

LEE ENGINEERING AND CONST. CO. LTD.
ENGINEERING • PROCUREMENT • CONSTRUCTION • MAINTENANCE

Solar Turbines
Authorized Representative

Date: 21 May 2020

Our Ref: LEE/W/L/10419/2019/AI-cn
Doc No.: GNC-NG01017640-GBRG1-LT-0068

The Project Manager
Gbaran Nodal Compression Project, NLNG Supplies Project
The Shell Petroleum Development Company of Nigeria Limited
Shell Industrial Area, Old Aba Road
Rumuobiakani, Port Harcourt, Rivers State

Attention: Mr. Shola Omotinugbon

Dear Sir,

PROJECT: Contract No.: NG01017640 EPC for Gbaran Nodal Compression Project (GNCP) and NG01012098 Procurement of Compressor Packages for the GNCP

SUBJECT: COVID-19 – Current Oil Price Impact and Supply Chain Challenge

CONTRACTOR refers to COMPANY's letter, GNC-NG01020709-A-LT-00030 dated 27th April 2020 and the Low Oil Price Negotiation Meeting of 18th May 2020 in respect of the above-mentioned subject.

CONTRACTOR appreciates the opportunity of collaborating together with COMPANY as a team to ensure timely delivery of project. However, CONTRACTOR is unable to offer any Contract price reduction or discount at this time that the COVID-19 pandemic has crippled the global economy and should not be equated to Contract reduction due to low oil price.

As part of Nigeria's effort to curb the spread of Coronavirus ("COVID-19") in the country, the respective state governments imposed varying degrees of restrictions on movement of persons and goods, including public gatherings and markets within their states. The effects of the various restrictions on businesses prompted the Federal Government of Nigeria ("FGN") to introduce fiscal and economic stimulatory measures to ameliorate the impact on businesses but LEE Engineering was not a beneficiary of any palliatives.

Instead, CONTRACTOR has incurred additional costs due to huge personnel wages, for retaining key personnel during the lockdown period and cost of provision of palliatives to host communities; increase in prices of essential commodities in the market including goods, materials, foodstuff, etc. Also, increased HSE expenses to protect personnel from COVID-19 and compliance with other safety measures put in place by Federal and State Governments to fight the spread of the COVID-19 pandemic has a negative impact on CONTRACTORS's resources.

Moreso, upon receipt of your letter, we made frantic efforts to engage our OEMS abroad for possible price reduction due to fall in oil prices of items/equipment being procured from them; but they equally complained of the negative impact the COVID-19 was having on their businesses and respective economies. As a result, the OEMs did not agree to offer any discount on quoted prices. In addition, the items being supplied by OEMS are specialized materials/equipment, which must comply with DEP and MESC specifications, and the OEMs must be TAMAP approved companies thus resulting in higher prices.

Consequently, considering our reasons above CONTRACTOR is not in position to give any discount for The Gbaran Nodal Compression Project (GNCP), Procurement of Compressor Packages for the GNCP and Single Well Opportunity Project. The risks associated with emergence of the COVID-19 pandemic and consequential impact on schedule has exposed CONTRACTOR to spending more on the project than planned.

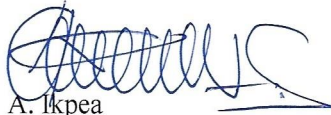
While CONTRACTOR remains committed and fully welcomes the collaboration of both parties to further smoothen project delivery with positive efforts that will eliminate risks and schedule slippage for prompt delivery to the best quality and safety.

We solicit your understanding in this regard.

We remain,

Yours faithfully,

LEE ENGINEERING AND CONST. COMPANY LTD,



A. Ikpea
Project Director

