

The Shell Petroleum Development Company of
Nigeria Limited
PTP/O/NN. Block IA 200. Shell Industrial Area.
P.O. Box 263, Port Harcourt. Rivers State

Our Ref.: DWN-GBU3A-LT-00107
Date : 03-July-2020

Attention: Mr. Otonye Daka / Project Leader, Gbaran Phase 3A Enwhe Project – Package 1

SUBJECT: Re: COVID-19 CURRENT OIL PRICE IMPACT AND SUPPLY CHAIN CHALLENGE

NG01007552: Gbaran Phase 3A Enwhe Project – Package 1 (Installation of Facilities at the Gbaran CPF and Remote Locations)

Ref.:

Resp. by date:

Dear Sir,

Following CONTRACTOR's letter GBU3A-NG01007552-A-LT-00048 dated 28th April 2020 and subsequent Skype meeting held on 25th June 2020.

CONTRACTOR reiterates the recognition of the current challenges posed by COVID-19, the consequent fall in oil price and its resultant effect all around the globe. CONTRACTOR is always willing to do her best in support of COMPANY to minimize the impact. Bearing in mind COMPANY and JV Partner's request to reduce contract cost through operational efficiencies, waste take-out, scope/demand optimization, equipment specification and rate reductions on the ongoing contract.

Following the meeting held on 25th June 2020 by both parties, CONTRACTOR has further reviewed COMPANY's request as regards cost reduction. We hereby wish to reaffirm that additional financial impact on the project is inevitable, this is in the consideration that the Project financial situation is already running on the negative on reimbursable/Provisional Scope. CONTRACTOR is continuously concerned that with COVID-19 impact so far, it is even difficult to know what the impact of post COVID-19 will be.

Also, our Engineering Design is almost completed and Procurement is on-going with all the POs issued, and CONTRACTOR has made huge financial commitment as an EPC contractor towards effective completion of the project within realistic project schedule and cost as earlier stated. Thus, it becomes difficult to reduce the contract rates which has been expended or ongoing as a way to reduce contract cost. CONTRACTOR will continue to work hard to deliver the project successfully. Even as CONTRACTOR is concerned about the COVID-19 pandemic and its impact on the project as regards cost and schedule.

Furthermore, kindly note that, CONTRACTOR have issued POs to her Vendors and many have started or completed manufacturing and at the verge of delivering the services. We are compelled and pressured from some of our Vendors and Subcontractors requesting for upward review of their cost as a result of global

escalating cost of materials due to the prevailing situation. It is sincerely difficult at this moment for CONTRACTOR to achieve the request of COMPANY and JV Partners, however we will continuously monitor the situation to adopt a realistic approach on these issues.

Moreover, CONTRACTOR's proposal at bidding stage was to use CPF Fabrication shop, but was constrained to change this original plan to set up entirely new fabrication shop at Enwhe due to threat from community and some stakeholders. The Community from the area of operation did not allow fabrication works to be done outside their area. Consequently, CONTRACTOR suffered additional cost setting up new fabrication shop at Enwhe and employment of locals increased more than our bid proposal.

CONTRACTOR will continue to ensure that there is no operational inefficiencies in her activities and will maintain and continue to strive to improve efficiency in our operations.

Thank you for your usual cooperation.

For: DAEWOO NIGERIA LIMITED



Hyung-Gue Kim

Project Manager