



Churchill Falls (Labrador) Corporation requests Hydro-Quebec renegotiate Upper Churchill Power Contract

November 30, 2009 - Ed Martin, President of Churchill Falls (Labrador) Corporation (CF(L)Co) and President and CEO of Nalcor Energy, announced today that CF(L)Co has asked Hydro-Quebec to enter into negotiations on the Upper Churchill Power Contract pricing.

“Today I have sent a letter to Mr. Thierry Vandal, President of Hydro-Quebec, requesting that his company renegotiate the pricing terms for the remainder of the 1969 Power Contract between Churchill Falls (Labrador) Corporation and Hydro-Quebec to establish a fair and equitable return to both CF(L)Co and Hydro-Quebec for the future,” said Martin.

The present purchase price under the contract is one-quarter of one cent per kw/hr and the renewal contract fixes the purchase price at one-fifth of one cent for the 25 year period beginning in 2016. This will mean that, for the remaining 32 years of the power contract, Upper Churchill power will be sold to Hydro-Quebec for less than 5 per cent of its recent commercial value. This permits virtually no return to CF(L)Co and its shareholders for the next 32 years.

“After our internal review and assessment of all eminent legal and scholarly advice, we feel the grounds exist to require Hydro-Quebec to renegotiate the pricing terms of the Power Contract under certain provisions of the Quebec Civil Code,” explained Martin. “We believe this situation, as long as it is outstanding, to be unjust and to refuse to renegotiate the pricing terms is inconsistent with the obligation imposed by the law of Quebec to act in good faith in all legal relationships including, more specifically, the negotiation and on-going performance of contracts.”

According to Martin, a legal opinion on this issue was received from the law firm of Irving Mitchell Kalichman of Montreal. That opinion was prepared with the assistance of the Honorable Jean-Louis Baudouin, formerly a judge of the Quebec Court of Appeal and now with the law firm of Fasken Martineau, who was also involved in drafting the Quebec Civil Code, and in consultation with Dr. Pierre-Gabriel Jobin of the McGill University Faculty of Law. As well, an independent legal opinion was received from the Montreal office of the law firm of Stikeman Elliott.

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This legal advice indicates that, in the particular context of the Power Contract between CF(L)Co and Hydro Quebec, circumstances have changed in a way that could not have been reasonably foreseen at the time the contract was initiated. The consequence of these unforeseen circumstances, coupled with the extraordinary length of the contract, has resulted in a gross inequity in the distribution of contractual benefits between Hydro-Quebec and CF(L)Co. This unique situation regarding the Power Contract, combined with the obligation in the Quebec Civil Code to act in good faith throughout the full term of a contract, obliges Hydro-Quebec, upon request, to reopen the contract in order to re-establish the appropriate equilibrium.

CF(L)Co has asked Hydro-Quebec to reply to its request to commence negotiations by January 15, 2010.

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Media Contact:

Leona Barrington

Senior Communications Specialist, Nalcor Energy

t. 709.737.1837 c. 709.693.7398

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