (including Health & Safety, Environment, Community/Stakeholder, Scope & Change, Cost, Schedule, Quality, Risk and Contract reports)
 - b. Progress reporting of material contractors
 - c. Resource profile and graphs/histograms (planned versus actual/forecast)
 - d. Project Work Breakdown structure (WBS) and dictionary
 - e. Project policies, plans and procedures
 - f. Project execution and contracting strategies
 - g. Monthly LCP risk register, with further detail available as requested
 - h. PCNs & Change request/ order log(s)
 - i. Claims log
 - j. Project assurance plans – including internal and third party assurance
 - k. Relevant assurance reports, as issued including Quality Management Metrics

- l. Independent Engineer reports
- m. Notification of the award of:
 - i. Material Contracts
 - ii. Summary of awards (Value) of other contracts
- n. Issues log or other established reports for recording and managing issues
- o. Nalcor financial statements
- p. Summary of Deviation Alert Notices (DANs) status for the program, with further detail available as requested
- q. Other information as the Committee may from time to time require

This information is to be made available to the Committee through the Lower Churchill Project Data Room and will be updated on a monthly basis. The Committee may require additional information from time to time as required.

I look forward to your co-operation on these reporting matters.

Sincerely,



THOMAS W. MARSHALL, Q.C.
Premier



DERRICK DALLEY
Minister of Natural Resources