

**EXHIBIT 2**  
**COMPENSATION**



## 1.0 GENERAL

- 1.1 Company shall compensate Contractor for the Work as set forth below, in accordance with the provisions of this Agreement. The total Contract Price for the performance of the Work consists of:
- the total of the fixed lump sum and reimbursable amounts and unit prices (times actual quantities), as listed in Appendix A – Schedule of Price Breakdown (excluding estimates for trades labour and Optional Items);
  - the actual costs of trades labour as defined in the Project Labour Agreement, subject to a cost sharing adjustment as defined in Section 2.3 below, plus overhead and profit at 16.2%. Overhead calculated as a fixed amount at 7.9% of the Target Cost of Trades Labour. Profit calculated as a fixed amount at 8.3% of the Target Cost of Trades Labour.
- 1.2 Subject to any additional compensation pursuant to a Change Order, the lump sum and reimbursable amounts and unit rates stated in the Appendix A - Schedule of Price Breakdown, plus the actual costs of trades labour per the Project Labour Agreement with overhead calculated as a fixed amount and profit calculated as a fixed amount (subject to cost sharing adjustment), and travel allowances (as a pass through expense without mark-up) for trades labour, shall be fully inclusive of all obligations under this Agreement. Costs not specifically identified are deemed to be included in the lump sum amounts and unit rates for the Work. Company does not guarantee a minimum or a maximum amount of Work.
- 1.3 No payment in excess of the Contract Price will be made without a formal Change Order to the Agreement.
- 1.4 Invoices shall be issued by Contractor in accordance with Article 12 of the Agreement, Exhibit 2 – Compensation including Attachment 1- Measurement and Payment, Exhibit 3 – Coordination Procedures, and Exhibit 13 – Provincial Benefits.
- 1.5 The prices in this Exhibit 2 are in Canadian dollars.
- 1.6 The Contract Price as of the Effective Date, based on assumed quantities, is shown on Appendix A - Schedule of Price Breakdown, row A
- 1.7 This Exhibit 2 includes Attachment 1–Measurement and Payment, and Appendices A through to G.
- 1.8 For the purpose of the performance security pursuant to Article 7.3 and insurance pursuant to Article 20.1(a), single lump sum Contract Price is required, and for those purpose only the Contract Price shall be \$286,601,926.00.

## 2.0 TRADES LABOUR COMPENSATION

2.1 Section 2 defines the total compensation for the Reimbursable Cost of Trades Labour, Trades Labour Overhead, Trades Labour Profit, and cost sharing in relation to the cost of trades labour.

### 2.2 Definitions

**“Actual Cost of Trades Labour”** means actual Wages and Benefits paid by Contractor to trades labour to perform the Work; plus the Government Burdens (including the cost of a non-trades document control person off site up to nine months).

**“Adjusted Target Cost of Trades Labour”** means the Target Cost of Trades Labour adjusted for the effect of Change Orders issued by Company after the Effective Date. The Adjusted Target Cost of Trades Labour at any time after the Effective Date is the summation of:

- (a) the Target Cost of Trades Labour, and
- (b) the estimated Wages and Benefits plus Government Burdens related to each Change Order issued to that time (excludes time and material Change Orders).

**“Final Adjusted Target Cost of Trades Labour”** means the Adjusted Target Cost of Trades Labour after inclusion of the effect of all related Change Orders, and adjusted after Final Completion for the actual quantities installed of each unit price item in Appendix A - Schedule of Price Breakdown.

**“Government Burdens”** means the amounts associated with wages and benefits which the Contractor is required to pay to Government for burdens such as: Canada Pension Plan (CPP), Canada Employment Insurance (EI), Newfoundland Health and Post Secondary Education (HAPSET), and Newfoundland Workplace, Health, Safety and Compensation (WHSCC).

**“Labour Cost Difference”** means the absolute value of the Final Adjusted Target Cost of Trades Labour minus the total of the Reimbursable Cost of Trades Labour.

**“Project Labour Agreement”** (or **“PLA”**) means the “Collective Agreement between Muskrat Falls Employers’ Association Inc. and Resource Development Trades Council of Newfoundland and Labrador”. The PLA is included in Exhibit 11 - Company Supplied Documents.

**“Reimbursable Cost of Trades Labour”** means the Actual Cost of Trades Labour including non-union document control person off site for which Contractor is seeking recovery from Company which excludes the cost of labour to satisfy Warranty obligations, any labour costs covered by

insurance, or by an equipment service agreement, labour costs which cannot be reasonably justified from the Contractor's records, and sub-contractor labour costs.

**"Target Cost of Trades Labour"** means Contractor's estimate of the Reimbursable Cost of Trades Labour including non-union document control person for nine months for the performance of the Work as of the Effective Date, being the summation of the lump sums, and the products of the manpower costs per unit and quantities, for all price items of the Trades Labour Component. The lump sums and the unit prices include escalation of the Wages and Benefits based on the PLA in effect until April 30<sup>th</sup>, 2018.

**"Trades Labour Component"** means the amounts listed in Column B in Appendix A - Schedule of Price Breakdown.

**"Trades Labour Overhead"** means the compensation for overhead on the Reimbursable Cost of Trades Labour calculated in accordance with Section 2.5 this Exhibit 2

**"Trades Labour Profit"** means the compensation for profit on the Reimbursable Cost of Trades Labour calculated in accordance with Section 2.5 of this Exhibit 2.

**"Wages and Benefits"** means the wages and benefits paid by Contractor to Contractor's trades labour in accordance with the Project Labour Agreement.

### 2.3 Reimbursable Cost of Trades Labour

As full compensation for the Trades Labour Component, and subject to Sections 2.4 to 2.5 of this Exhibit 2, Company will pay Contractor the total of the Reimbursable Cost of Trades Labour.

Daily time sheets shall be prepared in triplicate by Contractor showing breakdown of hours in accordance with Company's costing system, listing the names, category and hours worked for each member of Contractor's trades labour. These shall be submitted daily to Engineer for checking. One copy of these time sheets, when signed by Engineer, shall be retained by Company. The Contractor's monthly billing for the Labour Component shall be substantiated with copies of these approved time sheets.

Contractor shall keep proper accounts and records, in such form and with such detail as shall be satisfactory to Company. The cost to Contractor of the Wages and Benefits of Contractor's trades labour and such accounts and records shall at all times be open to audit in accordance with Article 16 – Access, Inspection, Testing, Audit. Contractor shall furnish Company or its authorized representative with all such information about the accounts as it or they may require.

Contractor shall submit a cost management plan, as required under Section 6 of Exhibit 3 – Coordination Procedures. The plan shall incorporate the requirements of this Section 2.3 and such other elements that may be required by Company to ensure that costs charged to Company are in accordance with this Agreement and have actually been paid by Contractor.

## 2.4 Target Cost of Trades Labour and Cost Sharing

As of Effective Date, the Target Cost of Trades Labour is \$46,810,389.05

An Adjusted Target Cost of Trades Labour shall be calculated with the issue of each Change Order.

On issuance of the Final Completion Certificate, the Final Adjusted Target Cost of Target Labour shall be calculated.

If the total of the Reimbursable Cost of Trades Labour as of Final Completion is less than the Final Adjusted Target Cost of Trades Labour, Company shall pay Contractor 50% of the Labour Cost Difference. The cost sharing payment shall be paid pursuant to Article 25.9.

If the total of the Reimbursable Cost of Trades Labour as of Final Completion is greater than the Final Adjusted Target Cost of Trades Labour, Contractor shall credit Company 50% of the trades Labour Cost Difference until the Trades Labour Profit amount is exhausted. Company will begin making deductions of the credit owing as soon as the cumulative Reimbursable Cost of Trades Labour exceeds the Adjusted Target Cost of Trades Labour, and a reconciliation of final amount to be credited shall be determined on issuance of the Final Completion Certificate.

## 2.5 Trades Labour Overhead and Profit

Trades Labour Overhead is a fixed amount calculated at seven point nine percent (7.9%) of the Target Cost of Trades Labour and adjusted using the same percentage for any difference between the Final Adjusted Target Cost of Trades Labour and the Target Cost of Trades Labour.

As of Effective Date, the Trades Labour Overhead is \$3,698,020.73, being seven point nine percent (7.9%) of \$46,810,389.05.

Trades Labour Overhead shall be paid monthly at the above percentage calculated using the monthly Reimbursable Cost of Trades Labour.

On Final Completion, total Trades Labour Overhead due under the Agreement shall be calculated as seven point nine percent (7.9%) of the Final Adjusted Target Cost of Trades Labour. Any unpaid amount, or overpayment, shall be included in the computation under Section 2.4 of this Exhibit 2.

Trades Labour Profit is a fixed amount calculated at eight point three percent (8.3%) of the Target Cost of Trades Labour and adjusted using the same percentage for any

difference between the Final Adjusted Target Cost of Trades Labour and the Target Cost of Trades Labour.

As of Effective Date, the Trades Labour Profit is \$3,885,262.29, being eight point three percent (8.3%) of \$46,810,389.05

Trades Labour Profit, calculated as of Effective Date, shall be paid monthly calculated using the above percentage based on the monthly Reimbursable Trades Labour Cost.

On Final Completion, total Trades Labour Profit due under the Agreement shall be calculated as eight point three percent (8.3%) of the Final Adjusted Target Cost of Trades Labour. Any unpaid amount, or overpayment, shall be included in the computation under Section 2.4 of this Exhibit 2.

### **3.0 FIXED LUMP SUM**

- 3.1 The following provisions in this Section 3 apply only to Work completed on a lump sum basis.
- 3.2 The payment items for Work completed on a lump sum basis are stated in Appendix A – Schedule of Price Breakdown of this Exhibit 2. All such payment items are fixed prices and their aggregate total shall form the fixed lump sum price of this Agreement.
- 3.3 Lump sum items stated in Appendix A – Schedule of Price Breakdown shall include all elements necessary to achieve completion of the item, whether specifically identified, or whether inherent in the Work.
- 3.4 Pursuant to Article 12 of the Agreement, payment for each lump sum item shall be made progressively as the Contractor has satisfied the requirements of the payment item and as defined in Attachment 1- Measurement and Payment
- 3.5 If required by the Engineer, the Contractor shall submit to the Engineer, before making its application for payment under this Agreement, an Acceptable schedule of values of the various parts of the Work and totalling the full amount of the fixed lump sum price. Such schedule of values shall be a more detailed breakdown of Appendix A - Schedule of Price Breakdown. Subject to the Articles of Agreement and other provisions in this Exhibit 2, the schedule of values shall be used as a guideline for applications by the Contractor for payment.

### **4.0 UNIT PRICES**

- 4.1 The following provisions in this Section 4 apply only to Work completed on a unit price basis.

- 4.2 Full compensation for unit price Work shall be determined in accordance with the unit prices set forth in Appendix A - Schedule of Price Breakdown of this Exhibit 2 (the "Unit Prices").
- 4.3 Any quantities of units estimated are not guaranteed, and payment shall only be for actual quantities of Work installed. There shall be no adjustment of the Unit Prices due to installed quantity variances unless the variance is greater than 20 % from the estimated quantities. Should the variance exceed 20%, the Parties agree to review the pricing to determine if the price should be adjusted up or down.
- 4.4 Measurement of any Work items paid on a unit price basis shall be undertaken on a monthly basis as defined in Attachment 1- Measurement and Payment- by Contractor and Engineer. Such measurement shall form the basis of all progress and final payments for such Work items
- 4.5 Only Accepted unit price measurements shall form the basis of invoices of Contractor.
- 4.6 Unless otherwise specifically stated, all Unit Prices shall be complete and inclusive of all costs, overhead and profit required for the Work.

## 5.0 COMPENSATION

Pursuant to Article 12.3, Contractor shall invoice each month for the actual cost of trades labour and their actual travel costs per the Project Labour Agreement incurred in that month; for the pro-rated portion of Trades Labour Overhead and Profit; and for the actual progress on the non-labour component for the month. Contractor shall be paid the costs incurred and monthly progress following Approval by Company of a Payment Certificate and in accordance with the provisions of Article 12 – Compensation and Terms of Payment. Payment of the Reimbursable Cost of Trades Labour is subject to the provisions of Sections 2.3 to 2.5 of this Exhibit 2.

## 6.0 REIMBURSABLE WORK (TIME AND MATERIAL)

- 6.1 The following provisions in this Section apply only to Work resulting from a Change Order which has been determined to be completed on a reimbursable basis. Contractor shall obtain prior Approval of Company or Engineer before commencing any such Work. Company will not be responsible for any amounts relating to such Work which have not been so Approved prior to its commencement.
- 6.2 Where applicable, full compensation to Contractor for full and complete performance of any Work performed on a reimbursable basis shall be the sum of the following costs (which include mark-ups for all overheads and profit) exclusive of HST:



- (a) Sum of Contractor's labour rates, as detailed in Appendix C - Personnel Rate Schedule, multiplied by Accepted hours of Work, detailed on Accepted timesheets;
- (b) Sum of Contractor's equipment rates, as detailed in Appendix D - Equipment Rate Schedule, multiplied by Accepted hours of use, detailed on Accepted timesheets; and
- (c) pre-Accepted material expenses, travel and mileage expenses, and third party expenses.

6.3 When Contractor is requested to purchase materials on a reimbursable basis:

- (a) All actual costs to Contractor for materials supplied for incorporation into the permanent facility to which the Work applies (including those costs related to transportation to the Site) shall be at actual invoiced cost to Contractor (exclusive of HST) as substantiated by invoices certified as paid or by such documentation as may be required by Company, plus a mark-up of 7.9%. This Section 6.3(a) does not refer to small tools which cost Contractor less than \$2,000.00 dollars each, or consumables and Personal Protective Equipment. The cost of these items is included in the rates listed in Appendix C – Personnel Rate Schedule.
- (b) To be eligible for reimbursement, invoicing for third party supplied materials shall be fully supported by Billing Information and any other documentation that Engineer may reasonably require.
- (c) Company reserves the right to provide at no cost to Contractor materials, equipment, services, supplies or incidentals required to perform the Work.

6.4 When Contractor is requested to supply equipment on a reimbursable basis:

- (a) All costs of Contractor for Contractor-owned equipment shall be at the rates set forth in Appendix D - Equipment Rate Schedule.
- (b) When Contractor's equipment does not resemble the equipment having rental rates listed in Appendix D - Equipment Rate Schedule, the rate of such equipment shall be determined insofar as it is practical to do so, in accordance with and in the manner provided for in the latest revised edition of the publication of the Government of Newfoundland and Labrador, Department of Works, Services and Transportation, Highway Design Division's Form 1000 entitled "Newfoundland Equipment Rental Schedule" at the time of the Effective Date
- (c) All costs of Contractor, exclusive of HST, for equipment which is rented from third parties and does not resemble the equipment having rental rates listed in Appendix





D - Equipment Rate Schedule - must be Accepted prior to rental and shall be at actual cost, exclusive of HST, to Contractor, including transportation to the Site, as substantiated by invoices certified paid or by such documentation as may be required by Company, plus a mark-up of 7.9%. Contractor shall establish rental rate inclusive of fuel and operating expenses.

- (d) To be eligible for reimbursement, invoicing for third party equipment shall be fully supported by Billing Information and any other documentation that Engineer may reasonably require.
- (e) For reimbursable equipment, Company reserves the right to substitute and provide, at no cost to Contractor, unless Contractor deems the equipment not suitable for the task, equipment to perform the Work. Contractor shall not be allowed to claim for loss of profit and/or any of its own costs resulting from such substitution by Company.

6.5 When Contractor requires third party services to assist with Work being performed on a reimbursable basis:

- (a) Contractor shall secure pre-Acceptance of any third party services that are required for the performance of the Work, and are additional to that which is included in Appendix A - Schedule of Price Breakdown, Unit Prices and lump sum amounts. Company shall reimburse Contractor for the actual, documented and necessary costs (exclusive of HST) of such services.
- (b) All third party services provided by others for performance of the Work which have been previously Accepted shall be at actual cost to Contractor, exclusive of HST, plus a mark-up of 7.9%.
- (c) In no instance shall the third party rates plus mark-up exceed Contractor's rates for similar services.
- (d) To be eligible for reimbursement, invoicing for third party services shall be fully supported by Billing Information and any other documentation that Engineer may reasonably require.

6.6 When Contractor requires labour for Work being performed on a reimbursable basis:

- (a) All costs of Contractor for such labour shall be at the rates set forth in Appendix C - Personnel Rate Schedule, which rates include a mark-up for overhead and profit of 12.9%. Contractor represents that such rates includes such mark-up.
- (b) All costs of Contractor, exclusive of HST, for labour that does not resemble that which is listed in Appendix C - Personnel Rate Schedule - must be Accepted prior to the engagement of such labour and shall be at actual cost, exclusive of HST, to

Contractor, as substantiated by Accepted time sheets or by such documentation as may be required by Company, plus a mark-up of 12.9%.

- (c) To be eligible for reimbursement, invoicing for such labour shall be fully supported by Billing Information and any other documentation that Engineer may reasonably require.

6.7 In relation to Contractor's unionized employees deployed at the Site under this Agreement, any and all costs, exclusive of HST, relating to Contractor provided:

- (a) air transportation;
- (b) travel allowance; and
- (c) board (but only to the extent that accommodations are not available at Site for such employees);

will be compensated in accordance with the applicable labour agreement between Contractor and its employees relating to the Site, shall be a pass through expense without any mark-up for administration, overhead and/or profit. Contractor shall not be compensated for any other items, costs or expenses in relation to Contractor's Personnel.

6.8 For all Work carried out on a reimbursable basis, Contractor shall prepare time sheets for all Personnel, equipment, material and third party services assigned to the performance of the Work which will be provided daily to the Engineer for Acceptance. Copies of time sheets shall accompany all Contractor invoices.

6.9 When Contractor uses materials, equipment and/or services of any of its Affiliates or any Person with which Contractor has a non-arm's length relationship (including but not limited to common ownership, subsidiary, strategic partner or licensee) to undertake reimbursable Work, then the Contractor shall be entitled to charge Company the actual documented base cost of such Affiliate or Person (as the case may be) for such materials, equipment and/or services, subject to the removal of any element of overhead and/or profit, plus a mark-up of 12.9% unless equipment is included in Appendix D-Equipment Rate Schedule.

6.10 For all Work carried out on a reimbursable basis and to be performed by third party suppliers or service providers, Contractor shall solicit a minimum of three bids for material purchases of \$25,000.00 or greater. Contractor shall select the qualified bidder with the lowest bid unless otherwise directed and/or Accepted by Engineer. Contractor's procurement process shall be subject to Acceptance. At Engineer's request, all received bids and bid evaluation information, including Contractor's award recommendation, shall be made available to Engineer prior to award.

## 7.0 CHANGES

Compensation for a Change shall be determined in accordance with the Articles of Agreement, this Exhibit 2 and Exhibit 3 – Coordination Procedures. Rates and prices outlined in Appendices A - Schedule of Price Breakdown (when applicable), C - Personnel Rate Schedule and D - Equipment Rate Schedule of this Exhibit 2 will apply for both increases and decreases in the Work. For the addition of new items to the Schedule of Price breakdown and the resulting Adjusted Target Cost of Trades Labour, the overhead and profit shall be calculated at 16.2%.

Where any Work relating to a Change is performed without agreement between Company and Contractor on a price for such Work:

- (a) the adjustment to the Contract Price shall be in accordance with the provisions of the Articles of this Agreement; and
- (b) for the purpose of Article 14.10(b)(i) and 14.10(b)(ii) of this Agreement, the allowance referenced therein shall consist of:
  - i. for purchased materials: the percentage amount stated in Section 6.3(a);
  - ii. for supplied equipment: the amount included in the rental rates of Appendix D, and the percentage amount stated in Section 6.4(c);
  - iii. for third party services: the percentage amount stated in Section 6.5(b);
  - iv. for labour: the percentage amount stated in Section 6.6(b);

but only if, and to the extent that, purchased materials, supplied equipment, third party services and/or labour are required for such Change Work and Approved by Company.

## 8.0 STANDBY TIME

When the Work is suspended pursuant to Article 27.1 or Company requires Contractor to standby pursuant to Article 28.7 and, after Contractor's best efforts to mitigate any resulting expenses, it is necessary to retain equipment and /or labour in the Work area at Site for extended periods, as Approved by Company, the following provisions shall apply:

- (a) Company will pay Contractor for equipment standby time as follows:
  - 1. for equipment, other than rented equipment and operated rented equipment, at fifty percent (50%) of the applicable rate stated in Appendix D - Equipment Rate Schedule; and

2. for rented equipment and operated rented equipment at one hundred percent (100%) of the lessor's invoice price.
- (b) Company will pay for labour standby time at the rates in Appendix C – Personnel Rate Schedule.
  - (c) For all standby time Approved by Company, Contractor shall prepare daily time sheets for all labour and equipment assigned to the performance of the Work, which will be reviewed, and if Accepted, signed by the Engineer. Copies of time sheets shall accompany all Contractor invoices.
  - (d) Payment for all such standby will be limited to not more than eight hours in a twenty-four hour day or forty hours in a week.

Notwithstanding the above, no compensation will be allowed for equipment that is inoperable due to breakdown, unavailability or the like. No payment will be allowed for equipment that is not operating because the Work has been delayed or suspended by Contractor for its own reasons.

## 9.0 MONTHLY PAYMENT FORECAST SCHEDULE

Appendix B - Monthly Payment Forecast Schedule - of this Exhibit 2 includes the Monthly Payment Forecast Schedule provided by Contractor. Company will pay the Contractor monthly for actual progress achieved which shall be accompanied by all relevant supporting documentation as Company or Engineer may require to verify such progress.

## 10.0 PROJECT LABOUR AGREEMENT

This Agreement is based on Newfoundland and Labrador Regulation 67/13 – a Special Project order under the Labour Relations Act of Newfoundland and Labrador - and the associated Project Labour Agreement which has been negotiated for the Lower Churchill Project.

The Contractor shall be bound to the terms of the PLA for the duration of its Work, become a member of the applicable Project Employers' Association and name at least one (1) staff person to be responsible for daily labour relations matters at the Site. Prior to working at Site, all Contractor's Personnel will be required to attend an LCP Site orientation session that includes: health, safety and environment obligations; human resources policies, including respectful workplace, cultural sensitivity, gender equity and diversity; and labour relations, including PLA overview, Site standards, corrective action and dispute resolution.

**11.0 TRAVEL COSTS**

11.1 Travel Allowances - Trades Labour: Company shall pay the actual travel allowances /air transportation of the Contractor's trades labour covered by the Project Labour Agreement and working at Site. All such travel allowances/air transportation shall be strictly in accordance with the stipulations of the Project Labour Agreement. Arrangements for air transportation shall be made at least two weeks in advance. Company acknowledges that there may be on occasion events or circumstances requiring unscheduled trades labour employees to leave site. These costs are pass through expense and Company shall not pay any mark-up, of any kind, on the travel allowances/cost of air transportation. Travel time is not reimbursable per the Project Labour Agreement

11.2 Contractor's Personnel Not Covered by the Collective Agreement: For all Contractor's Personnel, working at Site and not covered by the Project Labour Agreement, including managers and staff:

- travel costs, including any travel time, to mobilize on commencement of the Work and to demobilize on completion of the Work are included in the lump sums for mobilization and demobilization in Appendix A - Schedule of Price Breakdown;
- travel costs for rotational leave during the execution of the Work are included in Appendix A - Schedule of Price Breakdown under Price Item 3 "Management, Staff, Employees And Consultants".

**12.0 ESCALATION OF FUEL, CEMENT AND FLYASH****12.1 Fuel Escalation**

Contract Price includes fuel at **\$0.90 litre** for diesel and gasoline (price includes PMT and FET, but excludes HST taxes) which shall be subject to the following price adjustment provision.

**12.1(a) Escalation of Cost of Fuel**

Escalation for fuel shall be calculated using the following formula.

$$EL_F = [H - (h \times P_b)]$$

Where:

$EL_F$  = Escalation for fuel, calculated for the particular Escalation Period.

H = Actual cost of the fuel purchased at the fuel station at Company's laydown area during the particular Escalation Period.

h = actual number of litres of fuel purchased at the fuel station during the particular Escalation Period.

$P_b$  = Base Index Number for fuel = \$ 0.90/litre.

Escalation Period = each fiscal calendar quarter.

#### 12.1(b) Payment of Quarterly Escalation

Escalation ( $EL_F$ ), whether an increase or a decrease, for a given Escalation Period shall be a debit or credit invoiced in the second month following the end of the Escalation Period.

#### 12.2 Cement and Flyash Escalation & Quantity Variation

Contract Price includes for each of cement and flyash at \$380.00 per tonne delivered to the Site. The Contract Price shall be adjusted up or down on a dollar for dollar basis without mark-up based on variations in the assumed quantities and pricing.

Contractor has assumed 135 kilograms of flyash per Cubic Meter of RCC, which shall be the basis for additions or reductions in actual quantities.

Contractor has assumed 70 kilograms of cement per Cubic Meter of RCC, which shall be the basis for additions or reductions in actual quantities.

Price escalation for cement and flyash shall be calculated using the following formula:

$A = \text{NoT} (SP - \$380/\text{tonne})$

Where:

A = price adjustment in dollars (one for each of cement and for flyash)

NoT = number of tonnes purchased

SP = supplier's price per tonne

#### 12.2(a) Payment of Quarterly Price Escalation

Contractor shall calculate the price adjustment, for cement and flyash, up or down at the end of each fiscal calendar quarter (Escalation Period), based on the actual price paid and actual quantities delivered to Site. Contractor shall issue a debit or credit invoice in the second month following the end of the Escalation Period.

#### 12.2(b) Payment of Quantity Adjustment

Contractor shall calculate the price adjustment, for cement and flyash quantity adjustment, up or down after the RCC mix design has finalized and agreed between the parties. Contractor shall issue a debit or credit invoice on a monthly basis based on the quantities of RCC placed.

#### 13.0 OPTIONAL PRICES

Appendix A - Schedule of Price Breakdown includes a number of optional prices which are excluded from the Contract Price. These optional prices can only be exercised by the Company via a Change Order to the Agreement.

In the event that Company requires (elects) jet grouting option, which adversely impacts Contractor's execution schedule, Contractor shall submit a Change Request seeking an extension of time and associated recovery of Indirect Costs.

#### 14.0 DELAYED RIVER DIVERSION OPTION

Company shall have the option to delay the river diversion from 2016 to 2017 and may exercise this option by giving Notice thereof on or before December 31, 2015.

Contractor's option price, as set out in Exhibit 15 - River Diversion Option, for a 2017 river diversion is valid provided the Company notifies the Contractor to delay the river diversion from 2016 to 2017 on or before December 31, 2015.

If Company exercises its option to delay the river diversion from 2016 to 2017, it shall issue a Change Order which shall include a statement that:

- (a) the schedule of price breakdown containing Contractor's option price set out in Exhibit 15 – River Diversion Option shall replace Appendix A – Schedule of Price Breakdown for all purposes in this Agreement;
- (b) the monthly payment forecast schedule set out in Exhibit 15 – River Diversion Option shall replace Appendix B – Monthly Payment Forecast Schedule for all purposes in this Agreement; and
- (c) the schedule of milestones applicable for a 2017 river diversion set out in Exhibit 15 – River Diversion Option shall replace Exhibit 9 – Schedule for all purposes in this Agreement.