

YUKON
ENERGY



**YUKON ENERGY
CORPORATION**
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September 28, 2010

Mr. Bruce McLennan, Chair
Yukon Utilities Board
Box 31728
Whitehorse, YT Y1A 6L3

Dear Mr. McLennan:

Re: Requested Approvals Related to Alexco Power Purchase Agreement

Yukon Energy ("YEC") is seeking an Order from the Yukon Utilities Board ("YUB" or "the Board") for required approvals related to the implementation of the Power Purchase Agreement ("PPA") that Yukon Energy has recently concluded with Alexco Resource Corp ("Alexco"). The PPA is provided as Attachment A to this correspondence (capitalized terms in this correspondence are as defined in the PPA).

Background

Alexco is currently a general service customer of YEC on the Mayo Dawson grid, purchasing power in the Keno Hill area to carry out exploration, bulk sampling and other mine development activities as well as management and reclamation activities of the Keno Hill District assets of the former United Keno Hill Mine Corporation.

Alexco intends to develop Mines and Mills (collectively referred to as Mine Facilities) in the Mayo-Keno area as described in Figure C-1, Schedule C of the PPA (the District). Alexco is currently developing the Initial Mine Facilities with the intent in 2010 of commencing milling operations at the Initial Mill Site and mining operations at the Initial Mine Site as defined in the PPA, and is expected to commence service as a Major Industrial Customer (as defined in OIC 1995/90¹) in October 2010. The Initial Mill Site is expected to be connected to the Transmission Facilities next week through the Initial Mine Facilities Spur that YEC has developed. The Initial Mine Site is already connected to the Transmission Facilities through facilities owned and operated by Alexco.

¹ OIC 1995/90 defines a major industrial customer as "a customer engaged in manufacturing, processing or mining, whose peak demand for electricity exceeds 1 MW, but it down not include an isolated industrial customer".

The PPA sets out each Party's rights and obligations with respect to the sale of Grid Electricity by YEC to Alexco for Mine Facilities in the District. This includes provisions related to the payment by Alexco of:

1. YEC's reasonably incurred costs and expenses (the "Capital Costs"):
 - a. To design, engineer, construct and commission a 1.65 km transmission line ("the Initial Mine Facilities Spur") to connect YEC's 69 kV Mayo-Keno Transmission Facilities (the Transmission Facilities") to the Alexco Initial Mill Site; and
 - b. To negotiate and conclude the PPA.
2. The costs to be incurred by YEC to remove such facilities after the Mine Facilities Shutdown Date ("the Decommissioning Costs").

Commercial operation of the Initial Mine Facilities pursuant to the PPA is currently projected to begin in mid-October². At the Commercial Operation Date Yukon Energy will supply power to Alexco under the approved and final Industrial Firm Rate Schedule 39 (Rate Schedule 39³) which fixes industrial rates for demand and energy. Under the PPA, Alexco also agrees to pay Capital Costs and Decommissioning Cost for any additional Mine Facilities Spurs YEC agrees to develop to serve Mine Facilities in the future.

The charges and capital cost contributions to be paid by Alexco pursuant to the PPA are consistent with the principles included in the Minto PPA as approved by the Board and as outlined in Tab 5 of the Yukon Energy and Yukon Electrical 2009 Phase II Rate Application.

Requested Approvals

The PPA provides in section 3.1 that YEC will file an application seeking Board approval for a Fixed Charge⁴ of \$7,289 per month for service as permitted by Rate Schedule 39.

In this application YEC also seeks confirmation that the following are approved by the Board:

- The customer contribution for all of the Capital Costs (a) for the Initial Mine Facilities Spur and (b) to negotiate and conclude the PPA, as well as the Capital Costs for any other Mine Facilities Spurs that YEC agrees to develop in the future; and
- The customer obligation to pay for future Decommissioning Costs for the Mine Facilities Spurs.

Each of the above matters is addressed separately below.

² The current estimate of commissioning of Alexco's Initial Mine Facilities is mid-September to early October 2010, with actual commercial operation of the Initial Mine Facilities in mid-October 2010 (as described in section 3.3 of the PPA).

³ Rate Schedule 39 is set by OIC 2007/94 until January 1, 2013, and, pursuant to the OIC, the Board must ensure that rates charged to Major Industrial Customers (until December 31, 2012) conform to the Rate Schedule 39 attached to OIC 2007/94 as Schedule A. Board Order 2008-13 approved the rate as required.

⁴ OIC 2007/94 provides that the Fixed Charge included in Rate Schedule 39 is to be adjusted to provide for fixed monthly charges as set out in any Power Purchase Agreement, or amendments thereto, between a Major Industrial Customer and either Yukon Energy Corporation or the Yukon Electrical Company Limited, as approved by the Board.

Section 6.1 of the PPA also provides as follows:

If permitted by the ESRs or YUB, the Electric Demand and Electric Energy at the Points of Delivery will be totaled and only one bill will be issued for such Points of Delivery.

Tab 5 of the Yukon Energy and Yukon Electrical 2009 Phase II Rate Application sets out proposed adjusted Terms and Conditions of Service wherein section 7.7 would allow such totalized metering where (as in this PPA) it is specified in a contract. YEC notes that under the current ESRs, section 4.7 would not permit totalized metering in this instance as the Points of Delivery are not located within a radius of a half a mile of each other – and therefore, until such time as the current ESRs are modified to so permit this totalized metering, YUB approval is being sought to proceed with the above provision of section 6.1 of the PPA.

Fixed Charge for service to Alexco mine and mill sites as permitted by Rate Schedule 39

The Alexco Fixed Charge for which YUB approval is being sought is as follows (defined in Schedule A of the PPA, to be added to Rate Schedule 39 as approved in Board Order 2008-13 – see Attachment C for the requested amended Rate Schedule 39 that includes this provision for both the Alexco and Minto facilities):

For Services to Alexco mine and mill sites, the Fixed Charge each month will equal \$7,289 as required under the Power Purchase Agreement (the “PPA”) dated September 1, 2010 between YEC and Alexco Resource Corp. (“Alexco”) for existing transmission connection to the mine and mill sites.

Based on past Yukon precedent industrial customers are required to make contributions towards existing and new transmission infrastructure built specifically to provide industrial service to their mine site⁵. In this regard, when dealing with established transmission facilities, these customers are to be assigned annual depreciation and return costs related to such transmission facilities.

In the case of this PPA, the existing Transmission Facilities, i.e., the 69 kV Mayo-Keno transmission line located north of Mayo, were initially built and maintained to provide service to the UKHM mine site. YEC continued to incur capital-related costs for this line after the UKHM mine closed based on the assumption that such costs would be directly assigned to any new mine to receive service in the future from that transmission line.⁶ In YEC’s view, the Fixed Charge set out in Schedule A of the Alexco PPA reflects a fair allocation of costs relating to the Transmission Facilities to be paid by Alexco due to the fact that the Transmission Facilities were maintained in service through the intervening years to serve future industrial

⁵ The Yukon Energy and Yukon Electrical 2009 Phase II Application (Tab 5, Section 5.3.5) summarizes the principles applied in Yukon related to investment in facilities required to provide service to industrial customers.

⁶ This issue was specifically discussed during the 1992 Capital Hearing. At that time the Mayo-Elsa-Keno transmission line was identified as at end of life and urgently needed to be rebuilt or abandoned. The rebuild costs were estimated at \$1.5 to \$2.0 million but expenditure could not be justified due to the closure of UKHM. YEC decided to proceed with repairs at that time absent an agreement from UKHM towards a customer contribution (a modest expenditure of \$333,000), with the remaining work to be completed prior to reopening of the UKHM mine. YEC noted to the Board during the Capital Hearing that details regarding costs of line repairs would be coordinated with whoever the future management of the UKHM might be prior to the mine reopening.

customers⁷. The Fixed Charge to be applied to Alexco will ensure that the mine pays its share of the capital-related costs incurred for the Transmission Facilities.

The PPA Fixed Charge of \$7,289/month (\$87,468 per annum) assigns to Alexco 85% of YEC 2010 annual owner costs (depreciation and return) related to the defined Transmission Facilities primarily developed in the past to serve industrial customers in the District (i.e. UKHM). YEC's annual owner costs for the Transmission Facilities for 2010 are derived in Attachment B at \$102,900 (\$8,575 per month). The 85% share of this monthly cost is assigned directly to Alexco as a Fixed Charge based on the following considerations:

- Alexco share of forecast load going through Transmission Facilities approximates 98% (the approximate annual Keno retail load absent mine related activities is estimated at approximately 0.3 GW.h; in contrast, the PPA section 4.1 Alexco industrial customer load ranges from 11.8 to 13.4 GW.h/yr).
- The proposed 85% share as agreed in the PPA is based on NEB 1985 NCPC Report finding re: Faro mine which the YUB subsequently retained to set the fixed charge for the Faro Mine under Rate Schedule 39.
 - Allocating 85% of annual costs of the line to the industrial customer is considered reasonable based on similar treatment of Faro Mine in the past. When the Faro mine was operating, it was directly assigned as a fixed charge 85% of the annual depreciation and return costs related to the Whitehorse-Faro transmission line on the basis that these facilities were primarily developed to serve that industrial customer. The 85% direct cost allocation was considered to reasonably reflect the mine's share of load on the line (approximately 96.8%). The remaining 15% was rolled into pooled costs to be paid by all customer classes in the Yukon Hydro zone (including industrials) based on their respective demands⁸.
 - Alexco's share of the load on the Mayo-Keno line is approximately 98% - based on the precedent for the Faro mine the 85% allocation of costs of the line, with Alexco also paying its share of the pooled costs is deemed to be reasonable.

⁷ Each time that a Major Industrial Customer proposes to commence for the first time to receive Grid Electricity from the Transmission Facilities as defined in the PPA, the Alexco PPA (section 6.7) requires YEC to determine on a reasonable basis a proposed amended Fixed Charge applicable to Alexco reflecting an allocation of costs relating to the Transmission Facilities among the new Major Industrial Customers, Alexco and all other Major Industrial Customers receiving Grid Electricity from the Transmission Facilities.

⁸ The 1985 NEB Report on NCPC notes the Cyprus Anvil Mine at Faro was charged a fixed annual amount, levied on monthly basis, for the same capital cost item (depreciation and return) for 85% of these costs related to the WAF transmission line from Whitehorse to Faro. This charge was based on the circumstances surrounding the construction of the lines where it was built as instructed as a consequence of an agreement between the mine and Canada to build a mining facility at Faro. The 85% allocation as approved reflected the mines' share of the load on this line (about 96.8%) and that the remaining 15% would be rolled in with the pooled costs in Yukon hydro rate zone to be allocated to all customer classes (including industrial) based on their respective demands.

Customer Contribution for Capital Costs

Under the Alexco PPA Capital Costs are to be paid by Alexco for all Mine Facilities Spurs that YEC agrees to develop to provide grid service to the Mine Facilities as well as for YEC's costs to negotiate and conclude the PPA (and such costs are to be fully paid shortly after Commencement of Delivery to the relevant Mine Facilities).

The payment of Capital Costs by Alexco for Mine Facilities Spurs applies the following principles reviewed and accepted by the Board in Order 2007-5 regarding the Minto PPA⁹, and as set out in Tab 5 of the 2009 Phase II Rate Application:

- **Industrial customer to make 100% contribution towards any spur line** – When only one customer is planned to be served by specific transmission facilities, that one customer generally should pay the full actual cost of the facilities so required¹⁰. This reflects the fact that these specific transmission facilities were built to serve a single customer and are generally expected to be decommissioned and removed after the mine closes. Under the Alexco PPA, Alexco has agreed to pay the Capital Costs for any Mine Facilities Spurs that YEC develops as required to provide service from the grid to the Initial Mine Facilities and for any other mine facilities that YEC may agree to connect in the future.
- **Industrial customer to make contribution towards appropriate share of new bulk transmission** – The Capital Cost Contribution required from Minto towards the Stage One Carmacks Stewart Transmission Project pursuant to the Minto PPA (and anticipated to be expected from other mines) was negotiated directly with the customer and not based on the maximum utility investment as set out in Schedule B of the then-current ESRs. The contribution to capital costs applied to Minto under the Minto PPA (that would be applied to other industrial customers connecting to the Carmacks-Stewart Transmission Project (CSTP) per the approved Minto PPA) is based on the segment and voltage level of that transmission line that each new industrial customer would require to receive Electricity in the absence of the Transmission Project. In the case of Alexco, however, no new bulk transmission is required to be developed and the relevant transmission facilities being utilized is the established Mayo-Keno line and not the new CSTP.

Under the Agreement, Alexco is responsible for payment of the Alexco Power Bill, Capital Cost, Decommissioning Costs or other amounts payable under the Agreement regardless of whether an invoice is rendered within the time period set out in the Agreement.

⁹ In Directive 9 of Order 2007-5 the Board noted it was satisfied with the quantum of the contribution paid by Minto to the CSTP as it exceeds the contribution level based on the then approved ESR Maximum Utility Investment (MUI) model. Further, the Board noted, "that Minto will be responsible for 100% of the costs of the Mine Spur further supports this position. The Board accepts all the points brought forward by YEC in response to YUB-YEC-1-7." At page 14 of the Order the Board specifically notes, "based on YEC response to YUB-YEC-1-7, the Board is persuaded that the approach used to calculate the portion of the CSTP that is funded by Minto is appropriate". The method is described as follows: "in the context of the above ESR terms and conditions, the PPA in effect assigns Minto 100% of the estimated costs of the facilities needed to be constructed to serve the Mine in the event that all such facilities were to be built solely to serve the Mine at 35 kV from Carmacks to the Mine, i.e., YEC is not proposing any utility investment to be planned towards the expected costs for such an extension."

¹⁰ E.g., Minto Mine paid the full cost of its Mine Spur contribution.

The following provisions of the PPA relate to the determination and payments of the Capital Costs under the Alexco PPA:

- **Definition of Costs to be Paid by Alexco [section 1.1(j)]** - Capital Costs to be paid by Alexco include all of YEC's reasonably incurred costs and expenses for the design, engineering, procurement, construction, and commissioning of the Mine Facilities Spurs, as well as YEC's costs and expenses reasonably incurred to negotiate and conclude the PPA with Alexco.
- **Quantum of Costs to be Paid by Alexco for Initial Mine Facilities Spurs [section 1.1(j) and Part 5, section 5.1(a)]** - At the date of the Agreement, the YEC estimate for the Capital Costs for the Initial Mine Spurs is \$330,000, and the YEC estimate for the Capital Costs to negotiate and conclude the PPA with Alexco is \$100,000. Alexco will be responsible for the total Capital Costs regardless of whether such costs exceed the estimates provided at the time the Agreement was executed (section 6.3).
- **Schedule of Payment of Capital Costs by Alexco [Part 5, section 5.1(a), (b), (c) and (d)]** - Alexco has agreed to pay (within 15 days of receipt of invoice) the Capital Costs as invoiced by YEC. These amounts are to be paid based on the following invoice timing provisions:
 - **Section 5.1(a)** - The first YEC invoice for 50% of the estimated Capital Costs (as set out in this section) relating to the Initial Mine Facilities Spurs and negotiation of the PPA is to be provided within 30 days of execution and delivery of the Agreement;
 - **Section 5.1(b)** - The second and final YEC invoice for Capital Costs for the Initial Mine Facilities Spurs is to be provided by YEC to Alexco within 30 days of YEC's notice that the Initial Mine Facilities Spurs are commissioned and available to provide Grid Electricity to the Initial Mine Facilities pursuant to the Agreement;
 - **Section 5.1(c)** – YEC will invoice Alexco for the Capital Costs related to negotiation and conclusion of the PPA that exceed the related amount invoiced under section 5.1(a), as and when such costs are incurred and invoiced to or paid by YEC; and
 - **Section 5.1(d)** - Pursuant to section 5.1(d), in circumstances where the final actual Capital Costs for the Initial Mine Facilities Spurs or for negotiation and conclusion of the Agreement are less than the amount invoiced under 5.1(a), YEC will set the difference off against any other amount owed by Alexco to YEC under the PPA or refund the difference.
- **Development of future Mine Facilities Spurs [Section 4.5 and Part 5, section 5.2]** - Alexco agrees to pay to YEC the Capital Costs for any subsequent Mine Facilities Spurs that YEC agrees to develop¹¹ (as provided in Section 4.5). This includes provision for payment of 50% of

¹¹ Section 4.5 of the PPA provides that if Alexco requires an increase to its Maximum Electric Demand, or requires a New Point of Delivery for a new Mine Facility or if it wishes to add an Affiliate, that Affiliate's Point of Delivery and Electric Demand as a Party to the Agreement, it will provide such written information and documentation to YEC as it may reasonably require and YEC will determine whether or not the Transmission Facilities and YECL's other facilities have the ability to supply and maintain that increased Electric Demand, Points of Delivery or Affiliates and what if any new Mine Facilities Spurs or other facilities and related new Capital Costs are estimated to be required, potential requirement for an increase in the Mine Firm Rate related to such increase and potential new Decommissioning Costs provisions required for the Mine Facilities Spurs. If YEC and Alexco are unable to come to an agreement then no increase in Maximum Electric Demand, addition of Point of Delivery or addition of Affiliates will occur.

YEC's estimated costs for such facilities prior to YEC ordering equipment for, or construction of such new Mine Facilities Spurs. The balance of such Capital Costs will be paid by Alexco to YEC within 30 days of notice by YEC that such Mine Facilities Spurs are commissioned and available to receive Grid Electricity to provide to Alexco.

Negotiation of a PPA with an industrial customer whereby the customer agrees to pay the full costs of the spur line dedicated solely to provide service to that site (as well as the full costs to negotiate and conclude the Agreement) provides the necessary assurance and protection for ratepayers that any cost risks related to these specific transmission facilities will not be shouldered by ratepayers in the future.

Payments for future Decommissioning Costs for the Mine Facilities Spurs

Pursuant to Part 11 of the Alexco PPA, Alexco will be responsible for all Decommissioning Costs¹² incurred by YEC. Decommissioning Costs to be fully paid by Alexco include the following costs defined in section 1.1(o) of the PPA:

All decommissioning and other costs to be incurred by YEC and agreed to be recovered from Alexco (including without limitation, costs to take down and remove facilities and costs to restore any property under applicable law, less credits for recovery sales of any materials removed and sold) reasonably required to remove such parts of the Mine Facilities Spurs to be decommissioned after a Mine Facilities Shut Down Date as YEC at that time may require to be decommissioned.

Similar to the provisions approved in the Minto PPA¹³, the Alexco PPA provides for YEC to establish an Accrued Decommissioning Fund account. Alexco will make Decommissioning Cost Payments (based on the Estimated Decommissioning Costs) towards this account to be deposited into the account by YEC upon payment and invested at 6.5% interest per annum to fund YEC's regulated rate base during the Term under Part 11. The Estimated Decommissioning Costs to be paid to YEC by Alexco and invested by YEC will for any Mine Facilities Spur (or part thereof) be an amount equal to 25% of the Capital Costs incurred by YEC for that Mine Facilities Spur (or part thereof) [see section 1.1(x)].

Payment of the Decommissioning Costs as provided in Part 11 of the Alexco PPA follows the same model for determining and accounting for decommissioning costs developed under the Minto PPA that was previously reviewed and approved by the YUB in Order 2007-5 (Directive 16). Accordingly, it is submitted that these costs are reasonable and appropriate as applied to Alexco, and that the PPA also provides reasonably for recovery of these costs from Alexco.

Overall, subject to the different circumstance and requirements for Alexco Mine Facilities as compared with the Minto Mine, the attached Alexco PPA's provisions are consistent with the principles as approved by the Board with regard to the Minto PPA.

¹² Per the definition of Decommissioning Costs this includes costs to take down and remove facilities and costs to restore any property under applicable law, less credits for recovery sales of any materials removed and sold.

¹³ With respect to Minto, the Board in Order 2007-5 (at page 21) determined the establishment and use of the Minto Accrued Decommissioning Fund to be an acceptable method to provide for these future salvage costs, and noted that the liability of each party is clearly set out in the final reconciliation. With regard to the quantum of decommissioning costs, the Board accepted 25 percent of estimated capital costs as reasonable since it was based on a prior depreciation study that set salvage costs.

If you have any questions regarding the above please call.

Yours truly,

YUKON ENERGY CORPORATION

A handwritten signature in black ink, appearing to read 'Ed Mollard', written in a cursive style.

Ed Mollard
Chief Financial Officer

cc: David E. Whittle, CA
Chief Financial Officer
Alexco Resource Corporation

ATTACHMENT A – ALEXCO PPA

POWER PURCHASE AGREEMENT
BETWEEN
YUKON ENERGY CORPORATION
AND
ALEXCO KENO HILL MINING CORP.
AND
ELSA RECLAMATION & DEVELOPMENT COMPANY
AND
ALEXCO RESOURCE CORP.
DATED
SEPTEMBER 1, 2010

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POWER PURCHASE AGREEMENT

This Agreement dated September 1, 2010 is:

Between:

YUKON ENERGY CORPORATION, a Yukon Territory corporation, having an office at P.O. Box 5920, #2 Miles Canyon Road, Whitehorse, Yukon Territory, Y1A 6S7

(“YEC”)

and:

ALEXCO KENO HILL MINING CORP., a British Columbia corporation, having an office at 1150 - 200 Granville Street, Vancouver, British Columbia, V6C 1S4

(“AKHM”)

and:

ELSA RECLAMATION & DEVELOPMENT COMPANY LTD., a Yukon Territory corporation, having an office at 1150 - 200 Granville Street, Vancouver, British Columbia, V6C 1S4

(“ERDC”)

and:

ALEXCO RESOURCE CORP., a British Columbia corporation, extra-provincially registered in the Yukon Territory, having an office at 1150 - 200 Granville Street, Vancouver, British Columbia, V6C 1S4

(“AXR”)

Background:

A. AKHM and ERDC are each wholly owned subsidiaries of AXR, and AXR, AKHM, and ERDC are therefore Affiliates of each other.

B. Alexco is developing the Initial Mine Facilities with the intent of commencing milling operations at the Initial Mill Site and mining operations at the Initial Mine Site in 2010, and of developing other Mines and Mills in the District in the future;

C. YEC has agreed to sell to Alexco and Alexco has agreed to purchase from YEC Grid Electricity required by Alexco to operate the Mine Facilities in the District; and

D. The Parties have agreed to enter into this Agreement to set out their respective rights and obligations with respect to the sale and purchase of Grid Electricity by YEC to Alexco for Mine Facilities in the District.

Agreements:

The Parties agree:

PART 1
DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

- (a) **“Accrued Decommissioning Fund”** means a separate account to be set up by YEC under Part 11;
- (b) **“Accrued Decommissioning Fund Amount”** means the amount standing to the credit of the Accrued Decommissioning Fund from time to time;
- (c) **“Act”** has the meaning in Section 7.1;
- (d) **“Affiliate”** has the meaning set out in the *Business Corporations Act* (Yukon Territory);
- (e) **“Alexco”** refers collectively to AXR, AKHM, ERDC, and all Alexco Affiliates who become a Party to this Agreement under Section 4.5;
- (f) **“Alexco Forecasts”** has the meaning in Section 4.2;
- (g) **“Alexco Power Bill”** means the monthly bill sent by YEC to Alexco under Section 6.1;
- (h) **“ampere”** means a unit of measurement of electric current, which is the rate that electrons flow in a wire (one ampere is 6.023×10^{23} electrons per second);
- (i) **“Business Day”** means any day which is not a Saturday, Sunday, or a statutory holiday in the Yukon Territory or the Province of British Columbia;
- (j) **“Capital Cost”** means all of YEC’s reasonably incurred costs and expenses incurred in the design, engineering, procurement, construction, and commissioning of the Mine Facilities Spurs and YEC’s costs and expenses reasonably incurred to negotiate and conclude this Agreement;

- (k) **“Commencement of Delivery”** means, for any Mine Facility, the later of:
 - (i) the Mine Facilities Operation Date; and
 - (ii) if delivery of Grid Electricity by YEC at the Point of Delivery for that Mine Facility has not yet commenced, the date on which YEC provides written notice to Alexco that, in the reasonable opinion of YEC, the Mine Facilities Spurs for that Mine Facility are commissioned and are available for YEC to provide Grid Electricity to that Mine Facility from the Transmission Facilities and the Mine Facilities Spurs;

- (l) **“Commercial Operation Cessation Date”** means the date on which:
 - (i) a Mine Facilities Shut Down Date has occurred for all Mine Facilities; or
 - (ii) Alexco no longer requires, acting reasonably under normal market and operating conditions, a combined Electric Demand at the Points of Delivery in excess of 1,000 kW;

- (m) **“Commercial Operation Date”** means the first date on which Alexco actually receives Grid Electricity from YEC for a combined Electric Demand at the Points of Delivery in excess of 1,000 kW;

- (n) **“Confidential Information”** has the meaning in Section 15.1;

- (o) **“Decommissioning Costs”** means all decommissioning and other costs to be incurred by YEC and agreed to be recovered from Alexco (including, without limitation, costs to take down and remove facilities and costs to restore any property under applicable law, less credits for recovery sales of any materials removed and sold) reasonably required to remove such parts of the Mine Facilities Spurs to be decommissioned after a Mine Facilities Shut Down Date as YEC at that time may require to be decommissioned;

- (p) **“Decommissioning Cost Payment”** means a payment to be made by Alexco to YEC under Section 11.2(c), that YEC will deposit in the Accrued Decommissioning Fund;

- (q) **“Defaulting Party”** has the meaning in Section 10.1;

- (r) **“Dispute”** means any dispute, difference, or disagreement between the Parties:
 - (i) as to the meaning, application, or implementation of this Agreement; or
 - (ii) as to whether an Event of Default has occurred;

- (s) **“District”** means the entire area as shown in Figure C-1 in Schedule C;

- (t) **“Electric Demand”** means the capacity at which Grid Electricity is delivered by YEC to Alexco for mining, processing, or manufacturing expressed in kV.A or kW, averaged over a rolling 15 minute period following YEC billing and metering practice for industrial customers receiving Grid Electricity;
- (u) **“Electric Energy”** means electric energy, expressed in kW.h, delivered by YEC to Alexco under this Agreement;
- (v) **“Electricity”** means Electric Energy and Electric Demand delivered by YEC to Alexco under this Agreement;
- (w) **“ESRs”** means the Electric Service Regulations applicable to YEC, or any future replacement terms and conditions applicable to YEC, as approved by the YUB;
- (x) **“Estimated Decommissioning Costs”** means, for any Mine Facilities Spur or part thereof, an amount equal to 25% of the Capital Costs incurred by YEC for that Mine Facilities Spur or part thereof;
- (y) **“Event of Default”** has the meaning in Section 10.1;
- (z) **“Event of Insolvency”** means any one or more of the following:
 - (i) if a Party files a petition for reorganization or for an arrangement under any applicable bankruptcy law or under any similar laws, now or hereafter in effect, is adjudged by a court of competent jurisdiction bankrupt, becomes insolvent, makes an assignment for the benefit of its creditors, admits in writing its inability to pay its debts generally as they become due, is dissolved, or suspends payment generally of its obligations;
 - (ii) if a petition is filed proposing the adjudication of a Party as a bankrupt or its re-organization under any applicable bankruptcy law or any similar law, now or hereafter in effect and:
 - A. the Party consents to the filing thereof;
 - B. the petition is not discharged or denied within 60 days after the filing thereof; or
 - C. the petition is not diligently defended against; and
 - (iii) if a receiver, receiver-manager, trustee, monitor, or liquidator (or other similar official) is appointed to take charge of all or substantially all of the business or assets of a Party and:
 - A. that Party consents to such appointment; or

- B. the appointment is not discharged or withdrawn, or action is not taken by that Party to secure the discharge of that official, within 60 days after the appointment;
- (aa) **“Firm Mine Rate”** means the rate set out in Schedule A, as may be amended by YUB from time to time;
- (bb) **“Fixed Charge”** means the fixed charge rate as set out in Schedule A, as may be amended by the YUB from time to time;
- (cc) **“Force Majeure”** means any event or circumstance suffered by a Party which is not within the reasonable control of the Party claiming Force Majeure and includes, without limitation:
- (i) acts of God, including wind, ice and other storms, forest fires, lightning, floods, earthquakes, volcanic eruptions, and landslides;
 - (ii) strikes, lockouts, and other industrial disturbances, it being acknowledged that the settlement of strikes, lockouts, and other labour disturbances depends upon the agreement of employees and other third Persons and therefore is not wholly within the discretion of the Party involved;
 - (iii) epidemics, war (whether or not declared), terrorism, blockades, acts of public enemies, acts of sabotage, civil insurrection, riots, and civil disobedience;
 - (iv) acts or omissions of Governmental Authorities; and
 - (v) explosions and fires;
- (dd) **“Government Approvals”** means all licences, permits, consents, authorizations, or approvals from, withholding of objection on the part of, or filing, registration or qualification with, any and all Governmental Authorities required for any particular decision, act, or event;
- (ee) **“Governmental Authority”** means the government of Canada, the government of the Yukon Territory, a municipality or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory, or administrative functions including, without limitation, the YUB, if applicable;
- (ff) **“Grid Electricity”** means Electricity delivered under this Agreement by YEC to Alexco from the Transmission Facilities, through the Mine Facilities Spurs to the Mine Facilities;
- (gg) **“Initial Mill”** means the mill to be financed, designed, engineered, procured, and constructed by Alexco on the Initial Mill Site;

- (hh) **“Initial Mill Site”** means those lands and premises to be used for the Mill that is to be located at Christal Lake, near Keno City, Yukon Territory as shown in Figure B-1 in Schedule B, including any related lands and premises and facilities to be used by Alexco to secure Grid Electricity at the Point of Delivery at the Initial Mill Site;
- (ii) **“Initial Mine”** means the mine to be financed, designed, engineered, procured, and constructed by Alexco on the Initial Mine Site;
- (jj) **“Initial Mine Facilities”** means the Mine Facilities for the Initial Mine and the Initial Mill;
- (kk) **“Initial Mine Facilities Spurs”** means the Mine Facilities Spurs for the Initial Mine Facilities;
- (ll) **“Initial Mine Site”** means those lands and premises used for the Mine that is located at as shown in Figure B-2 in Schedule B, including the related lands and premises and facilities currently used, and used in the future, by Alexco to secure Grid Electricity from YEC at the Point of Delivery at the Initial Mine Site;
- (mm) **“Interest Rate”** means the interest rate charged by the lead banker of YEC from time to time on unsecured commercial loans made to YEC or if YEC does not have any unsecured commercial loans outstanding at such time, the variable nominal interest rate per annum being the prime interest rate of Canadian Imperial Bank of Commerce (or its successor) for Canadian dollar commercial loans in Canada as publicly declared from time to time as its prime rate;
- (nn) **“kV”** means a kilovolt and one kilovolt equals 1,000 volts;
- (oo) **“kV.A”** means a kV ampere and one kV ampere equals 1,000 volt-amperes;
- (pp) **“kW”** means a kilowatt and one kilowatt equals 1,000 watts;
- (qq) **“kW.h”** means a kW hour, the common unit of electrical energy, equal to one kilowatt of power supplied to or taken from an electric circuit for one hour;
- (rr) **“Major Industrial Customer”** means a customer of YEC, or of any other regulated electric utility in the Yukon Territory, engaged in manufacturing, processing, or mining whose electrical service is inter-connected with electrical service provided to any other customer of such electric utilities and whose peak Electric Demand exceeds 1,000 kW or any future replacement definition or replacement service capacity threshold applicable to manufacturing, processing or mining activities of Alexco, as approved by the YUB;
- (ss) **“Maximum Electric Demand”** means the maximum Electric Demand for Mine Firm Electricity that YEC is be obligated to deliver to Alexco at the Points of Delivery under Part 4;

- (tt) **“Mill”** means any one or more mills developed and owned by Alexco, or one of Alexco’s Affiliates who become a Party to this Agreement under Section 4.5. and located at the Mill Site that YEC agrees to provide Grid Electricity to under Section 4.5;
- (uu) **“Mill Sites”** means those lands and premises to be used for the Initial Mill Site, and those lands and premises and facilities in the District to be similarly used by Alexco, or one of Alexco’s Affiliates who become a Party to this Agreement under Section 4.5, for any future Mill that Alexco, or one of Alexco’s Affiliates who become a Party to this Agreement under Section 4.5, develops in the District and that YEC agrees to provide Grid Electricity under Section 4.5, and **“Mill Site”** means any one of them;
- (vv) **“Mine”** means any one or more mine projects developed and owned by Alexco, or one of Alexco’s Affiliates who becomes a Party to this Agreement under Section 4.5, and located at the Mine Site that YEC agrees to provide Grid Electricity to under Section 4.5;
- (ww) **“Mine Facilities”** means the Mills, the Mines, and any substations or facilities financed, designed, engineered, procured, and constructed by Alexco, or one of Alexco’s Affiliates who become a Party to this Agreement under Section 4.5, to connect a Mill or a Mine to the Mine Facilities Spurs at a Point of Delivery to receive Grid Electricity from YEC under this Agreement, and **“Mine Facility”** means any one of them;
- (xx) **“Mine Facilities Closure Date”** for any Mine Facility means the date that the Mine Facility has permanently ceased commercial operation;
- (yy) **“Mine Facilities Operation Date”** for any Mine Facility means, as specified in a prior written notice provided by Alexco to YEC, the date on which Alexco wishes the commercial operation for that Mine Facility to occur;
- (zz) **“Mine Facilities Shut Down Date”** with respect to a particular Mine Facility is the date provided by Alexco in writing to YEC on which YEC is to initiate permanent termination of any further delivery of Grid Electricity to that Mine Facility under this Agreement;
- (aaa) **“Mine Facilities Spurs”** means the YEC transmission connections from the Transmission Facilities to the Points of Delivery, including any transmission line spurs and related switches, fuses, meters, transformers, or other equipment connecting the Transmission Facilities to the Points of Delivery, and **“Mine Facility Spur”** means any one of them;
- (bbb) **“Mine Firm Electricity”** means Grid Electricity delivered by YEC to the Mine Facilities on a firm basis;

- (ccc) “**Mine Sites**” means those lands and premises to be used for Initial Mine Site, and those lands and premises and facilities in the District to be similarly used by Alexco, or one of Alexco’s Affiliates who become a Party to this Agreement under Section 4.5, for any future Mine that Alexco, or one of Alexco’s Affiliates who become a Party to this Agreement under Section 4.5, develops in the District and that YEC agrees to provide Grid Electricity to under Section 4.5, and “**Mine Site**” means any one of them;
- (ddd) “**MV.A**” means thousands of kV amperes;
- (eee) “**MW**” means a megawatt, being the electrical unit of power which is equal to 1,000 kW or 1,000,000 watts;
- (fff) “**MW.h**” means a MW hour, being the electrical energy equal to one megawatt of power supplied or taken from an electric circuit for one hour;
- (ggg) “**Non-Defaulting Party**” has the meaning in Section 10.2;
- (hhh) “**ohm**” means a unit of resistance and impedance. One ohm is the resistance of a conductor such that a constant current of one ampere produces a voltage of one volt between the ends of the conductor;
- (iii) “**Parties**” means YEC and Alexco and, in the case of Alexco, includes any of Alexco’s Affiliates who become a Party to this Agreement under Section 4.5, and “**Party**” means either of them;
- (jjj) “**Person**” means an individual, firm, partnership, body corporate, or other legal entity, a government or any department or agency thereof, a trustee, any unincorporated organization and the heirs, executors, administrators, or other legal representatives of an individual, as the case may be;
- (kkk) “**Point of Delivery**” means the point at a Mine Facility at which Mine Facilities Spurs are connected to the Mine Facility, with YEC’s meter to be located at the Mine Facility side of the YEC disconnect switches and on the primary side of any transformation equipment used as part of the Mine Facilities Spurs and “**Points of Delivery**” means all such points;
- (lll) “**Power Factor**” means the ratio at any Point of Delivery of the highest metered kW demand in a billing period to the highest metered kV.A demand in that same billing period;
- (mmm) “**Service Charge**” means the late payment charge on any overdue account of YEC as provided for in the ESRs;
- (nnn) “**Term**” has the meaning in Section 2.1;

- (ooo) **“Transmission Facilities”** means YEC’s 69 kV Mayo-Keno transmission facilities located north of Mayo, Yukon Territory, or any future replacement transmission facilities at similar or higher voltage;
- (ppp) **“volt”** means the unit of electromotive force or voltage that if steadily applied to having a resistance of one ohm will produce a current of one ampere;
- (qqq) **“watt”** the electrical unit of power and the rate of energy transfer when one ampere is passing across one volt; and
- (rrr) **“YUB”** means the Yukon Utilities Board.

1.2 Schedules

The following Schedules are attached to and form a part of this Agreement:

Schedule A – Firm Mine Rate;

Schedule B –Initial Mine Facilities Spurs requirements for the Initial Mill Site and the Initial Mine Site; and

Schedule C - Map of District.

1.3 Interpretation

Under this Agreement:

- (a) references to voltage are approximate;
- (b) words importing the masculine gender include the feminine and neuter genders, and Persons, and words in the singular include the plural, and vice versa, wherever the context requires;
- (c) all references to designated Parts and Sections are to the designated Parts and Sections of this Agreement;
- (d) using separate Parts and Sections, providing a table of contents, and inserting headings are for convenience only and will not affect how this Agreement is interpreted;
- (e) unless otherwise indicated, any reference to a currency is a reference to Canadian currency;
- (f) except where otherwise specified, any reference to a statute includes a reference to such statute and to its regulations, with all amendments in force from time to time, and to any statute or regulation that may be passed which has the effect of supplementing or superseding the statute or regulation; and

- (g) any reference to a Person includes a reference to any Person that is a successor to that Person.

PART 2 **DURATION**

2.1 Term

This Agreement will commence as of the date of this Agreement and, unless terminated earlier under this Agreement, will terminate on the date when a Mine Facilities Shut Down Date has occurred for all Mine Facilities and when decommissioning has been completed for all Mine Facilities Spurs and all of the Accrued Decommissioning Fund Amount has been used, set off, or refunded under Section 11.3 (the “**Term**”).

PART 3 **INITIAL ACTIVITIES**

3.1 Filing with YUB

Upon execution and delivery of this Agreement, YEC will proceed diligently to file an application with the YUB seeking YUB approval of the Fixed Charge of \$7,289 per month as set out in Schedule A. YEC will provide the YUB with such supporting documentation as required by the YUB for such application. Alexco will support the YEC application to YUB as YEC may reasonably require to obtain the approval of the YUB under this Section 3.1.

3.2 Initial Mine Facilities Spurs

Upon execution and delivery of this Agreement, YEC will exercise commercially reasonable efforts to design, engineer, procure, construct, and commission the Initial Mine Facilities Spurs so as to be able to provide Commencement of Delivery at the Initial Mill Site and the Initial Mine Site as soon as is reasonably possible on or before the Commercial Operation Date anticipated by Alexco, acting reasonably, or such date thereafter as is reasonably possible, and to supply Grid Electricity to the Initial Mill and the Initial Mine.

3.3 Initial Mine Facilities

Upon execution and delivery of this Agreement, Alexco will exercise commercially reasonable efforts, to finance, design, engineer, procure, and construct the Initial Mine Facilities on a timely basis to reach the Commercial Operation Date anticipated by Alexco, acting reasonably, as soon as reasonably practicable and not later than June 30, 2011. Alexco’s current estimate of the commissioning of the Initial Mine Facilities is mid-September, 2010. Alexco’s current estimate of the actual commercial operation of the Initial Mine Facilities is mid-October, 2010. Alexco will from time to time provide written notice to YEC of Alexco’s progress under this Section 3.3 and Alexco’s best estimate of the likely Commercial Operation Date and as soon as practical. Alexco will provide written notice to YEC of the Mine Facilities Operation Date for the Initial Mine Site and the Mine Facilities Operation Date for the Initial Mill Site. Alexco will ensure that the Initial Mine Facilities will be able to receive Grid Electricity from YEC at each Point of

Delivery on the Mine Facilities Operation Date for that facility and Alexco will receive Grid Electricity from YEC on the Commencement of Delivery for these Points of Delivery. YEC will provide written notice to Alexco of the date of the Commencement of Delivery for each Point of Delivery for the Initial Mine Facilities. The Parties will use commercially reasonable efforts to cooperate and coordinate their activities as described in this Section 3.3 to ensure the actual commencement of delivery of Grid Electricity at each Point of Delivery occurs at a time mutually agreed to by the Parties.

PART 4 **ELECTRICITY**

4.1 Electricity to be Made Available

From the Commencement of Delivery for the Initial Mill, YEC will deliver to Alexco and Alexco will purchase from YEC Grid Electricity as Mine Firm Electricity at the Firm Mine Rate until the Commercial Operation Cessation Date has occurred, subject to the Maximum Electric Demand and Electric Energy as follows:

- (a) for the periods from the Commencement of Delivery for the Initial Mill until the first anniversary of the Commencement of Delivery for the Initial Mill Maximum Electric Demand of not more than 2,300 kV.A and Electric Energy of approximately 11,800 MW.h/year of Electric Energy at an average monthly peak Electric Demand of 1,850 kV.A, allocated to the following by Points of Delivery:
 - (i) **Point of Delivery at the Initial Mill:** Maximum Electric Demand of up to 1,550 kV.A and Electric Energy of approximately 7,600 MW.h/year; and
 - (ii) **Point of Delivery at the Initial Mine:** Maximum Electric Demand of up to 750 kV.A and Electric Energy of approximately 4,200 MW.h/year;
- (b) thereafter, Maximum Electric Demand of up to 2,610 kV.A and Electric Energy of approximately 13,400 MW.h/year with the allocation to the Point of Delivery at the Initial Mill of Maximum Electric Demand of approximately 1,760 kV.A and of Electric Energy of approximately 8,800 MW.h/year.

4.2 Alexco Forecasts

Alexco will provide to YEC annual written forecasts (“**Alexco Forecasts**”) of the Grid Electricity requirements of the Mine Facilities at the Points of Delivery for each of the succeeding five calendar years, so as to allow YEC to forecast the future Electric Demand and Electric Energy loads on its facilities. The Alexco Forecast will be provided to YEC eight months in advance of each calendar year end (unless otherwise agreed to by YEC in writing), starting upon execution and delivery of this Agreement, and will include load patterns showing the characteristics of the expected Mine Firm Electricity, including the characteristics for Electric Demand and Electric Energy on a monthly basis. Alexco will advise YEC in writing forthwith of any material change to the Alexco Forecasts for Mine Firm Electricity, including the

characteristics for Electric Energy or Electric Demand. During the first week of each month after Commencement of Delivery, Alexco will advise YEC by written notice of its estimated daily requirements for Mine Firm Electricity during the following month.

4.3 Points of Delivery

YEC will deliver Grid Electricity to Alexco and Alexco will receive Grid Electricity from YEC at the Points of Delivery.

4.4 Maximum Electric Demand

YEC's obligation to supply Mine Firm Electricity to Alexco will not exceed the Maximum Electric Demand in effect at any time at any Point of Delivery. Notwithstanding such Maximum Electric Demand, if Alexco receives from YEC Mine Firm Electricity Electric Demand in excess of the Maximum Electric Demand, Alexco will pay for the billing demand charge on all metered kV.A billing demand recorded at the Firm Mine Rate.

4.5 Increase in Maximum Electric Demand, new Point of Delivery, or Addition of Affiliate

- (a) If Alexco:
 - (i) requires an increase to its Maximum Electric Demand in excess of that under Sections 4.1(a) or (b);
 - (ii) requires a new Point of Delivery for a new Mine Facility; or
 - (iii) wishes to add an Affiliate and that Affiliate's Point of Delivery and Electric Demand as a Party to this Agreement;

then Alexco will provide YEC with such written information and documentation as YEC may reasonably require for the:

- (iv) amount of the requested increase in Electric Demand and the period of time during which the increase in Electric Demand is required;
- (v) related increase in Mine Firm Electricity Electric Energy requirement;
- (vi) specifications of any new Point of Delivery for such increase in Electric Demand; and
- (vii) details of Alexco's Affiliate that wishes to be a Party to this Agreement;

together with such other information YEC may reasonably require to determine any related new Mine Facilities Spurs and related new Capital Costs and Points of Delivery;

- (b) after receipt of the written information and documentation under Section 4.5(a), YEC will have a reasonable period of time to determine whether or not the Transmission Facilities and YEC's other facilities have the ability to supply and maintain that increased Electric Demand, Points of Delivery, or Affiliates requested by Alexco under Section 4.5(a) and what, if any:
- (i) new Mine Facilities Spurs or other facilities and related new Capital Costs are estimated to be required;
 - (ii) potential requirement for an increase in the Mine Firm Rate related to such increase; and
 - (iii) potential new Decommissioning Costs provisions required for the Mine Facilities Spurs or other facilities;

and after having made a determination under this Section 4.5(b), YEC will forthwith provide written notice to Alexco of YEC's determination under this Section 4.5(b);

- (c) following such written notice by YEC to Alexco under Section 4.5(b), if the Parties are unable to agree on the matters set out under Section 4.5(b) within a period of 90 days from the date of such written notice by YEC to Alexco, no increase in Maximum Electric Demand, addition of Points of Delivery, or addition of Affiliates will occur. For greater certainty the Parties' failure to agree on the matters set out in Section 4.5(b) will not be a Dispute and will not be subject to Part 12. For further greater certainty, the foregoing in no way limits the rights of, or remedies available to, either Party generally under applicable law or regulation, including but not limited to any rights to refer such failure to agree to a Governmental Authority;
- (d) if the Parties are able to agree on the matters set out in Section 4.5(b) within 90 days then the Parties will enter such written amendments to this Agreement as the Parties may reasonably require to reflect such agreements, including without limitation, in the case of the addition of an Affiliate as a Party to this Agreement a written agreement under which such Affiliate agrees to be jointly and severally liable with Alexco and Alexco agrees to be jointly and severally liable with the Affiliate to perform the obligations of the other under this Agreement. If the Parties are unable to execute and deliver such agreements within a period of 120 days of the written notice under Section 4.5(b), no amendments to this Agreement will occur. For greater certainty the Parties' failure to agree on such written agreements will not be a Dispute and will not be subject to Part 12. For further greater certainty, the foregoing in no way limits the rights of, or remedies available to, either Party generally under applicable law or regulation, including but not limited to any rights to refer such failure to agree to a Governmental Authority.

4.6 Alexco Standards for Usage of Electricity

Alexco will regulate its electrical load so that the Power Factor for the Mine Facilities at any Point of Delivery is maintained within a reasonable operating range, as agreed to by the Parties from time to time, acting reasonably. Alexco will operate its equipment and use the Grid Electricity at the Mine Facilities so as not to endanger any of YEC's plant or equipment or cause any unacceptable fluctuations of YEC's electrical system. Alexco will comply with reasonable standards of operation as provided by YEC to Alexco by written notice from time to time. If Alexco fails to comply with these requirements or standards of operation so as to endanger any of YEC's plant or equipment or cause any unacceptable fluctuations on YEC's electrical system, YEC may by written notice to Alexco require that Alexco remedy the situation. Should Alexco fail to immediately comply with this Section 4.6 upon receiving such written notice regarding any Point of Delivery, YEC may immediately suspend the supply of Grid Electricity to Alexco at such Point of Delivery and continue such suspension until the situation is remedied. Upon receipt of such written notice Alexco may provide written notice to YEC that Alexco wishes YEC to operate any such equipment endangering YEC's plant, or equipment, or electrical system at Alexco's sole cost and expense. Upon receipt of such written notice YEC will provide written notice to Alexco as to whether YEC will operate such equipment and in such case Alexco will indemnify and save harmless YEC against any costs, damages, or losses associated with such operations.

4.7 ESRs

The ESRs apply to the Parties with regard to Grid Electricity delivered by YEC to Alexco under this Agreement including, without limitation, the provisions regarding the responsibility and liability of each Party. If there is an inconsistency between the ESRs and this Agreement the ESRs will govern.

4.8 Commercial Operation Cessation Date

Alexco will provide written notice to YEC of a Commercial Operation Cessation Date within 30 days of the occurrence of such Commercial Operation Cessation Date.

PART 5 **CAPITAL COSTS**

5.1 Initial Mine Facilities Spurs Capital Costs for Connecting Initial Mill and Initial Mine

- (a) As at the date of this Agreement, the YEC estimate for the Capital Costs related to the Initial Mine Facilities Spurs to connect the Initial Mill and the Initial Mine is \$330,000, and the YEC estimate for the Capital Costs to negotiate and conclude this Agreement is \$100,000. Within 30 days of the execution and delivery of this Agreement, YEC will invoice Alexco for 50% of such estimated Capital Costs, and within 15 days of receipt of said invoice Alexco will pay the invoice to YEC.

- (b) YEC will invoice Alexco for, and within 15 days of receipt of said invoice Alexco will pay to YEC, the amount by which the actual Capital Costs related to the Initial Mine Facilities Spurs exceeds the related amount invoiced under Section 5.1(a), within 30 days of the date on which YEC provides written notice to Alexco that, in the reasonable opinion of YEC, the Initial Mine Facilities Spurs for the Initial Mill and the Initial Mine are commissioned and are available to provide Grid Electricity to Alexco from the Initial Mine Facilities Spurs under this Agreement.
- (c) YEC will invoice Alexco for, and within 15 days of receipt of said invoice Alexco will pay to YEC, the amount by which the actual Capital Costs related to the negotiation and conclusion of this Agreement exceeds the related amount invoiced under Section 5.1(a), as and when such actual Capital Costs are incurred and are invoiced to or paid by YEC.
- (d) If the final actual Capital Costs for either the Initial Mine Facilities Spurs or the negotiation and conclusion of this Agreement are less than the related amount invoiced under Section 5.1(a), within a reasonable period of time of that determination YEC will set the difference off against any other amounts owed by Alexco to YEC under this Agreement or will refund the difference to Alexco.

5.2 Capital Costs for Other Mine Facilities Spurs

Alexco will pay to YEC the Capital Costs for any new Mine Facilities Spurs that YEC agrees to develop after the Initial Mine Facilities Spurs, as provided for in Section 4.5, with payment by Alexco to YEC of 50% of YEC's estimated costs for such facilities prior to YEC starting to order equipment for, or to construct, such new Mine Facilities Spurs, and with the balance of such Capital Costs to be paid by Alexco to YEC within 30 days of notice by YEC that such new Mine Facilities Spurs are commissioned and available to receive Grid Electricity to provide to Alexco. When the actual Capital Cost for such new Mine facilities Spurs is determined by YEC to be greater or less than the amount paid to date by Alexco, YEC will so notify Alexco in writing as soon as practical thereafter and an appropriate adjustment will be made between the Parties from the date such determination is made.

PART 6 **BILLING/PAYMENT AND SECURITY**

6.1 Alexco Power Bill

As soon as practicable following the last day of each month after the Commencement of Delivery for the Initial Mill, YEC will deliver the Alexco Power Bill to Alexco in writing setting out the amount payable to YEC by Alexco under this Agreement for all Electricity delivered by YEC to Alexco during such month. Alexco will pay YEC the amount set out in each Alexco Power Bill within 15 Business Days of the date of delivery of the Alexco Power Bill to Alexco. Electricity provided by YEC to Alexco will be charged to Alexco at the rates provided for in this Agreement. If permitted by the ESRs or YUB, the Electric Demand and Electric Energy at the

Points of Delivery will be totalled and only one bill will be issued for such Points of Delivery. If Alexco's Affiliates become a Party to this Agreement under Section 4.5 the amounts payable by such Affiliate will be included on the Alexco Power Bill and will be payable by Alexco and such Affiliate jointly and severally under this Part 6.

6.2 Canadian Funds

All payments by Alexco to YEC will be made in Canadian funds to an office or banker of YEC, as YEC may direct to Alexco in writing, at Whitehorse, Yukon Territory.

6.3 Failure to Render Invoice

Failure to render an invoice within the time periods set out in this Agreement will not abrogate YEC's right to receive payment of the Alexco Power Bill, Capital Cost, Decommissioning Costs, or other amounts payable under this Agreement.

6.4 Late Payment

Any payment to be made by Alexco to YEC under this Agreement that remains unpaid, in whole or in part, when due will be subject to a late payment charge at a rate of interest equivalent to the Service Charge calculated on the amount unpaid from the due date of payment until payment is made in full.

6.5 Prepayments

Any payments to be made by Alexco to YEC under this Agreement may be prepaid by Alexco at any time in whole or in part without penalty.

6.6 Taxes

All sales taxes, excise taxes, or similar charges payable on Electricity delivered to Alexco under this Agreement will be added to the Alexco Power Bill and paid by Alexco under Section 6.1.

6.7 Fixed Charge

Each time that a Major Industrial Customer proposes to commence for the first time to receive Grid Electricity from the Transmission Facilities, YEC will determine on a reasonable basis a proposed amended Fixed Charge applicable to Alexco reflecting an allocation of costs relating to the Transmission Facilities among the new Major Industrial Customer, Alexco, and all other Major Industrial Customers receiving Grid Electricity from the Transmission Facilities at that time. YEC will then, on a timely basis, make application to the YUB seeking the YUB approval of such proposed amended Fixed Charge. YEC will provide the YUB with such supporting documentation as required by the YUB for such application, and will use commercially reasonable efforts to obtain the approval of the YUB for such proposed amended Fixed Charge for Alexco, and Alexco will use commercially reasonable efforts to support such application by YEC.

PART 7
METERING

7.1 Metering

The Electricity purchased by Alexco under this Agreement will be measured and recorded at the Points of Delivery by revenue meters having one hour integrating intervals, which meters, will be types approved for revenue metering by Industry Canada and will comply with the *Electricity and Gas Inspection Act* (the “Act”).

7.2 Testing

YEC will test its metering equipment under Section 7.1 and field test the metering installation in compliance with the Act. If requested to do so by Alexco, YEC will make additional tests or inspections of such installations, the expense of which will be paid by Alexco, unless Alexco has confirmed by such testing that the metering is faulty in which case such testing will be paid for by YEC. YEC will give reasonable written notice to Alexco of the time when any such test or inspection is to be made. Alexco may have representatives present at such test or inspection. Any component of such installations found to be defective or inaccurate will be adjusted, repaired, or replaced by YEC to provide accurate metering. If a meter is found not to be functioning within the prescribed limit of error, the Electricity purchased will be determined under the Act.

7.3 Backup Metering

Alexco may, at its cost and expense, install a backup metering system to check YEC’s metering system performance and, if so, Alexco will own, operate, and maintain this system, at Alexco’s sole cost and expense.

7.4 Costs

All costs and expenses incurred by YEC, beyond normal reading and testing of meters and other costs that YEC is to pay under Section 7.2, in complying with its obligations under this Section 7.2 will be invoiced separately to Alexco by YEC and will be paid by Alexco upon receipt.

PART 8
FORCE MAJEURE

8.1 Force Majeure

Subject to Section 8.3, neither Party will be liable to the other Party for any delay in or inability of the first Party to perform its obligations under this Agreement if any such delay or inability is a direct result of Force Majeure.

8.2 Notice of Force Majeure

If a Party suffers a Force Majeure it will promptly notify the other Party in writing and within 10 days of becoming so aware will give written notice to the other Party:

- (a) describing the Force Majeure in reasonable detail and stating, to the extent reasonably practicable at such time, its estimate of the duration of the Force Majeure;
- (b) setting out in reasonable detail the obligations under this Agreement which it is unable to perform or will be delayed in performing as a direct result of the Force Majeure;
- (c) containing particulars of the circumstances causing the Party to be unable to perform or delayed in performing its obligations under this Agreement as a direct result of the Force Majeure; and
- (d) describing what needs to be done and what will be done to end the Force Majeure.

During a Force Majeure a Party invoking the Force Majeure will exercise commercially reasonable efforts to end the Force Majeure.

8.3 Exclusions

A Party may not invoke Force Majeure:

- (a) for lack of money or credit;
- (b) if the Force Majeure is the result of a breach by the Party seeking to invoke Force Majeure of a permit, certificate, licence, approval, or of any applicable laws, regulations, or orders;
- (c) if the Party seeking to invoke Force Majeure has failed to use commercially reasonable efforts to prevent or remedy the situation and remove, so far as possible and with reasonable dispatch, the effects of the Force Majeure; or
- (d) if the Force Majeure was caused by a breach of, or default under this Agreement or a wilful or negligent act or omission by the Party seeking to invoke Force Majeure.

If a Party is required to perform an obligation by a certain date or with a specified time period and the Party is delayed in performing that obligation by a Force Majeure the date or time for the performance of that obligation will be extended by a period of time equal to the length of the Force Majeure.

PART 9
REPRESENTATIONS AND WARRANTIES

9.1 YEC Representations and Warranties

To induce Alexco to enter into this Agreement YEC hereby represents and warrants to Alexco as of the effective date of this Agreement, upon each of which representations and warranties Alexco specifically relies, as follows:

- (a) **YEC Corporate Organization and Authority:** YEC has been duly incorporated and is a validly existing corporation under the laws of the Yukon Territory, is in good standing with respect to all required filings in the office of the Registrar of Companies and has the full corporate power and capacity to execute and deliver this Agreement and perform its obligations under this Agreement.
- (b) **Authorization, Consents, and Enforceability:** The execution and delivery of this Agreement by YEC and the consummation by YEC of the transactions contemplated hereby have been duly authorized by the Board of Directors of YEC and this Agreement constitutes valid and binding obligations of YEC, enforceable against YEC in accordance with its terms, subject to the availability of equitable remedies and enforcement of creditors' rights generally.
- (c) **Compliance:** The entering into and compliance by YEC with this Agreement is legal, does not violate any provisions of any requirement of law and does not result in any breach of any of the provisions of, or constitute a default under any charter document, by-law, unanimous shareholder agreement, loan agreement, or other agreement or instrument to which YEC is a party or by which it is or its property may be bound.

9.2 Alexco Representations and Warranties

To induce YEC to enter into this Agreement Alexco hereby represents and warrants to YEC as of the effective date of this Agreement, upon each of which representations and warranties YEC specifically relies, as follows:

- (a) **Alexco Corporate Organization and Authority:** Each of AXR, AKHM, and ERDC has been duly incorporated and is a validly existing corporation under the laws of the Province of British Columbia with respect to AXR and AKHM and the laws of the Yukon Territory with respect to ERDC and is in good standing with respect to all required filings in the office of the Registrar of Companies and has the full corporate power and capacity to perform business in the Yukon and to execute and deliver this Agreement and perform its obligations under this Agreement.
- (b) **Authorization, Consents, and Enforceability:** The execution and delivery of this Agreement by AXR, AKHM, and ERDC and the consummation by AXR, AKHM, and ERDC of the transactions contemplated hereby have been duly

authorized by the respective Boards of Directors of AXR, AKHM, and ERDC and this Agreement has been duly executed and delivered by AXR, AKHM, and ERDC and constitutes valid and binding obligations of AXR, AKHM, and ERDC, enforceable against AXR, AKHM, and ERDC in accordance with its terms, subject to the availability of equitable remedies and enforcement of creditors' rights generally.

- (c) **Compliance:** The entering into and compliance by AXR, AKHM, and ERDC with this Agreement is legal, does not violate any provisions of any requirement of law and does not result in any breach of any of the provisions of, or constitute a default under any charter document, by-law, loan agreement, or other agreement or instrument to which AXR, AKHM, or ERDC is a party or by which they or their property are or may be bound.

PART 10 **DEFAULT**

10.1 Event of Default

Each of the following events constitutes an “**Event of Default**” for a Party in question (the “**Defaulting Party**”):

- (a) an Event of Insolvency of such Party; or
- (b) any representation or warranty of such Party contained in this Agreement being untrue in any material respect unless the default is of a nature that can be cured and it is cured within 30 days, or such reasonable time period as may be required given the default, following receipt by the Defaulting Party of written notice from the other Party specifying the nature of the default and requiring that the default be cured; or
- (c) any default (other than defaults of a non-material nature) by such Party in the performance or observance of any of the covenants, agreements, and obligations on its part to be performed or observed under this Agreement, unless the default is of a nature that can be cured and it is cured within 30 days, or such reasonable time period as may be required given the default, following receipt by the Defaulting Party of written notice from the other Party specifying the nature of the default and requiring that the default be cured.

10.2 Remedies

If an Event of Default under Section 10.1 occurs, any Party not in default (the “**Non-Defaulting Party**”) may do one or more of the following:

- (a) pursue any remedy available to it in law or equity, it being acknowledged by the Parties that specific performance, injunctive relief (mandatory or otherwise), or other equitable relief may be the only adequate remedy for an Event of Default; or

- (b) if the Event of Default is curable, take all actions in its own name or in the name of the Defaulting Party as may reasonably be required to cure the Event of Default, in which event all payments, costs, and expenses incurred therefore will be payable by the Defaulting Party to the Non-Defaulting Party on demand with interest at the Interest Rate; or
- (c) waive the Event of Default, provided any waiver of the particular Event of Default will not operate as a waiver of any subsequent or continuing Event of Default; or
- (d) in the case of an Event of Default by Alexco under Section 6.1 YEC may suspend or discontinue the supply of Grid Electricity to Alexco but no such suspension or discontinuance by YEC will relieve Alexco of its obligations under this Agreement, including the obligation to make payment of any sum, nor will any such suspension or discontinuance constitute or be deemed to constitute rescission of this Agreement.

PART 11 **DECOMMISSIONING**

11.1 Decommissioning Costs

Alexco will be responsible for all Decommissioning Costs incurred by YEC. Alexco will provide YEC with written notice within 15 days of the occurrence of a Mine Facilities Closure Date at any Mine Facility. Alexco will exercise commercially reasonable efforts to provide YEC with not less than six months prior written notice of an anticipated Mine Facilities Shut Down Date at any Mine Facility, and will provide YEC with immediate written notice if Alexco reasonably anticipates that a Mine Facilities Shut Down Date will occur at any Mine Facility within less than six months time. Subject to receiving reasonable written notice of the Mine Facilities Shut Down Date for a Mine facility, on or before the Mine Facilities Shut Down Date for a Mine Facility YEC will provide written notice to Alexco of the parts of the Mine Facilities Spur to be decommissioned as soon as is feasible after the Mine Facilities Shut Down Date, and after such date YEC will exercise commercially reasonable efforts to carry out and complete such decommissioning as soon as is reasonably feasible.

11.2 Accrued Decommissioning Fund

YEC will establish the Accrued Decommissioning Fund account, and Alexco will make the Decommissioning Cost Payment to YEC, as follows:

- (a) YEC will deposit the Decommissioning Cost Payment for any Mine Facilities Spur into the Accrued Decommissioning Fund, and invest the Accrued Decommissioning Fund at 6.5% interest per annum to fund YEC's regulated rate base during the Term under this Part 11;
- (b) after the determination of the final Capital Cost incurred by YEC for a Mine Facilities Spur for any Mine Facility, YEC will inform Alexco in writing of the

Estimated Decommissioning Costs of the Mine Facilities Spur for that Mine Facility;

- (c) at the same time as Alexco provides written notice to YEC (or a determination is made under this Section 11.2) of the Mine Facilities Closure Date for any Mine Facility, Alexco will make a Decommissioning Cost Payment to YEC equal to the Estimated Decommissioning Costs for those parts of the Mine Facilities Spur for that Mine Facility for which YEC has given written notice to Alexco under Section 11.1;
- (d) if Alexco fails to notify YEC in writing of the occurrence of a Mine Facilities Closure Date for any Mine Facility, YEC may provide Alexco with written notice of Dispute on this matter.

11.3 Application of Accrued Decommissioning Fund and Payment of Decommissioning Costs

After the Mine Facilities Shut Down Date for a Mine Facility, the Accrued Decommissioning Fund Amount will be used to pay the actual Decommissioning Costs for those parts of the Mine Facilities Spur for that Mine Facility for which YEC has given written notice to Alexco under Section 11.1. If the actual Decommissioning Costs exceed the Accrued Decommissioning Fund Amount for such parts of that Mine Facilities Spur, Alexco will pay to YEC the amount of the excess. Such excess costs will be invoiced by YEC within 10 Business Days of the end of the month in which the costs are incurred. Alexco will pay YEC the amount set out in each such invoice on or before the 15th Business Day after the invoice is received. If the Accrued Decommissioning Fund Amount for such parts of that Mine Facilities Spur exceeds the actual Decommissioning Costs, YEC will:

- (a) set the excess, if any, off against any other amounts owed by Alexco to YEC under this Agreement; and
- (b) then refund the remaining excess, if any, to Alexco within 15 Business days after the actual Decommissioning Costs are determined by YEC.

PART 12 **DISPUTE RESOLUTION**

12.1 Confidentiality of Process.

The Parties will maintain the dispute resolution process set out in this Part 12 as confidential and such process will not be disclosed, unless otherwise required by law, by any Party to any other Person unless previously discussed and agreed to in writing by the Parties. For greater certainty, no part of the dispute resolution process will be open to the public.

12.2 Stages.

Disputes that arise among the Parties will progress, until resolved, through the following stages of the dispute resolution process:

Step 1: Within 10 days of one Party providing written notice to the other Parties that a Dispute exists, the Presidents of each of the Parties, or their nominees in the first instance or themselves if they cannot resolve the Dispute, will meet and make good faith efforts to resolve the Dispute through collaborative negotiation by:

- (i) identifying underlying interests;
- (ii) isolating points of agreement and disagreement;
- (iii) exploring alternative solutions;
- (iv) considering compromises or accommodations; and
- (v) taking any other measures that may assist in resolution of the Dispute.

Step 2: If the Presidents of each of the Parties are unable to resolve the Dispute themselves within 30 days of the written notice under Step 1, either Party may give written notice to the other Party of a desire to commence mediation and the Parties will jointly appoint a mutually acceptable mediator within 30 days after the date that such notice is given. If the Parties are unable to agree upon the appointment of a mediator within 30 days after a Party has given notice of a desire to mediate the Dispute, either Party may apply to the British Columbia Mediator Roster Society for appointment of a mediator. The Parties agree that the mediation will be conducted under the Mediation Rules of the British Columbia Mediator Roster Society.

Step 3: If a Dispute has not been resolved through mediation under Step 2 within 30 days of the appointment of a mediator, either Party, by notice in writing to the other Party, may refer such unresolved Dispute to binding arbitration under the *Arbitration Act*, (R.S.Y., 2002, c.8). The Parties will agree upon an Arbitrator within 30 days of the notice of arbitration being provided, failing which the Arbitrator will be selected under the *Arbitration Act*, (R.S.Y., 2002, c.8). The decision of the arbitrator will be final and binding on the Parties.

12.3 Availability of Argument.

In any Dispute, a Party may raise any defence or argument that it would otherwise have been able to raise at law, equity, or otherwise, had the Dispute been referred to a court of competent jurisdiction, including a defence that the Dispute is statute-barred by the *Limitation of Actions Act*, (R.S.Y., 2002, c.139).

12.4 No Further Claims.

When Disputes are settled among the Parties to the Agreement under this Part 12:

- (a) no further claim may be made; and
- (b) no further compensation will be payable by any Party,

for the same Dispute.

12.5 Continued Payment

Pending resolution of any Dispute, Alexco will continue to pay to YEC any sums payable under this Agreement and YEC may avail itself of its remedy under Section 10.2(d) in relation to a failure by Alexco to do so.

PART 13 **INDEMNITY**

13.1 Limitation of Liability

No Party will be liable to the other Party in contract, tort, warranty, strict liability, or any other legal theory for any indirect, consequential, incidental, punitive, or exemplary damages arising under or in connection with this Agreement or in connection with the failure to perform or observe obligations under this Agreement. No Party will have any liability to the other Party except under, or for breach of, this Agreement provided, however, that this Section 13.1 is not intended to constitute a waiver of any rights of one Party against the other Party for matters which are unrelated to this Agreement.

13.2 Indemnification

- (a) Alexco will indemnify and save YEC harmless for any loss or damage to property, death, or injury to Persons (or any claim against YEC in respect thereof) and all expenses relating thereto (including without limitation reasonable legal fees) suffered or incurred by YEC in connection with this Agreement resulting from any negligence or wilful default of Alexco in connection with the performance of its obligations under this Agreement or a breach by Alexco of its obligations under this Agreement. The indemnity will not extend to any loss, damage, death, or injury (or any claim in respect thereof) or any expenses relating thereto to the extent that it was caused by the negligence or wilful default of YEC or the failure of YEC to take reasonable steps in mitigation thereof. Notwithstanding anything to the contrary contained in the preceding sentence, nothing in this Section 13.2(a) will apply to any loss, damage, cost, or expense in respect to which, and to the extent that, YEC is compensated under any insurance, agreement, or through any other means.

- (b) YEC will indemnify and save Alexco harmless for any loss of or damage to property, death or injury to person (or any claim against Alexco in respect thereof) and all expenses relating thereto (including without limitation reasonable legal fees) suffered or incurred by Alexco in connection with this Agreement from any negligence or wilful default of YEC in connection with the performance of its obligations under this Agreement or a breach by YEC of its obligations under this Agreement. The indemnity will not extend to any loss, damage, death, or injury (or any claim in respect thereof) or any expenses relating thereto to the extent that it was caused by the negligence or wilful default of Alexco or the failure of Alexco to take reasonable steps in mitigation thereof. Notwithstanding anything to the contrary contained in this preceding sentence, nothing in this Section 13.2(b) will apply to any loss, damage, cost or expense in respect of which, and to the extent that, Alexco is compensated under any insurance, agreement, or through any other means.
- (c) If such injury or damage results from the joint or concurrent negligent or intentional acts of the Parties each will be liable under this indemnification in proportion to its relative degree of fault.

13.3 Assertion of Claims

Neither Party will be entitled to assert any claim for indemnification until such time as all claims of such Party for indemnification under this Agreement exceed an amount equal to \$10,000, in the aggregate, at which time all claims of such Party for indemnification under this Agreement may be asserted; provided, however, that when such claims have been asserted the same rule will apply in respect of future claims. Notwithstanding the preceding sentence, either Party may assert a claim for indemnification regardless of amount upon the expiry or earlier termination of this Agreement or if such claim would otherwise be barred by the *Limitation of Actions Act*, (R.S.Y., 2002, c.139).

13.4 Defence of Claims

The indemnified Party will have the right, but not the obligation, to contest, defend, and litigate any claim, action, suit, or proceeding by any Person alleged or asserted against such Party in respect of, resulting from, related to, or arising out of any matter for which it is entitled to be indemnified under this Agreement, and the reasonable costs and expenses thereof will be subject to the indemnification obligations of the indemnifying Party under this Agreement provided, however, that if the indemnifying Party acknowledges in writing its obligations to indemnify the indemnified Party in respect of loss to the full extent provided by Section 13.2, the indemnifying Party will be entitled, at its option, to assume and control the defence of such claim action, suit, or proceeding at its expense and through counsel of its choice if it gives prompt notice of its intention to do so to the indemnified Party and, reimburses the indemnified Party for the reasonable costs and expenses incurred by the indemnified Party prior to the assumption by the indemnifying Party of such defence, and provides reasonably adequate security for any judgment for costs that might be imposed on the indemnified Party. The indemnified Party will not be entitled to settle or compromise any such claim action, suit, or proceeding without the prior

written consent of the indemnifying Party, which consent will not be unreasonably withheld or delayed. The indemnified Party will have the right to employ its own counsel and such counsel may participate in such action (but the fees and expenses of such counsel will be at the expense of such indemnified Party), provided that the:

- (a) employment of counsel by such indemnified Party has been authorized in writing by the indemnifying Party;
- (b) indemnified Party will have reasonably concluded that there may be a conflict of interest between the indemnifying Party and the indemnified Party in the conduct of the defence of such action;
- (c) indemnifying Party will not in fact have employed independent counsel reasonably satisfactory to the indemnified Party to assume the defence of such action and will have been so notified by the indemnified Party; or
- (d) indemnified Party will have reasonably concluded and specifically notified the indemnifying Party either that there may be specific defences available to it which are different from or additional to those available to the indemnifying Party or that such claim action, suit, or proceeding involves or could have a material adverse effect upon it beyond the scope of this Agreement.

If Sections 13.4(a), (b), (c), or (d) are applicable, then counsel for the indemnified Party will have the right to direct the defence of such claim, action, suit, or proceeding on behalf of the indemnified Party and the reasonable fees and disbursements of such counsel will constitute legal or other expenses under this Agreement.

PART 14 **ASSIGNMENT**

14.1 Assignment

Neither Party may assign this Agreement without the prior written consent of the other Party, such consent not to be unreasonably withheld.

14.2 Sale of the Transmission Facilities

If YEC disposes of all or any interest in the Transmission Facilities, the Mine Facilities Spurs or YEC's other assets required to meet YEC's obligations under this Agreement, YEC will ensure that the obligation to sell Grid Electricity from the Transmission Facilities or the Mine Facilities Spurs, on the same basis as provided for in this Agreement will continue and be assumed by the purchaser of such interest, for the Term. YEC will require, as a condition of the closing of the disposition of such interest, that the purchaser sign an agreement in a form satisfactory to Alexco, acting reasonably, which provides that the purchaser agrees to be bound by this Agreement.

14.3 Sale of the Mine Facilities

If Alexco disposes of all or any interest in the Mine Facilities, Alexco will ensure that the obligation to purchase Grid Electricity from YEC on the same basis as provided for in this Agreement will continue and be assumed by the purchaser of the Mine Facilities for the Term. Alexco will require as a condition of the closing of the disposition of the Mine that the purchaser sign an agreement in a form satisfactory to YEC, acting reasonably, which provides that the purchaser agrees to be bound by this Agreement for the Term.

PART 15 **CONFIDENTIALITY**

15.1 Confidentiality.

Except as required by law, and subject to Section 15.1, a Party will not disclose to a third person who is not a Party any information, data, or documents, supplied by one Party to the other Parties under this Agreement (collectively, the “**Confidential Information**”) without the consent of the other Party, such consent not to be unreasonably withheld.

15.2 Exceptions.

Section 15.1 will not:

- (a) extend to information that is already in the public domain or becomes, after having been disclosed to a Party, generally available to the public unless the disclosure was made directly or indirectly by a Party in breach of this Agreement;
- (b) prevent a Party from divulging Confidential Information in confidence to its Affiliates and to its or their officers, directors, employees, agents, or other representatives on a “need-to-know” basis;
- (c) prevent a Party from divulging Confidential Information in confidence to third parties (provided the third party is subject to similar confidentiality restrictions), in order to permit the operation of the Mine or the Transmission Facilities, as the case may be, in the ordinary course, all on a “need-to-know” basis;
- (d) prevent a Party from divulging Confidential Information to the extent required by applicable legislation or stock exchange requirements;
- (e) prevent a Party from divulging Confidential Information to the extent necessary in connection with any dispute resolution commenced under this Agreement or any litigation commenced in respect of this Agreement;
- (f) prevent a Party from divulging Confidential Information to the extent necessary, in confidence, to any financial institution for the purpose of obtaining financing for such Party or any of its Affiliates;

- (g) prevent a Party from divulging Confidential Information to the extent required by any Governmental Authority having jurisdiction to require the production of such Confidential Information; and
- (h) prevent a Party from divulging Confidential Information to the extent necessary, in confidence, to a prospective purchaser of the Mine or the Transmission Facilities or YEC's other assets required to meet YEC's obligations under this Agreement, as the case may be, on a "need to know" basis.

If any Party is required to disclose Confidential Information under Sections 15.2(d), (e), or (g), such Party will advise the other Party in writing in advance of any such disclosure where reasonable so that the other Party may take such action as they consider necessary to maintain the confidentiality of such Confidential Information, and will take reasonable steps to limit the extent of the disclosure and to make such disclosure confidential under the applicable legislation, stock exchange rules, or rules of any governmental or regulatory authority having jurisdiction, as the case may be.

15.3 Survival

The obligations of confidentiality in Section 15.1 will survive the termination or expiry of this Agreement indefinitely, and any Party who ceases to be a Party will continue to be bound by such obligations following such termination or expiry.

15.4 Injunctive Relief

Each Party acknowledges that all Confidential Information is proprietary to the disclosing Party and that breach of this Agreement by a Party may result in irreparable injury to the other Party. Accordingly, in the event of any breach of Section 15.1 by a Party, the other Party will be entitled to seek and obtain an order of specific performance, restraining order, or injunctive relief, in addition to any other legal or equitable remedies provided under this Agreement.

PART 16 **GENERAL**

16.1 Notices

Except as otherwise provided in this Agreement, any notice, direction, demand, request, or document required or permitted to be given by any Party to any other Party under this Agreement will be in writing and deemed to have been sufficiently given if signed by or on behalf of the Party giving the notice and delivered or transmitted by facsimile to the other Party's address or facsimile number as shown below:

To YEC:

Yukon Energy Corporation
P.O. Box 5920, #2 Miles Canyon Road
Whitehorse, YT Y1A 6S7

Attention: President

Facsimile: 867-393-5323

with a copy to:

Davis LLP
2800 - 666 Burrard Street
Vancouver, BC V6C 2Z7

Attention: John Landry

Facsimile: 604-605-3588

To Alexco:

Alexco Resource Corp.
1150 - 200 Granville Street
Vancouver, BC V6C 1S4

Attention: Clynton R. Nauman, CEO, President

Facsimile: 604-633-4887

with a copy to:

Fasken Martineau DuMoulin LLP
2900 - 550 Burrard Street
Vancouver, BC V6C 0A3

Attention: Kai Alderson

Facsimile: 604-631-3232

or to such other address or facsimile number or to the attention of such other official or individual as a Party will have most recently notified the other Party of in the manner hereinbefore provided. Any such notice, direction, request, or document will conclusively be deemed to have been received by the intended recipient on the date of delivery or transmission, as the case may be, except that if it is not received at such address or at the facsimile device by 5:00 P.M. on a Business Day (at the place of receipt) it will conclusively be deemed to have been received by the intended recipient on the next Business Day immediately following its receipt at such address or at such facsimile device.

16.2 Coordination of Communications

Each Party agrees to cooperate with the other Parties in order to coordinate all press, news, or other releases to private or public media groups in connection with this Agreement. Each Party will use all reasonable efforts to allow the other Parties to review such releases in advance of release and will comply with all reasonable requests from the other Parties as to the content or manner of publication of such releases.

16.3 Amendment

The only amendments, which may be made to this Agreement are amendments in writing which have been approved by the Parties.

16.4 Governing Law and Language

This Agreement will be governed by and construed under the laws of the Yukon Territory and applicable Canadian law and will be treated in all respects as a Yukon Territory contract.

16.5 Submission to Jurisdiction

Each of the Parties will:

- (a) submit to the jurisdiction of the Yukon Territory courts;
- (b) if not incorporated or registered in the Yukon Territory appoint an agent to receive service of any process in the Yukon Territory; and
- (c) if any appointed agent is required, notify the others of the name and address of its appointed agent.

16.6 Severability

Each provision of this Agreement is intended to be severable and if any provision is illegal or invalid, such illegality or invalidity will not affect the validity of this Agreement or the remaining provisions.

16.7 Entire Agreement

- (a) This Agreement and any other arrangement in writing between any of the Parties, which is entered into substantially contemporaneously with this Agreement constitute the entire agreement between the Parties relating to the subject matter of this Agreement and supersedes all prior negotiations and agreements, whether written, oral, implied or collateral, between the Parties, provided, however, that any confidentiality agreements, or confidentiality provisions contained in any agreements, executed between the Parties in connection with the transactions contemplated in this Agreement will continue in full force and effect and will survive any termination of this Agreement.

- (b) No representation or inducement whether made by statement or delivery of data or other information of any kind or nature whatsoever and whether in writing, orally or in any other manner conveyed by any Party to any other Party survives the execution of this Agreement unless expressly made in this Agreement.

16.8 Further Assurances

As and so often as any Party may reasonably require, the Parties agree to execute and deliver further and other documents, assurances and conveyances as may be necessary to properly carry out the intention of this Agreement.

16.9 Successors and Assigns

This Agreement enures to the benefit of and will be binding upon the Parties and their respective permitted successors and permitted assigns.

16.10 Waivers

No provision of this Agreement may be waived except by a written instrument and any waiver of a provision:

- (a) is valid only in respect of the specific instance to which it relates and is not a continuing waiver; and
- (b) is not to be construed as a waiver of any other provision.

16.11 Time

Subject to Part 8, time is of the essence of this Agreement.

16.12 Counterparts

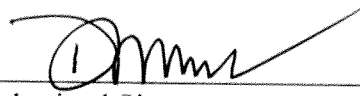
This Agreement may be executed in any number of counterparts with the same effect as if the Parties had signed and delivered the same document. All counterparts will be construed together and will constitute one and the same agreement. This Agreement will be duly executed and delivered if facsimile signature pages are exchanged by the Parties.

16.13 Joint and Several

The obligations, representations, and warranties of Alexco under this Agreement are joint and several obligations of each of AXR, AKHM, and ERDC.

This Agreement is executed in multiple originals effective as of the day and year first written above.

YUKON ENERGY CORPORATION

By: 


Per: Authorized Signatory

ALEXCO KENO HILL MINING CORP.

By: 


Per: ~~Authorized Signatory~~

ELSA RECLAMATION & DEVELOPMENT COMPANY LTD.

By: 

Per: ~~Authorized Signatory~~

ALEXCO RESOURCE CORP.

By: 

Per: ~~Authorized Signatory~~

SCHEDULE A

FIRM MINE RATE

RATE SCHEDULE 39

INDUSTRIAL PRIMARY

AVAILABLE: Throughout the service areas of Yukon Energy Corporation (“YEC”) served by the Whitehorse-Aishihik-Faro and Mayo-Dawson systems.

APPLICABLE: To all major industrial customers engaged in manufacturing, processing or mining with an electric service capacity in excess of 1,000 kW.

RATE: Charges in any one billing month will be the sum of the following:

- (a) Demand Charge of \$15.00/kV.A of Billing Demand
- (b) Energy Charge of 7.60¢/kW.h for all energy used.
- (c) Fixed Charge

For service to Alexco mine and mill sites, the Fixed Charge each month will equal \$7,289 as required under the Power Purchase Agreement (the “PPA”) dated September 1, 2010 between YEC and Alexco Resource Corp.(“Alexco”) for existing transmission connection to the mine and mill sites.

**PEAK
SHAVING
CREDIT:**

For customers with an established Winter Contract Load in good standing, a Peak Shaving Credit in each billing month equal to 50% of the Demand Charge times the Peak Shaved Load.

**MINIMUM
MONTHLY
BILL:**

The minimum monthly bill will be the sum of the Demand Charge and the monthly Fixed Charge, less any applicable Peak Shaving Credit.

**PEAK
SHAVED**

LOAD:

Peak Shaved Load in any billing month is the amount by which then nominated Winter Contract Load is less than the Billing Demand for the month.

**BILLING
DEMAND:**

The Billing Demand will be the greater of:

- (a) the highest metered kV.A demand recorded in the current billing month; or
- (b) the highest metered kV.A demand recorded in the previous 12-month period including the current billing month, excluding the months April through September; or
- (c) the contract minimum demand.

**WINTER
CONTRACT
LOAD:**

A customer may, by six month written notice to YEC, nominate a Winter Contract Load at not less than two-thirds of the customer's contract maximum demand subject to the following conditions:

- a) the customer will thereby contract with YEC not to exceed the nominated Winter Contract Load whenever the temperature at Whitehorse is below -30 degrees Centigrade, based on YEC informing the customer by phone, fax or e-mail as to forecast and actual winter temperatures at Whitehorse as provided for in paragraph (b) below;
- b) YEC will inform the customer at least one hour in advance, and not more than one day in advance, of a forecast temperature at Whitehorse being below -30 degree Centigrade; thereafter, until YEC informs the customer otherwise, the customer will be responsible for ensuring that its metered kV.A demand does not exceed the Winter Contract Load during any hour when the actual temperature at Whitehorse is below -30 degrees Centigrade; YEC will inform the customer forthwith when the temperature at Whitehorse is no longer forecast to be below -30 degree Centigrade within the next 24 hours;
- c) the customer agrees that the contract for the nominated Winter Contract Load will continue until terminated by

written notice of not less than 12 months by the customer to YEC;

- d) if during such contract period for the Winter Contract Load the customer's metered kV.A demand recorded, after YEC has provided notice as specified in paragraph (b) above, exceeds the Winter Contract Load when the temperature at Whitehorse is less than -30 degrees Centigrade, the Winter Contract Load contract will be terminated forthwith, the customer will forthwith be required to repay to YEC all Peak Shaving Credits determined within the previous 12 billing months, and the customer will also pay for that billing month to YEC as penalty an amount equal to four times the Demand Charge on the metered kV.A demand recorded in excess of the Winter Contract Demand; in addition, YEC reserves the right if so required to meet system loads when the temperature at Whitehorse is less than 30 degrees Centigrade during the then current month and the following 12 months to interrupt electricity supplied to the customer in excess of the previous Winter Contract Load.

**BASE
LOAD
ENERGY:**

A Base Load Energy amount per month may be established for a customer of 90% of forecast use when YEC expects to require diesel fuel generation to service use in excess of such a Base Load Energy amount. At such time, Rate Schedule 39 will be submitted to the Yukon Utilities Board for amendment to adjust the Energy rate as required for a two part rate that yields the same overall energy charge at forecast energy use, with all energy consumed in excess of the Base Load being charged at a rate reflecting the incremental cost of service using diesel fuel generation and all other energy being charged at the reduced rate required to yield the same overall energy charge at forecast energy use.

**RATE
MODIFICATIONS
APPLICABLE:**

For fuel adjustment rider, see Rider F. Rider F applied to energy charges only, set to \$0.0 for fuel price forecast filed November 20, 2006.

**ELECTRIC
SERVICE
REGULATIONS:**

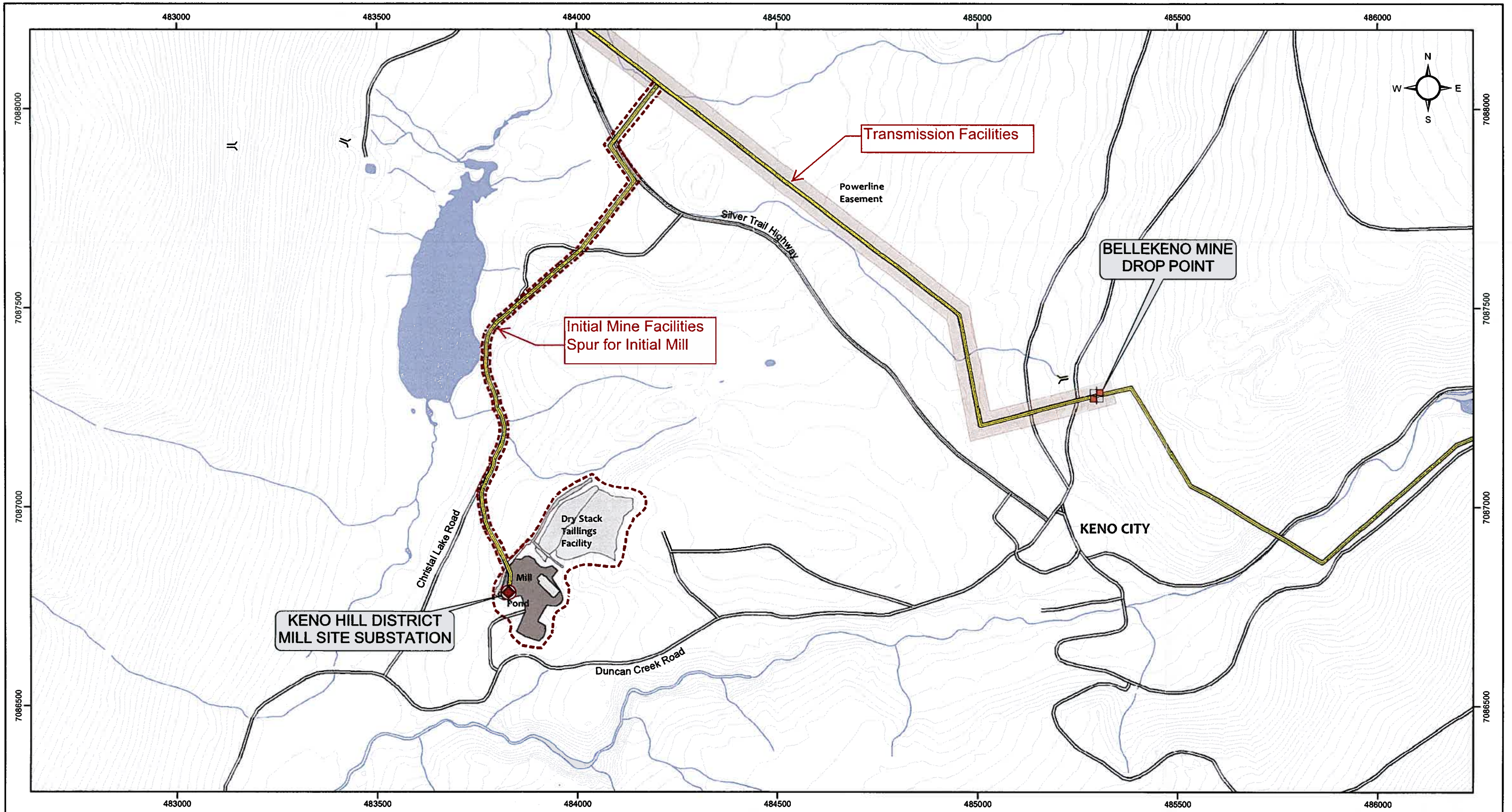
The Electric Service Regulations approved by the Yukon Utilities Board form part of this rate schedule and apply to YEC and every customer supplied with electric service by YEC in the Yukon Territory. Copies of the Electric Service Regulations are available for inspection in the offices of YEC during normal working hours.

SCHEDULE B

The Point of Delivery for the:

- (a) Initial Mill Site is shown in Figure B-1 as the Keno Hill Mill Site Substation; and
- (b) Initial Mine Site is shown in Figure B-2 as the Bellekeno Mine Drop Point.

The Mine Facility Spur for the Initial Mill Site includes a 69 kV transmission line of approximately 1.65 km connecting the Transmission Facilities to the Initial Mill Site as shown in Figure B-1.



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Contours derived from 2006 aerial acquired September 13th and 14th 2006 obtained from Geodesy Remote Sensing Inc., Calgary Alberta.

Datum: NAD 83
Projection: UTM Zone 8N

1:9,000 (when plotted on 11x17 inch sheet)

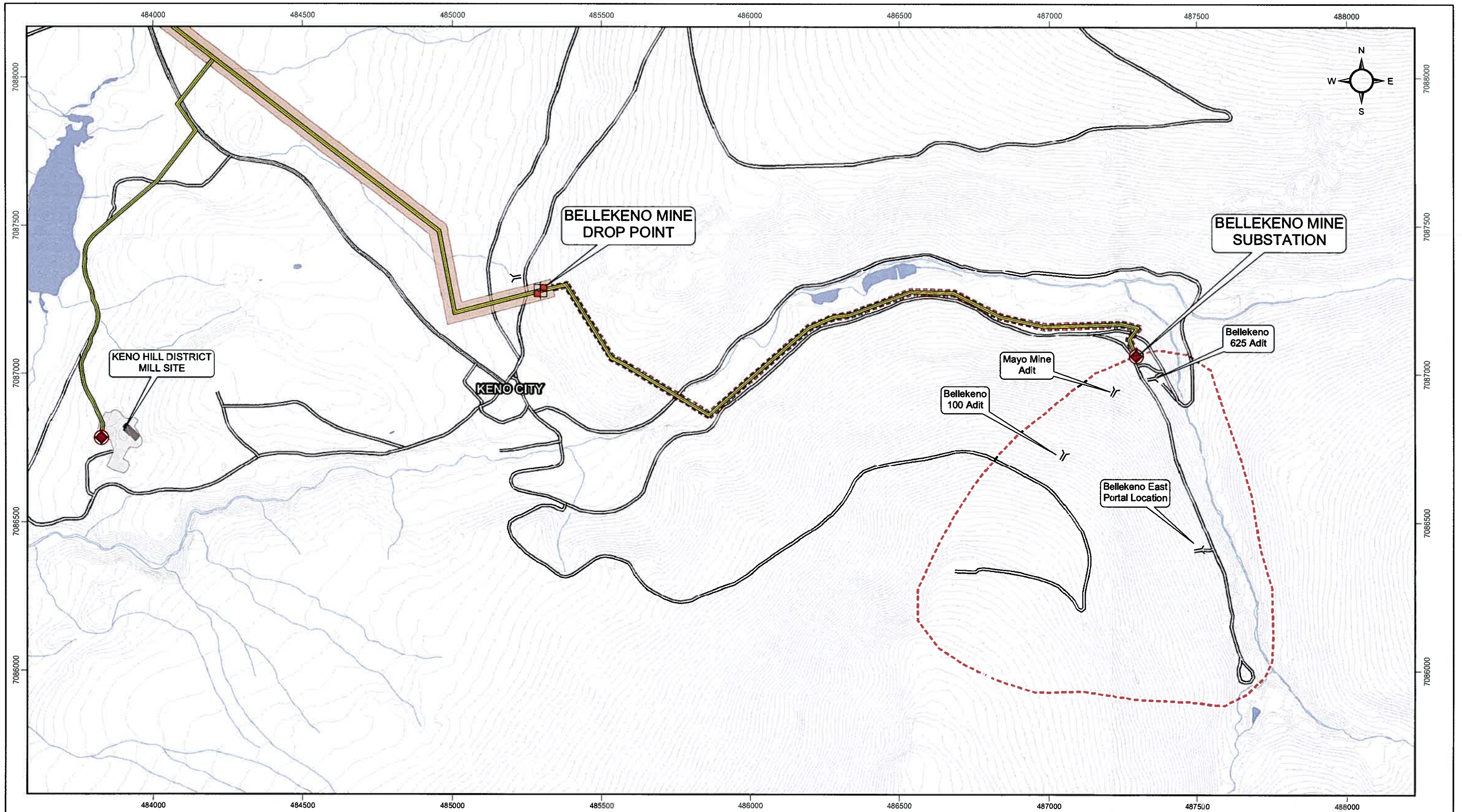


- Electrical Substation
- Electrical Drop Point
- Adit
- Powerline
- Mill Site
- Existing Power Line Easement
- Silver Trail Highway
- Other Roads
- Contours
- WaterCourse
- WaterBody

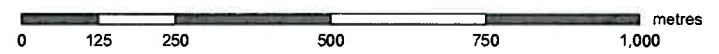


BELLEKENO MINE PROJECT
FIGURE B-1
INITIAL MILL SITE

Drawn by MD	SEPTEMBER 2010	Verified by DW
D:\Project\AllProjects\ALEX-05-01\Bellekeno\GIS\mxd\YEC_Power_Purchase_Agreements\Initial_Mill_Site.mxd		



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 Contours derived from 2006 aerial acquired September 13 and 14 2006 obtained from Geodesy Remote Sensing inc., Calgary Alberta.
 Datum: NAD 83
 Projection: UTM Zone 8N



- Electrical Substation
- Electrical Drop Point
- Adit

- Powerline
- Silver Trail Highway
- Other Roads

- Mine Site
- Existing Power Line Easement

- Contour
- Watercourse
- WaterBody

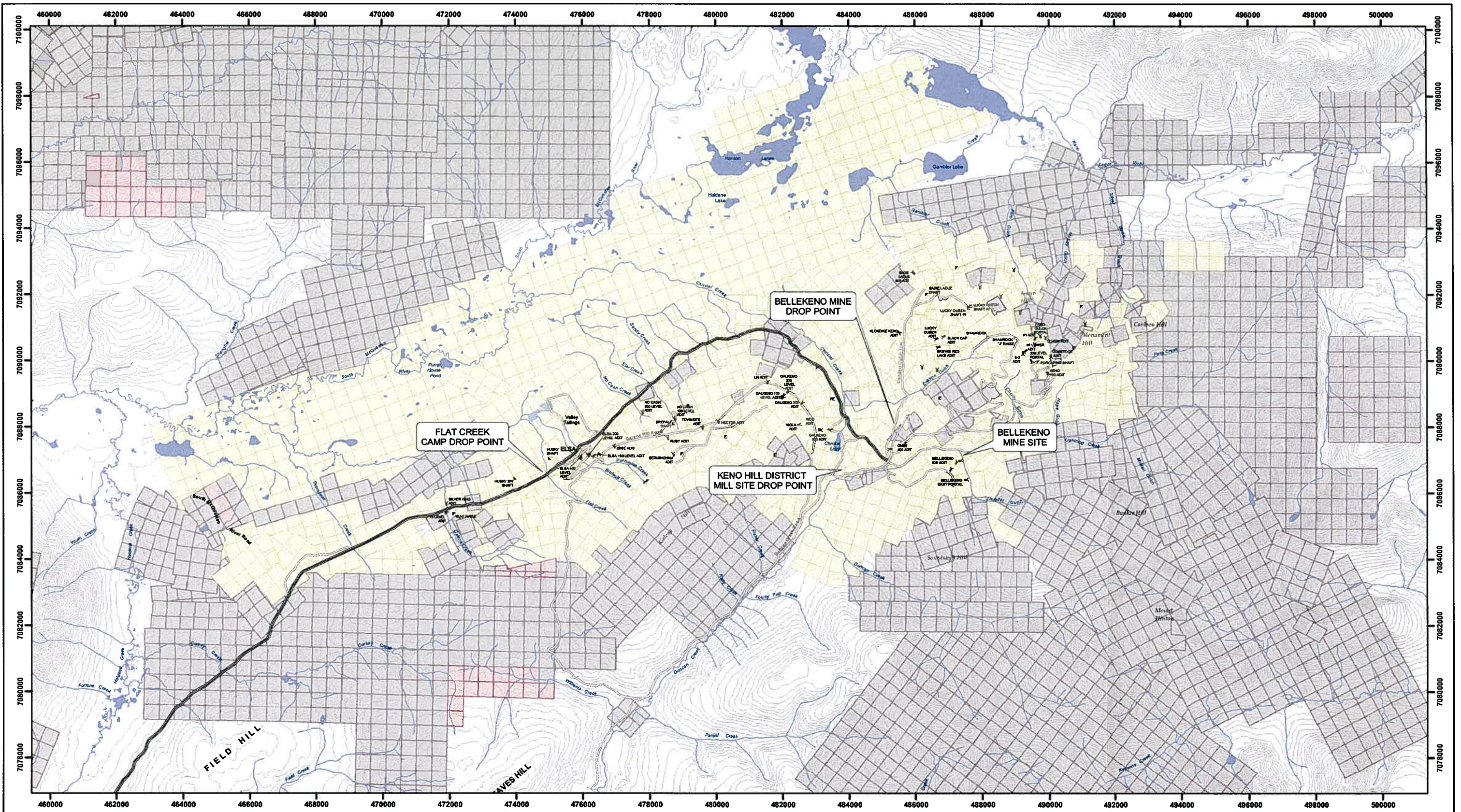


BELLEKENO MINE PROJECT
FIGURE B-2
INITIAL MINE SITE

DRAWN BY MD	SEPTEMBER 2010	VERIFIED BY DW
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D:\Project\AllProjects\ALEX-05-01\Bellekeno\GIS\mxd\YEC_Purchase_Agreement\Initial_Mine_Site.mxd

SCHEDULE C



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Datum: NAD 83
Projection: UTM Zone 8N

Mineral claim boundaries and ownership are current as of April 20th 2010. Data obtained from Geomatics Yukon and Yukon Mining Recorder.

1:105,000 (when printed on 11 x 17 inch paper)

0 0.5 1 2 3 4 5 km

<ul style="list-style-type: none"> ⊕ Adit ⊕ Shaft 	<ul style="list-style-type: none"> ==== Silver Trail Highway — Other Roads 	<ul style="list-style-type: none"> ■ Alexco Quartz Claims ■ Expired Quartz Claims ■ Other Quartz Claims 	<ul style="list-style-type: none"> — Contour — Watercourse ■ Waterbody
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BELLEKENO MINE PROJECT

FIGURE C-1

DISTRICT AREA

Drawn By: MD	SEPTEMBER 2010	Verified by: DW
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D:\Project\AllProjects\ALEX-05-01\Bellekeno\GIS\mxd\YEC_Power_Purchase_Agreements\District_Area

ATTACHMENT B – YEC ANNUAL TRANSMISSION FACILITIES COSTS

YEC's annual Transmission Facilities costs of \$8,575 per month were determined as follows for the PPA:

- Transmission Facilities costs as of end of 2008:
 - Total assets at cost \$1,455,124.62
 - Accumulated depreciation \$ 294,938.76
 - Net book value at yr end \$1,160,185.86
 - Annual depreciation \$ 29,722.82

- Estimated Transmission Facilities costs at end of 2009 and end of 2010, assuming no new assets:
 - Projected Net Book value at end of 2009 \$1.130 million = (1.160186 - 0.0297)
 - Projected Net Book value at end of 2010 \$1.101 million
 - Projected Net Value at mid yr 2010 \$1.1155 million

- Based on YUB approved return (debt and equity cost at 6.56% blended) on rate base for 2009, plus depreciation, the annual owner costs for this line for 2010 is as follows (ignores ongoing capital spending after 2008):
 - Depreciation \$ 29,723
 - Return at 6.56% \$73,177 = (.0656*1.1155 million)
 - Total Annual Cost \$102,900/yr
 - Cost per month \$8,575

ATTACHMENT C – RATE SCHEDULE 39 WITH AMENDMENTS

FIRM MINE RATE RATE SCHEDULE 39 INDUSTRIAL PRIMARY

AVAILABLE: Throughout the service areas of Yukon Energy Corporation (“**YEC**”) and The Yukon Electrical Company Limited (“**YECL**”) served by the Whitehorse-Aishihik-Faro and Mayo-Dawson systems.

APPLICABLE: To all major industrial customers engaged in manufacturing, processing or mining with an electric service capacity in excess of 1,000 kW.

RATE: Charges in any one billing month shall be the sum of the following:

- (a) Demand Charge of \$15.00/kV.A of Billing Demand
- (b) Energy Charge of 7.60¢/kW.h for all energy used
- (c) Fixed Charge

For service to Minto mine site, the Fixed Charge each month shall equal the payments then required under the Power Purchase Agreement (the “**PPA**”) dated February 8, 2007 as amended on May 14 and May 25, 2007 between YEC and Minto Explorations Ltd. (“**Minto**”) for monthly Capital Cost Contributions for transmission connection to the mine.

For service to Alexco mine and mill sites, the Fixed Charge each month will equal \$7,289 as required under the Power Purchase Agreement (the “**PPA**”) dated September 1, 2010 between YEC and Alexco Resource Corp. (“**Alexco**”) for existing transmission connection to the mine and mill sites.

**PEAK
SHAVING
CREDIT:**

For customers with an established Winter Contract Load in good standing, a Peak Shaving Credit in each billing month equal to 50% of the Demand Charge times the Peak Shaved Load.

**MINIMUM
MONTHLY
BILL:**

The minimum monthly bill will be the sum of the Demand Charge and the monthly Fixed Charge, less any applicable Peak Shaving Credit.

**PEAK
SHAVED
LOAD:**

Peak Shaved Load in any billing month is the amount by which then nominated Winter Contract Load is less than the Billing Demand for the month.

**BILLING
DEMAND:**

The Billing Demand shall be the greater of:

- (a) the highest metered kV.A demand recorded in the current billing month;
- (b) the highest metered kV.A demand recorded in the previous 12-month period including the current billing month, excluding the months April through September; or
- (c) the contract minimum demand.

**WINTER
CONTRACT
LOAD:**

A customer may, by six month written notice to YEC, nominate a Winter Contract Load at not less than two-thirds of the customer's contract maximum demand subject to the following conditions:

- a) the customer will thereby contract with YEC not to exceed the nominated Winter Contract Load whenever the temperature at Whitehorse is below -30 degrees Centigrade, based on YEC informing the customer by phone, fax or e-mail as to forecast and actual winter temperatures at Whitehorse as provided for in paragraph (b);
- b) YEC will inform the customer at least one hour in advance, and not more than one day in advance, of a forecast temperature at Whitehorse being below -30 degree Centigrade; thereafter, until YEC informs the customer otherwise, the customer will be responsible for ensuring that its metered kV.A demand does not exceed the Winter Contract Load during any hour when the actual temperature at Whitehorse is below -30 degrees Centigrade; YEC will inform the customer forthwith when the temperature at Whitehorse is no longer forecast to be below -30 degree Centigrade within the next 24 hours;
- c) the customer agrees that the contract for the nominated Winter Contract Load will continue until terminated by written notice of not less than 12 months by the customer to YEC; and
- d) if during such contract period for the Winter Contract Load the customer's metered kV.A demand recorded, after YEC has

provided notice as specified in paragraph (b), exceeds the Winter Contract Load when the temperature at Whitehorse is less than -30 degrees Centigrade, the Winter Contract Load contract will be terminated forthwith, the customer will forthwith be required to repay to YEC all Peak Shaving Credits determined within the previous 12 billing months, and the customer will also pay for that billing month to YEC as penalty an amount equal to four times the Demand Charge on the metered kV.A demand recorded in excess of the Winter Contract Demand; in addition, YEC reserves the right if so required to meet system loads when the temperature at Whitehorse is less than -30 degrees Centigrade during the then current month and the following 12 months to interrupt electricity supplied to the customer in excess of the previous Winter Contract Load.

**BASE
LOAD
ENERGY:**

A Base Load Energy amount per month may be established for a customer of 90% of forecast use when YEC expects to require diesel fuel generation to service use in excess of such a Base Load Energy amount. At such time, Rate Schedule 39 will be submitted to the Yukon Utilities Board for amendment to adjust the Energy rate as required for a two part rate that yields the same overall energy charge at forecast energy use, with all energy consumed in excess of the Base Load being charged at a rate reflecting the incremental cost of service using diesel fuel generation and all other energy being charged at the reduced rate required to yield the same overall energy charge at forecast energy use.

**RATE
MODIFICATIONS
APPLICABLE:**

For fuel adjustment rider, see Rider F. Rider F applied to energy charges only, set to \$0.0 for fuel price forecast filed November 20, 2006.

**ELECTRIC
SERVICE
REGULATIONS:**

The Electric Service Regulations approved by the Yukon Utilities Board form part of this rate schedule and apply to YEC and every customer supplied with electric service by YEC in the Yukon Territory. Copies of the Electric Service Regulations are available for inspection in the offices of YEC during normal working hours.