

Kevin Hobbs
Chief Executive Officer
Caledonian Maritime Assets Limited
Municipal Buildings
Fore Street
Port Glasgow
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www.fergusonmarine.com

20 December 2018

Dear Kevin

(1) NEWBUILDCON between Ferguson Marine Engineering Limited ("FMEL") and Caledonian Maritime Assets Limited ("CMAL") dated 16 October 2015, as amended, in relation to FMEL hull no. 801, "GLEN SANNOX"

(2) NEWBUILDCON between FMEL and CMAL dated 16 October 2015, as amended, in relation to FMEL hull no. 802 (together, the "Contracts")

We write in relation to the Contracts and would refer to previous correspondence and discussions regarding our claims for payment of additional costs. You have to date both publicly and privately denied any liability for payment of additional costs due by CMAL to FMEL. That stated position is incorrect. It is absolutely clear that CMAL has caused additional cost through *inter alia*:

1. Changes instructed to the works;
2. Interference in the design process throughout the project; and
3. Delay in providing necessary approvals.

FMEL is entitled to recover those additional costs through the provisions of the Contracts or, alternatively, as damages for breach of contract. In the circumstances we have had no alternative but to prepare a formal claim document setting out the detail of our claims on Hull 801. A copy of that claim document is enclosed and comprises the following volumes:

- Claim Document dated December 2018; and
- Appendices Parts 2, 3 and 4.

You will note that the claim totals **FORTY FOUR MILLION TWO HUNDRED AND THIRTY TWO THOUSAND THREE HUNDRED AND TWENTY ONE POUNDS AND TWENTY TWO PENCE (£44,232,321.22) STERLING** made up as follows:



Delay (prolongation) costs	£12,358,639.33
Disruption costs - outfitting and block fabrication	£15,048,609.90
Disruption costs - design	£617,379.47
Disruption costs - procurement	£1,984,156.99
Disruption costs - other elements of the works	£485,916.09
Variations to the contract (VTC's) agreed in principle by CMAL	£776,410.00
Modifications or changes pending agreement by CMAL	£836,868.72
Claims from subcontractors and suppliers	£3,042,035.12
Other claims	£8,432,305.60
Professional fees	£650,000.00
TOTAL	£44,232,321.22

The claim is based on actual costs incurred up to 31 August 2018 together with forecast costs from 1 September 2018 to 21 June 2019 being the anticipated date of completion for Hull 801. Obviously we reserve all of our rights to make further claims for payment should our forecast costs increase or should any further events occur between now and completion of Hull 801, where such events cause further costs to be incurred and for which CMAL is responsible.

We should be grateful if you could acknowledge safe receipt and we look forward to your proposals for settling the claim. We are obviously happy to discuss the same. Should matters not be resolved within a reasonable timescale then we will have no alternative but to pursue our claims formally given the sums involved.

Please note that in addition to the claim enclosed we are commencing work on a similar claim document in relation to Hull 802. At present we calculate that the claim for Hull 802 will total **SIXTEEN MILLION SEVEN HUNDRED THOUSAND POUNDS (£16,700,000.00) STERLING** made up as follows:

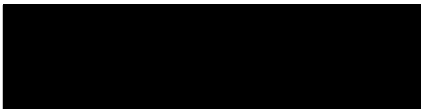
Delay (prolongation) costs	£530,000.00
Disruption costs - outfitting and block fabrication	£11,250,000.00
Disruption costs - procurement	£655,000.00
Disruption costs - other elements of the works	£370,000.00
Variations to the contract (VTC's) agreed in principle by CMAL	£765,000.00
Modifications or changes pending agreement by CMAL	£760,000.00

Claims from subcontractors and suppliers	£1,435,000.00
Other claims	£435,000.00
Professional fees	£500,000.00
TOTAL	£16,700,000.00

The cost of preparation of this document will also be sought from you. In addition these figures again take no account of any further events occurring between now and completion of Hull 802, where such events cause further costs to be incurred and for which CMAL is responsible.

In summary our claims on Hulls 801 and 802 total **SIXTY MILLION NINE HUNDRED AND THIRTY TWO THOUSAND THREE HUNDRED AND TWENTY ONE POUNDS TWENTY TWO PENCE (£60,932,321.22) STERLING**. Please also note that these claims only extend to contractual claims for additional costs incurred. They do not include other extra contractual claims for other matters and in relation to which all rights are reserved. For example any claim arising from representations made to us at the time of contracting in relation to currency exchange risk and how such risk would be dealt with. The loss arising from the currency exchange risk amounts to a further **FOUR MILLION EIGHT HUNDRED AND EIGHTY FOUR THOUSAND NINE HUNDRED AND TWENTY SEVEN POUNDS NINETY TWO PENCE (£4,884,927.92) STERLING**.

Yours sincerely



Gerry Marshall
CEO for an on behalf of Ferguson Marine Engineering Limited