

April 22nd, 2016

AH-Letter-PM-158

Muskrat Falls Corporation  
Lower Churchill Project Muskrat Falls Corporation  
350 Torbay Road Plaza, Suite No. 2  
St. John's, NL, A1A 4E1

**Attention:** Scott O'Brien – Project Manager, Muskrat Falls Generation

**Subject:** CH0032-001: Supply and Install Powerhouse and Spillway Hydro-Mechanical Equipment

**Re:** Bay 1 SRG and S1 Concreting Activities

**Ref:** Company's letter LTR-CH0032001-0328 dated April 13, 2016

Dear Mr. O'Brien,

We refer to Company's letter referenced above pursuant to which Company, among other things, asserts that Andritz Hydro ("Contractor") is not proceeding, pursuant to Article 24.2 of the Agreement, with due diligence to progress and complete the Works in accordance with "the current Schedule from Contractor dated 18-Mar-2016". Company's assertion is unsupported under the Agreement.

Company is reminded that CHO 010 does not create any new Milestone to the Milestone Schedule set out in Exhibit 9 to the Agreement. Company is not entitled to make any instructions on the basis of Article 24.2 relating to any project schedule other than the Milestone Schedule. Consequently, Company's instruction to Contractor to provide mitigating measures is without contractual foundation.

In addition to the above, all contingencies, delays, standby time and lost time and other non-billable activities resulting from any action or omission of any Party are the sole and exclusive liability of Company. As maintained by Contractor since Company issued CHO 010, and as more recently reiterated in Contractor's Notice of Dispute in letter AH-Letter-PM-163, the acceleration directive set forth in CHO-010 is a Time and Materials Change Order for which Contractor is entitled to be paid on a cost reimbursable basis. When using this method to direct work, all associated risks and liabilities of such work become the Company's responsibility.

In accordance with CHO 010, Contractor is exercising due diligence in accelerating the Work towards Company's target river diversion date of June 15, 2016. In view of the fact that Contractor has incurred and continues to undertake material expenditures to implement diligently such acceleration, Contractor requests Company to confirm to Contractor in writing no later than April 26, 2016 that Contractor should continue its efforts to implement the acceleration program, as directed by Company pursuant to CHO 010.

Yours Truly,



**Bill Mavromatis**  
**Project Manager**  
**Andritz Hydro Canada Inc.**

**CC:** Frank Gillespie, LCP Deputy Company Representative/Area Manager  
Bruce Drover, LCP Package Leader - Hydro Mechanical Equipment  
Line Tremblay, LCP Senior Contract Administrator  
Nicole Hu – AH Commercial Manager  
Jean Rochon – AH Large Hydro Manager Operations  
Daniel Carrier – AH Vice President  
Tim Ryan – AH President  
Veronica O'Brien – AH Regional General Counsel - North America