

## POWER PURCHASE AGREEMENT

This Agreement dated November 9, 2017 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:

**VICTORIA GOLD CORP.**, a British Columbia corporation registered in  
the Yukon Territory under number 634192, having an office at 1050 West  
Pender Street, Vancouver, British Columbia, V6E 3E7

("VGC")

and:

**STRATAGOLD CORPORATION.**, a British Columbia corporation  
registered in the Yukon Territory under number 631012, having an office  
at 1050 West Pender Street, Vancouver, British Columbia, V6E 3E7

("StrataGold")

(VGC and StrataGold are jointly and severally, the "**VGC Group**")

### BACKGROUND:

- A. StrataGold is a wholly-owned subsidiary of VGC;
- B. VGC Group owns the Mine Site and is in the process of developing the Mine with the intent of commencing initial gold production by June 30, 2019;
- C. YEC has agreed to sell to VGC Group and VGC Group has agreed to purchase from YEC Grid Electricity required by VGC Group to operate the Mine, with Commencement of Delivery in March, 2019; 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 VGC Group for the Mine.

### AGREEMENTS:

The Parties agree:

#### PART 1 DEFINITIONS AND INTERPRETATION

1.1 **Definitions.** In this Agreement and in the Schedules which are attached to and form a part of this Agreement:

- (a) "**Act**" has the meaning in Section 8.1;

- (b) **"Affiliate"** has the meaning set out in the *Business Corporations Act* (Yukon Territory);
- (c) **"ampere"** means the unit of measurement of electric current in the International System of Units;
- (d) **"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;
- (e) **"Commencement of Delivery"** means for the Mine Facilities the later of the:
  - (i) McQuesten Substation Operation Date;
  - (ii) date VGC Group provides notice to YEC to confirm that the VGC Group Power Facilities are complete and the Mine Facilities and the Mine Facilities Spur are available to receive Grid Electricity from YEC; and
  - (iii) date the Parties execute and deliver the Operating Agreement;
- (f) **"Commercial Operation Cessation Date"** means the earlier of the:
  - (i) Mine Facilities Shut Down Date; and
  - (ii) date VGC Group provides notice to YEC that the Mine Facilities no longer require, acting reasonably under normal market and operating conditions, an Electric Demand at the Point of Delivery in excess of 1,000 kW;
- (g) **"Conditions"** mean the conditions listed in Section 3.1;
- (h) **"Confidential Information"** has the meaning in Section 15.1;
- (i) **"Defaulting Party"** has the meaning in Section 11.1;
- (j) **"Dispute"** means any dispute, difference, or disagreement between the Parties as to:
  - (i) the meaning, application, or implementation of this Agreement; or
  - (ii) whether an Event of Default has occurred;
- (k) **"Electric Demand"** means the capacity at which Grid Electricity is delivered by YEC to VGC Group expressed in kVA or kW, averaged over a rolling 15 minute period following YEC billing and metering practice for industrial customers receiving Grid Electricity;
- (l) **"Electric Energy"** means electric energy, expressed in kWh, delivered by YEC to VGC Group under this Agreement;
- (m) **"Electricity"** means Electric Energy and Electric Demand delivered by YEC to VGC Group under this Agreement;
- (n) **"Event of Default"** has the meaning in Section 11.1;
- (o) **"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;
- (p) **"Firm Mine Rate"** means the rate set out in Schedule A, as may be amended by YUB from time to time;
- (q) **"Fixed Charge"** means the fixed charge rate each month applicable to the VGC Group Mine Site under the Firm Mine Rate, equal to one-twelfth of the annual amount determined under Section 7.7;
- (r) **"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;
- (s) **"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;

- (t) **"Governmental Authority"** means the government of Canada, the government of the Yukon Territory, a municipality or other political subdivision thereof, including any applicable First Nations, and any entity exercising executive, legislative, judicial, regulatory, or administrative functions including, without limitation, the YUB, if applicable;
- (u) **"Grid Electricity"** means Electricity delivered under this Agreement at the Point of Delivery by YEC to VGC Group from the Transmission Facilities , through the Mine Facilities Spur to the Mine Facilities;
- (v) **"Initial YEC System Improvements"** means the initial system improvement facilities for YEC's power system that YEC is to design, engineer, procure, construct, and commission on YEC's power system under Schedule C;
- (w) **"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;
- (x) **"International System of Units"** means the international system of weights and measures adopted at the 11<sup>th</sup> General Conference on Weights and Measures in 1960;
- (y) **"kV"** means a kilovolt and one kilovolt equals 1,000 volts;
- (z) **"kVA"** means a kV ampere and one kV ampere equals 1,000 volt-amperes;
- (aa) **"kW"** means a kilowatt and one kilowatt equals 1,000 watts;
- (bb) **"kWh"** 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;
- (cc) **"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 the VGC Group, as approved by the YUB;
- (dd) **"Maximum Electric Demand"** means the maximum Electric Demand for Mine Firm Electricity that YEC is obligated to deliver to the VGC Group at the Point of Delivery under Part 5;
- (ee) **"McQuesten Substation"** means the substation located along Transmission Facilities between Mayo and Keno City at approximately the junction of the South McQuesten Road and the Silver Trail Highway, and to be developed by the Parties, but owned and operated by YEC, in accordance with Schedule B and the provisions of this Agreement;
- (ff) **"McQuesten Substation Operation Date"** means the date that YEC provides notice to VGC Group to confirm that the Initial YEC System Improvements are complete and the McQuesten Substation is available to deliver Grid Electricity to the Mine Facilities through the Mine Facilities Spur;
- (gg) **"Mine"** means the VGC Group's "Eagle Gold Project" located on the Mine Site;

- (hh) **"Mine Facilities"** means any mining or other facilities developed or operated by VGC Group at the Mine Site, which Mine Facilities include the Mine;
- (ii) **"Mine Facilities Operation Date"** means the date on which VGC Group provides notice to YEC, after commissioning of the Mine Facilities, the Mine Facilities Spur, and the VGC Group Power Facilities to confirm the start of commercial operation of the Mine;
- (jj) **"Mine Facilities Shut Down Date"** means the date provided by VGC Group to YEC on which YEC is to initiate permanent termination of any further delivery of Grid Electricity to the Mine Facilities under this Agreement;
- (kk) **"Mine Facilities Spur"** means the approximate 44km, 69kV transmission line that VGC Group will construct, own, and operate to connect the Mine Facilities to the Point of Delivery to receive Grid Electricity from YEC under this Agreement;
- (ll) **"Mine Firm Electricity"** means Grid Electricity delivered by YEC to the Mine on a firm basis;
- (mm) **"Mine Site"** means those lands and premises to be used for the Mine and located on the Dublin Gulch property approximately 40 kilometers from Mayo, Yukon Territory and approximately 25 km straight line northwest from the McQuesten Substation with an approximate 44 km road access to the Mine Site from the Silver Trail Highway along the South McQuesten and Haggart Creek Roads;
- (nn) **"MVA"** means thousands of kV amperes;
- (oo) **"MW"** means a megawatt, being the electrical unit of power which is equal to 1,000 kW or 1,000,000 watts;
- (pp) **"MWh"** means a MW hour, being the electrical energy equal to one megawatt of power supplied or taken from an electric circuit for one hour;
- (qq) **"MOU"** has the meaning in Section B.2 of Schedule B;
- (rr) **"Non-Defaulting Party"** has the meaning in Section 11.2;
- (ss) **"Operating Agreement"** means the operating agreement for the YEC power system and the VGC Group Power Facilities that the Parties will implement under Schedule E, and any amendments to the Operating Agreement made under this Agreement;
- (tt) **"Other Industrial Customer"** means a YEC Major Industrial Customer, other than the VGC Group, that receives Grid Electricity from the Transmission Facilities;
- (uu) **"Other YEC System Improvements"** means system improvements for YEC's power system undertaken under this Agreement to supply Grid Electricity to the Mine Facilities in response to an agreed increase in the Maximum Electric Demand as provided for in Section 5.5, and excludes the Initial YEC System Improvements;
- (vv) **"Parties"** means YEC, VGC, and StrataGold and **"Party"** means any one of them;
- (ww) **"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;

- (xx) **"Point of Delivery"** means the point at the McQuesten Substation where the slack span from the McQuesten Substation connects to the deadend insulator at the first Mine Facilities Spur transmission structure, with the insulator and jumper and all of their components being on the VGC Group side and the conductor being on the YEC side, with revenue metering for Grid Electricity located inside the McQuesten Substation at the breaker that the Mine Facilities Spur connects;
- (yy) **"Power Factor"** means the ratio at the Point of Delivery of the highest metered kW demand in a billing period to the highest metered kVA demand in that same billing period;
- (zz) **"Power Quality Requirements"** means YEC's power quality requirements, as set out in Schedule F, applicable to the VGC Group's operation of the Mine Facilities when receiving Grid Electricity from YEC;
- (aaa) **"RAS"** remedial action schemes;
- (bbb) **"SCC"** means YEC's system control centre;
- (ccc) **"SPS"** means special protection schemes;
- (ddd) **"Service Charge"** means the late payment charge on any overdue account of YEC as provided for in the Terms and Conditions;
- (eee) **"Step Down Transformer"** means a transformer located in the McQuesten Substation and designed to step down from 138 kV to 69kV;
- (fff) **"SPS"** has the meaning in Section c.1(e) of Schedule C;
- (ggg) **"Stewart Crossing Substation"** means the YEC substation located south of the Stewart River at Stewart Crossing;
- (hhh) **"StrataGold"** has the meaning on page one;
- (iii) **"SVC/Statcom"** means voltage support equipment for reactive compensation, consisting of either a static-var compensator (SVC) or a static synchronous compensator (statcom), located at the Stewart Crossing Substation;
- (jjj) **"Term"** has the meaning in Section 2.1;
- (kkk) **"Terms and Conditions"** means the Terms and Conditions of Service applicable to YEC, or any future replacement terms and conditions applicable to YEC, as approved by the YUB;
- (lll) **"Transmission Facilities"** means the Mayo to McQuesten Substation segment of YEC's 69 kV Mayo to Keno City transmission facilities located north of Mayo, Yukon Territory, or any Transmission Facilities Development;
- (mmm) **"Transmission Facilities Development"** means any future transmission facilities developed by YEC to replace existing Transmission Facilities and to connect the McQuesten Substation with a substation at either Mayo or Stewart Crossing;
- (nnn) **"Transmission Facilities Development Operation Date"** means the date provided by YEC to VGC Group to confirm that the Transmission Facilities Development has been completed and is in service to deliver Grid Electricity to the Mine Facilities through the Mine Facilities Spur;

- (ooo) **"Transmission Facilities Fixed Cost"** means YEC's annual cost, as approved by the YUB from time to time, for depreciation and return on rate base related to the Transmission Facilities plus the SVC/Statcom if and when it is installed;
- (ppp) **"VGC"** has the meaning on page one;
- (qqq) **"VGC Group"** has the meaning on page one;
- (rrr) **"VGC Group Capital Costs"** means all of the VGC Group's reasonably incurred costs incurred in the design, engineering, procurement, construction, and commissioning of the Mine Facilities Spur;
- (sss) **"VGC Group Forecasts"** has the meaning in Section 5.2;
- (ttt) **"VGC Group Power Bill"** means the monthly bill sent by YEC to VGC Group under Section 7.1;
- (uuu) **"VGC Group Power Facilities"** means the power facilities that VGC Group is to install and operate as part of the Mine Facilities under Schedule D;
- (vvv) **"VGC Group Share"** has the meaning in Section 7.7;
- (www) **"volt"** means the unit of electrical potential, electrical potential difference, and electromotive force in the International System of Units;
- (xxx) **"watt"** means the electrical unit of power or rate of energy transfer in the International System of Units;
- (yyy) **"YEC"** means has the meaning on page one;
- (zzz) **"YEC Capital Costs"** means all of YEC's reasonably incurred costs incurred in the design, engineering, procurement, construction, and commissioning of the McQuesten Substation as set out in Schedule B and the Initial YEC System Improvements as set out in Schedule C, YEC's costs reasonably incurred to negotiate and conclude this Agreement, YEC's costs reasonably incurred for the Step Down Transformer if required, and YEC's costs reasonably incurred for any Other YEC System Improvements if required;
- (aaaa) **"YEC McQuesten Substation Costs"** means the VGC Group's capital costs for the McQuesten Substation development as specified in Schedule B that VGC Group will incur and recover from YEC under this Agreement;
- (bbbb) **"YEC Owner's Costs"** means YEC's capital costs for the McQuesten Substation development as set out in Table B-1 of Schedule B that YEC will recover from VGC Group under this Agreement; and
- (cccc) **"YUB"** means the Yukon Utilities Board.

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

- (a) Schedule A – Firm Mine Rate and Fixed Charge;
- (b) Schedule B –McQuesten Substation;
- (c) Schedule C - Initial YEC System Improvements;

- (d) Schedule D - VGC Group Power Facilities;
- (e) Schedule E - Operating Agreement; and
- (f) Schedule F - Power Quality Requirements.

**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 Mine Facilities Shut Down Date (the "**Term**").

**PART 3  
CONDITIONS PRECEDENT**

**3.1 Conditions.** The obligations of the Parties to proceed with their obligations under this Agreement (except for obligations of the Parties under this Section 3.1) are subject to fulfilment of the following conditions:

- (a) on or before February 28, 2018, the YUB will have approved the VGC Group payments under Section 6.1, the Transmission Facilities Fixed Cost of \$118,621, the provisions under Section 7.7 for amending the Transmission Facilities Fixed Cost and for setting the annual amount of the Fixed Charge, and amendments to the Firm Mine Rate as required to conform to Schedule A and this Agreement;
- (b) on or before February 15, 2018 VGC Group will have provided evidence satisfactory to YEC, acting reasonably, that VGC Group has sufficient funds or financing available and adequate approvals to proceed with the design, engineering, procurement, construction, and commissioning of the McQuesten Substation, the Mine, the Mine Facilities, and the

Mine Facilities Spur, on the schedule set out in this Agreement to enable the Mine Facilities Operation Date to occur on or before June 30, 2019;

- (c) on or before May 15, 2018 VGC Group will have provided evidence satisfactory to YEC, acting reasonably, that VGC Group has commenced site construction of the Mine Facilities, the Mine Facilities Spur, and the McQuesten Substation and is proceeding diligently and in good faith such that VGC Group is expected to achieve the Mine Facilities Operation Date under Section 3.1(b); and
- (d) on or before September 30, 2018 YEC will have received all approvals reasonably required by YEC from Yukon Development Corporation, the Yukon Territorial Government, and such other approvals as YEC may reasonably require to proceed with and complete the design, engineering, procurement, construction, and commissioning of the Transmission Facilities Development as set out in Section 4.5.

Conditions 3.1(a) and (b) are for benefit of both Parties and may only be waived, altered, or the time period extended by agreement between the Parties. Conditions 3.1(c) and (d) are for the benefit of YEC with regard to YEC's obligations under Sections 4.3 and 4.5 and each of these Conditions may be waived, altered, or the time period extended by YEC, in its absolute discretion, by notice by YEC to VGC Group at any time prior to the expiry of the applicable Condition. The Parties will exercise commercially reasonable efforts, to ensure that the Conditions for which they are responsible are fulfilled on or before the date specified. If any of the Conditions set out in Sections 3.1(a), (b), or (c) are neither fulfilled, waived, altered, or the time period extended, on or before the date specified, this Agreement will terminate with immediate effect and neither Party will have any further right or obligation under this Agreement, except for the fulfilment of those obligations which arose prior to the date of termination and except for any rights or obligations which are expressly stated to survive the termination of this Agreement. If Condition 3.1(d) is not fulfilled, waived, altered, or the time period extended before the date specified, this Agreement will not terminate, but YEC will have no obligation to proceed with the Transmission Facilities Development under Section 4.5.

#### **PART 4 INITIAL ACTIVITIES**

**4.1 Filing with YUB.** Upon execution and delivery of this Agreement, YEC will proceed diligently and in good faith to file an application with the YUB seeking YUB approval of the VGC Group payments under Section 6.1, the Transmission Facilities Fixed Cost of \$118,621, the provisions under Section 7.7 for amending Transmission Facilities Fixed Cost and for setting the annual amount of the Fixed Charge, and amendments to the Firm Mine Rate as required to conform with Schedule A and this Agreement. YEC will provide the YUB with such supporting documentation as required by the YUB for such application. VGC Group will support the YEC application to YUB as YEC may reasonably require to obtain the approval of the YUB under this Section 4.1.

**4.2 McQuesten Substation.** Upon execution and delivery of this Agreement, the Parties will proceed diligently and in good faith and will exercise commercially reasonable efforts to design, engineer, procure, construct, commission and turnover of the McQuesten Substation to YEC under the terms and conditions set out in Schedule B to achieve the McQuesten Substation Operation Date on or before February 28, 2019.

**4.3 Initial YEC System Improvements.** Upon execution and delivery of this Agreement, YEC will proceed diligently and in good faith and will exercise commercially reasonable efforts to design, engineer, procure, construct, and commission the Initial YEC System Improvements under the terms and conditions set out in Schedule C as required to accommodate Commencement of Delivery on a date mutually agreed to by the Parties in March 2019.

**4.4 Mine Facilities, Mine Facilities Spur, and VGC Group Power Facilities.** Upon execution and delivery of this Agreement, VGC Group will proceed diligently and in good faith and will exercise commercially reasonable efforts to design, engineer, procure, construct, and commission the:

- (a) Mine Facilities;
- (b) Mine Facilities Spur; and
- (c) VGC Group Power Facilities as set out in Schedule D;

so as to be able to achieve Commencement of Delivery on a date mutually agreed to and presently estimated by the Parties to be in March 2019. VGC Group will from time to time, and at least once every two months, provide notice to YEC of VGC Group's progress and material milestones under this Section 4.4. VGC Group will provide notice to YEC of the date when the VGC Group Power Facilities are completed and the date when the Mine Facilities and the Mine Facilities Spur are available to receive Grid Electricity from YEC. The Parties will use commercially reasonable efforts to cooperate and coordinate their activities under this Section 4.4 to ensure the Commencement of Delivery occurs on a date mutually agreed to and presently estimated by the Parties to be in March, 2019.

**4.5 Transmission Facilities Development.** VGC Group acknowledges that the Transmission Facilities are at or near their end of life, and the Transmission Facilities must be upgraded before YEC can reliably deliver Grid Electricity to the Mine Facilities. Upon execution and delivery of this Agreement, YEC will, subject to the Condition in Section 3.1(d) being fulfilled, proceed diligently and in good faith and will exercise commercially reasonable efforts to commence, on or before October 1, 2018, the design, engineering, procurement, construction, and commissioning of the Transmission Facilities Development with the expectation that the Transmission Facilities Development Operation Date will occur within:

- (a) 21 months of October 1, 2018 if the Transmission Facilities Development includes new Transmission Facilities located between McQuesten Substation and the existing Mayo substation that are to be operated at 69 kV; or
- (b) 30 months of October 1, 2018 if the Transmission Facilities Development includes new 138 kV Transmission Facilities connecting the McQuesten Substation with a substation at Stewart Crossing.

YEC will, from time to time, and at least once every two months, provide notice to VGC Group of YEC's progress and material milestones under this Section 4.5. YEC will provide notice to VGC Group of the Transmission Facilities Operation Date. VGC Group will provide to YEC such support as YEC may require, acting reasonably, for YEC to secure funding for the Transmission Facilities Development.

**4.6 Step Down Transformer.** If the Transmission Facilities Development includes a 138 kV transmission line connecting the McQuesten Substation with a substation at Stewart Crossing, YEC will design, engineer, procure, construct, and commission the Step Down Transformer as part of the Transmission Facilities Development.

**4.7 SVC/Statcom.** YEC will design, engineer, procure, construct, and commission the SVC/Statcom at the Stewart Crossing Substation as part of the Transmission Facilities Development that is developed under Section 4.5.

**4.8 Operating Agreement.** Upon execution and delivery of this Agreement the Parties will proceed diligently and in good faith to negotiate, execute, and deliver the Operating Agreement substantially in the form attached to this Agreement as Schedule E on or before the Commencement of Delivery.

## **PART 5 ELECTRICITY**

**5.1 Electricity to be Delivered and Accepted.** From the Commencement of Delivery, YEC will deliver to VGC Group and VGC Group 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 a load Power Factor requirement of 96% leading, as follows:

- (a) from the Commencement of Delivery until the Transmission Facilities Development Operation Date, Maximum Electric Demand of up to 10,100 kVA;
- (b) after the Transmission Facilities Development Operation Date, Maximum Electric Demand of up to 14,300 kVA; and
- (c) subject to the specified Maximum Electric Demand and its constraints on Electric Energy delivered by YEC to the VGC Group, Electric Energy of approximately 51,800 MWh/year in the first twelve months after the Mine Facilities Operation Date, approximately 63,600 MWh/year in the second twelve months after the Mine Facilities Operation Date, approximately 67,400 MWh/year in the third twelve months after the Mine Facilities Operation Date, approximately 70,200 MWh/year in the fourth twelve months after the Mine Facilities Operation Date, approximately 72,600 MWh/year in the fifth twelve months after the Mine Facilities Operation Date, and approximately 74,100 MWh/year thereafter until the Commercial Operations Cessation Date; and
- (d) during an approximate 90 day period that falls between December 1 and March 31 of every year during the Term, Electric Demand will be reduced so as not to exceed approximately 6,000 kVA.

**5.2 VGC Group Forecasts.** VGC Group will provide to YEC annual forecasts ("**VGC Group Forecasts**") of the Grid Electricity requirements of the Mine Facilities at the Point of Delivery in accordance with the following provisions:

- (a) VGC Group Forecasts for each of the succeeding calendar years that the Mine Facilities are expected to require Grid Electricity, so as to allow YEC to forecast the future Electric Demand and Electric Energy loads on the Mine Facilities. The VGC Group Forecast will be provided to YEC eight months in advance of each calendar year end, 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. With regard to Grid Electricity requirements after year six of Mine Facilities operation, the VGC Group Forecasts will update YEC on VGC Group plans related to changes in Mine Facilities, the steps and schedule to implement these plans, and the expected impacts of Grid Electricity requirements for the Mine Facilities.
- (b) VGC Group will advise YEC by notice forthwith of any material change to the VGC Group Forecasts for Mine Firm Electricity, including the characteristics for Electric Energy or Electric Demand.
- (c) During the first week of each month after Commencement of Delivery, VGC Group will advise YEC by notice of its estimated daily requirements for Mine Firm Electricity during the following month.

**5.3 Point of Delivery .** YEC will deliver Grid Electricity to VGC Group and VGC Group will receive Grid Electricity from YEC at the Point of Delivery.

**5.4 Maximum Electric Demand.** YEC's obligation to supply Mine Firm Electricity to VGC Group will not exceed the Maximum Electric Demand in effect at any time at the Point of Delivery, and, in accordance with Schedule E, YEC is entitled to cease delivery of Grid Electricity to the Mine Facilities if VGC Group continues to receive Mine Firm Electricity in excess of the Maximum Electric Demand after notice from YEC that VGC Group's load is exceeding the Maximum Electric Demand cap. Notwithstanding such Maximum Electric Demand, if VGC Group receives from YEC Mine Firm Electricity in excess of the Maximum Electric Demand, VGC Group will pay for the billing demand charge on all metered kVA billing demand recorded at the Firm Mine Rate.

**5.5 Increase in Maximum Electric Demand.** If VGC Group requires an increase to its Maximum Electric Demand in excess of that under Section 5.1, the following will apply:

- (a) VGC Group will provide YEC with notice of the specified amount of the requested increase together with the period of time during which the increase is required and the related increase in Mine Firm Electricity requirement together with such information and documents as YEC may reasonably require to consider the request;
- (b) after receipt of such notice, 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, as well as any potential requirement for an increase to the Mine Firm Rate, Other YEC System Improvements, and new YEC Capital Costs related to such increase in Mine Firm Electricity, and YEC will forthwith provide notice to VGC Group of YEC's determination;
- (c) following such notice by YEC to the VGC Group, if the Parties are unable to agree on the matters set out under Section 5.5(b) within a period of 90 days from the date of such written notice by YEC to the VGC Group, no increase in Maximum Electric Demand will be provided. For greater certainty the Parties' failure to agree on the matters set out in this Section 5.5(c) will not be a Dispute and will not be subject to Part 12; and
- (d) if the Parties are able to agree on the matters set out in Section 5.5(b) within 90 days then the Parties will enter such amendments to this Agreement as the Parties may reasonably require to reflect such agreements, including provision for YUB approval of any changes required to the Firm Mine Rate. If the Parties are unable to execute and deliver such agreements within a period of 120 days of the notice under Section 5.5(c), no amendments to this Agreement will occur. For greater certainty the Parties' failure to agree on such agreements will not be a Dispute and will not be subject to Part 12.

**5.6 VGC Group Standards for Usage of Electricity.** The Parties will comply with the Operating Agreement and VGC Group will regulate its electrical load in accordance with the Power Quality Requirements, including the requirement to maintain a 96% leading load Power Factor for Grid Electricity delivered to VGC Group at the Point of Delivery, or as otherwise agreed to by the Parties from time to time, acting reasonably. VGC Group will operate its equipment and use the Grid Electricity at the Mine so as not to endanger any of YEC's plant or equipment or cause any unacceptable fluctuations of YEC's electrical system. VGC Group will comply with reasonable standards of operation under the Operating Agreement or the Power Quality Requirements or as otherwise provided by YEC to VGC Group by notice from time to time. If VGC Group 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 notice to VGC Group require that VGC Group remedy the situation. Should VGC Group fail to immediately comply with this Section 5.6 upon receiving such notice regarding the Point of Delivery, YEC may immediately suspend the supply of Grid Electricity to VGC Group at such Point of Delivery and continue such suspension until the situation is remedied. Upon receipt of such notice VGC Group may provide notice to YEC that VGC Group wishes YEC to operate any such equipment endangering YEC's plant, or equipment, or electrical system at VGC Group's sole cost and expense. Upon receipt of such notice YEC will provide notice to VGC Group as to whether YEC will operate such

equipment and in such case VGC Group will indemnify and save harmless YEC against any costs, damages, or losses associated with such operations.

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

**5.8 Commercial Operation Cessation Date.** VGC Group will provide notice to YEC of a Commercial Operation Cessation Date within 30 days of the occurrence of such Commercial Operation Cessation Date.

**5.9 Suspension of Commercial Operation.** VGC Group will provide notice to YEC as provided for in Section 4 of Schedule E of planned maintenance and scheduling for the Mine Facilities. Such notice will include the date on which Commercial Operation will cease, VGC Group's reasonable estimate of the length of the period during which Commercial Operation will be suspended, and the related adjustments to VGC Group Forecasts as required under Section 5.2. If VGC Group suspends Commercial Operation and such suspension continues for five consecutive years without VGC Group providing notice to YEC of a Mine Facilities Shut Down Date during this suspension, VGC Group will then be deemed to have provided notice to YEC that the Mine Facilities Shut Down Date has occurred as of the last day of the five years of continuous suspension. VGC Group will provide copies to YEC of any VGC Group notice to the Minister under the Quartz Mining Act regarding specified events at the Mine where such notice is required, including commencement of active operations, discontinuance or resumption of operations, and plans to bring the Mine back into operations.

**5.10 Planned YEC Maintenance.** YEC may, from time to time, for planned annual maintenance of its transmission and generation facilities, require a curtailment or suspension in the Grid Electricity supplied to the Mine for a period of up to 14 days per calendar year and YEC will provide notice to VGC Group, as provided for in Section 4 of Schedule E, of any such planned maintenance. Such notice will include the date on which such maintenance will commence, YEC's expected duration of the maintenance, and the impact on YEC's obligations to deliver Grid Electricity to VGC Group under this Agreement.

## **PART 6 YEC CAPITAL COSTS**

### **6.1 YEC Capital Costs.**

- (a) As of the date of this Agreement YEC's estimate for the YEC Capital Costs not paid to date by VGC Group for the negotiation and conclusion of this Agreement is \$200,000. Within 15 days of the execution and delivery of this Agreement YEC will invoice VGC Group for 50% of YEC's estimated YEC Capital Costs under this Section 6.1(a), and within 15 days of receipt of said invoice VGC Group will pay such amount to YEC. YEC will invoice VGC Group for the balance of the amount owing as soon as is reasonably practicable after YEC determines the actual amount of YEC Capital Costs incurred under this Section 6.1(a) and VGC Group will pay such amount within 15 days of receipt of such invoice.
- (b) As of the date of this Agreement YEC's estimate of the YEC Capital Costs that YEC is to recover from VGC Group for the Initial YEC System Improvements is \$1,677,883. Within 15 days of the execution and delivery of this Agreement YEC will invoice VGC Group for 50% of YEC's estimated YEC Capital Costs under this Section 6.1(b), and within 15 days of the date of the approval of this Agreement by the YUB VGC Group will pay such amount to YEC. YEC will invoice VGC Group for the balance of the amount owing as soon as is reasonably practicable after YEC has completed the Initial YEC System Improvements as required by Section 4.3 and has determined the actual cost of the Initial YEC System Improvements under this Section 6.1(b), and VGC Group will pay such

amount within 15 days of receipt of such invoice. Provided however that if the amount to be invoiced VGC Group for the Initial YEC System Improvements exceeds \$1,677,883 then YEC will provide VGC Group with details of the increase in cost and confirm to VGC Group that such increase in cost is not caused by a change to the scope of the work for the Initial YEC System Improvements as set out in Schedule C and was otherwise a reasonably necessary increase in cost to complete the Initial YEC System Improvements.

- (c) As of the date of this Agreement YEC's estimate for the YEC Owner's Costs that YEC is to recover from VGC Group for the McQuesten Substation is \$483,240. Within 15 days of the execution and delivery of this Agreement YEC will invoice VGC Group for 50% of YEC's estimated YEC Owner's Costs under this Section 6.1(c), and within 15 days of the date of the approval of this Agreement by the YUB, VGC Group will pay such amount to YEC. YEC will invoice VGC Group for the balance of the amount owing as soon as is reasonably practicable after the Commencement of Delivery and after YEC has determined the actual cost of the YEC Owner's Costs, and VGC Group will pay such amount within 15 days of receipt of such invoice. Provided however that if the amount to be invoiced to VGC Group for the YEC Owner's Costs exceeds \$483,240 then YEC will provide VGC Group with details of the increase in cost and confirm to VGC Group that such increase in cost is not caused by a change to the scope of the work for the YEC Owner's Costs as set out in Schedule C and was otherwise a reasonably necessary increase in cost to complete the YEC Owner's Costs.
- (d) The YEC McQuesten Substation Costs under Section B.4 of Schedule B associated with the McQuesten Substation being able to operate at 138 kV is \$930,563. At the time that the McQuesten Substation is transferred to YEC by VGC Group under Schedule B, VGC Group will invoice YEC for, and within 15 days after Commencement of Delivery, YEC will pay VGC Group, \$930,563 for the YEC McQuesten Substation Costs. Provided however that if there is a change in the scope of the McQuesten Substation work that:
  - (i) is approved by YEC; and
  - (ii) results in VGC Group incurring an increase in the YEC McQuesten Substation Costs;VGC Group will:
  - (iii) provide YEC with details of the increase in the costs due to the change in scope; and
  - (iv) confirm to YEC that such increase in costs was a reasonably necessary increase to complete the YEC McQuesten Substation Costs.

Subject to YEC's review and confirmation of the VGC Group submission, YEC will pay to VGC Group the reasonable increase in the costs due to the change in scope affecting the YEC McQuesten Substation Costs.

- (e) If the Step Down Transformer is required to be provided by YEC under Section 4.6, YEC will invoice VGC Group when YEC orders the Step Down Transformer for 50% of all of YEC's estimated costs and expenses reasonably required for design, engineering, procurement, construction, and commissioning of the Step Down Transformer and VGC Group will pay such invoice within 15 days of receipt. YEC will invoice VGC Group for the remainder of YEC's reasonably incurred costs and expenses to design, engineer, procure, construct, and commission the Step Down Transformer within 30 days of when the Step Down Transformer is commissioned and VGC Group will pay such invoice within 15 days of receipt.

- (f) If YEC incurs Other System Improvement capital costs caused by an increase in Maximum Electric Demand under Section 5.5, the related amendments to this Agreement will provide for YEC to recover from VGC Group any reasonably incurred YEC Capital Costs for the required Other System Improvements.

## **PART 7 BILLING/PAYMENT**

7.1 **VGC Group Power Bill.** As soon as practicable following the last day of each month after the Commencement of Delivery, YEC will deliver the VGC Group Power Bill to VGC Group setting out the amount payable to YEC by VGC Group under this Agreement for all Electricity delivered by YEC to VGC Group during such month. VGC Group will pay YEC the amount set out in each VGC Group Power Bill within 15 Business Days of the date of delivery of the VGC Group Power Bill to VGC Group. Electricity provided by YEC to VGC Group will be charged to VGC Group at the rates provided for in this Agreement.

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

7.3 **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 VGC Group Power Bill, VGC Group Capital Cost, Decommissioning Costs, or other amounts payable under this Agreement.

7.4 **Late Payment** Any payment to be made by VGC Group 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.

7.5 **Prepayments.** Any payments to be made by VGC Group to YEC under this Agreement may be prepaid by VGC Group at any time in whole or in part without penalty.

7.6 **Taxes.** All sales taxes, excise taxes, or similar charges payable on Electricity delivered to VGC Group under this Agreement will be added to the VGC Group Power Bill and paid by VGC Group under Section 7.1.

7.7 **Fixed Charge.** The Fixed Charge will be determined as follows:

- (a) Prior to the Transmission Facilities Development Operation Date, the Transmission Facilities Fixed Cost used to determine the Fixed Charge is \$118,621, or any amended amount approved by the YUB from time to time.
- (b) After the Transmission Facilities Development Operation Date, YEC will apply to the YUB to amend the Transmission Facilities Fixed Cost based on YEC's adjusted annual costs for depreciation and return on rate base related to the Transmission Facilities plus the SVC/Statcom and YEC's McQuesten Substation Costs. The adjusted Transmission Facilities Fixed Cost will apply until otherwise amended by the YUB.
- (c) The annual Fixed Charge amount will be determined by YEC as follows:
  - (i) in calendar years when there is no Other Industrial Customer, the annual amount for the Fixed Charge will equal 85% of the Transmission Facilities Fixed Cost as last determined by the YUB; and
  - (ii) in calendar years when there is one or more Other Industrial Customers, the estimated VGC Group portion of the Major Industrial Customer MWh load on the

Transmission Facilities during the calendar year (the "**VGC Group Share**") will be estimated by YEC and the Fixed Charge for months during the calendar year will equal the VGC Group Share of 85% of the Transmission Facilities Fixed Cost as last determined by the YUB. Within 60 days of the calendar year end, YEC will adjust the Fixed Charge based on the actual VGC Group Share as determined by actual MWh load during the calendar year for VGC Group and any Other Industrial Customers. The fixed charge applicable to each Other Industrial Customer in any calendar year will be determined in the same manner, based on each such customer's share of the Major Industrial Customer MWh load on the Transmission Facilities during the calendar year.

- (iii) With regard to securing any required YUB approvals related to Fixed Charge amounts, including any approvals related to the VGC Group Share or the Transmission Facilities Fixed Cost, YEC will provide the YUB with such supporting documentation as required by the YUB, and will use commercially reasonable efforts to obtain the approval of the YUB, and VGC Group will use commercially reasonable efforts to support such application by YEC.

## **PART 8 METERING**

8.1 **Metering.** The Grid Electricity purchased by VGC Group under this Agreement will be measured and recorded at the Point 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**").

8.2 **Testing.** YEC will test its metering equipment under Section 8.1 and field test the metering installation in compliance with the Act. If requested to do so by VGC Group, YEC will make additional tests or inspections of such installations, the expense of which will be paid by VGC Group, unless VGC Group 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 VGC Group of the time when any such test or inspection is to be made. VGC Group 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.

8.3 **Backup Metering.** VGC Group may, at its cost and expense, install a backup metering system to check YEC's metering system performance and, if so, VGC Group will own, operate, and maintain this system, at VGC Group's sole cost and expense.

8.4 **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 8.2, in complying with its obligations under Section 8.2 will be invoiced separately to VGC Group by YEC and will be paid by VGC Group upon receipt.

## **PART 9 FORCE MAJEURE**

9.1 **Force Majeure.** Subject to Section 9.3, 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.

9.2 **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.
- (e) During a Force Majeure a Party invoking the Force Majeure will exercise commercially reasonable efforts to end the Force Majeure.

**9.3 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 10 REPRESENTATIONS AND WARRANTIES**

**10.1 YEC Representations and Warranties.** To induce VGC Group to enter into this Agreement YEC hereby represents and warrants to VGC Group as of the effective date of this Agreement, upon each of which representations and warranties VGC Group 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.

**10.2 VGC Group Representations and Warranties.** To induce YEC to enter into this Agreement VGC Group 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) **VGC Group Corporate Organization and Authority:** Each of the members of the VGC Group has been duly incorporated and is a validly existing corporation under the laws of the Province of British Columbia 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 Territory 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 VGC Group and the consummation by VGC Group of the transactions contemplated hereby have been duly authorized by the respective Boards of Directors of VGC Group and this Agreement has been duly executed and delivered by VGC Group and constitutes valid and binding obligations of VGC Group, enforceable against VGC Group 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 VGC Group 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 VGC Group is a party or by which they or their property are or may be bound.

## **PART 11 DEFAULT**

**11.1 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.

**11.2 Remedies.** If an Event of Default under Section 11.1 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 VGC Group under Section 7.1 YEC may upon 15 days' notice to VGC Group suspend or discontinue the supply of Grid Electricity to VGC Group, but no such suspension or discontinuance by YEC will relieve VGC Group 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 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 no further:

- (a) claim may be made; and
- (b) compensation will be payable by any Party,

for the same Dispute.

**12.5 Continued Payment.** Pending resolution of any Dispute, VGC Group will continue to pay to YEC any sums payable under this Agreement and YEC may avail itself of its remedy under Section 11.2(d) in relation to a failure by VGC Group 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) VGC Group 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 VGC Group in connection with the performance of its obligations under this Agreement or a breach by VGC Group 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 VGC Group harmless for any loss of or damage to property, death or injury to person (or any claim against VGC Group in respect thereof) and all expenses relating thereto (including without limitation reasonable legal fees) suffered or

incurred by VGC Group 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 VGC Group or the failure of VGC Group 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, VGC Group 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.** No 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, a 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.** No 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, YEC will ensure that the obligation to sell Grid Electricity from the Transmission Facilities, 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 VGC Group, acting reasonably, which provides that the purchaser agrees to be bound by this Agreement.

**14.3 Sale of the Mine.** If VGC Group disposes of all or any interest in the Mine, the Mine Facilities, or the VGC Group Power Facilities, VGC Group 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, the Mine Facilities, or the VGC Group Power Facilities for the Term. VGC Group will require as a condition of the closing of the disposition of the Mine, the Mine Facilities, or the VGC Group Power Facilities 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:

- (a) 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:**

DLA Piper (Canada) LLP  
2800 - 666 Burrard Street  
Vancouver, BC V6C 2Z7

Attention: John Landry

Facsimile: 604-605-3588

(b) To VGC:

Victoria Gold Corp.  
1050 West Pender Street  
Vancouver, BC V6E 3E7

Attention: Mark Aryanto

Facsimile: 604-682-5232

(c) To StrataGold:

StrataGold Corporation  
1050 West Pender Street  
Vancouver, BC V6E 3E7

Attention: Mark Aryanto

Facsimile: 604-682-5232

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 9, 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 of VGC Group under this Agreement are joint and several obligations of VGC and StrataGold.

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

**YUKON ENERGY CORPORATION**

By:   
\_\_\_\_\_  
President & CEO  
Authorized Signatory

Dated: 9 November 2017

**VICTORIA GOLD CORP.**

By:

\_\_\_\_\_  
Authorized Signatory

Dated: November 10, 2017

**STRATAGOLD CORPORATION**

By:

\_\_\_\_\_  
Authorized Signatory

Dated: November 10, 2017

AGH

SCHEDULE A

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 Yukon Integrated Grid.

**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 \$15.94/kVA of Billing Demand
- (b) Energy Charge of 8.08¢/kWh for all energy used.
- (c) Fixed Charge

For service to Minto mine site, the Fixed Charge each month shall equal the payments required under the amended Power Purchase Agreement (the "**Minto PPA**") dated May 14, 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 the amounts under the Power Purchase Agreement (the "**Alexco PPA**") dated September 1, 2010 between YEC and Alexco Resource Corp. ("**Alexco**") for existing transmission connection to the mine and mill sites, until such time as this amount is amended by the YUB based on the VGC Group PPA.

For service to VGC Group mine site, the Fixed Charge each month will equal the amounts under the Power Purchase Agreement (the "**VGC Group PPA**") dated November 9, 2017 between YEC, Victoria Gold Corp., and StrataGold Corporation ("Victoria Gold Corp. and StrataGold Corporation are collectively, the "**VGC Group**") for transmission connection to the mine site, subject to

amendment from time to time as provided for in Section 7.7 of the VGC Group PPA.

**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 kVA demand recorded in the current billing month; or
- (b) the highest metered kVA 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 kVA 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 kVA 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 kVA 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 at 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 and changed as follows:

- a) Fixed Rider F of 0.211 cents per kWh charged only to Rate Schedule 39 customers to account for fuel price variance from price forecast filed November 20, 2006 to fuel price forecasts for 2009 as approved by the Board in Order 2009-08 and Order 2009-10 for Yukon Energy; plus
- b) Ongoing Rider F per kWh as required to ensure consistency, after consideration of the Fixed Rider F as provided for in (a) herein, with the Rider F applied to all applicable rate schedules to account for fuel price variance from price forecasts as last approved by the Board for Yukon Energy and Yukon Electrical GRAs.

**TERMS AND  
CONDITIONS OF  
SERVICE :**

The Company's Terms and Conditions of Service approved by the Yukon Utilities Board form part of this rate schedule and apply to the Company and every customer supplied with electric service by the Company in the Yukon and British Columbia. Copies of the Terms and Conditions of Service are available for inspection in the offices of the Company during normal working hours.

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**Schedule B**  
**McQuesten Substation**

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**B.1 McQuesten Substation Planning to Date.** The McQuesten Substation project to be connected to the existing grid powerline between Mayo and Keno City is designed to accommodate the future Transmission Facilities Development. The McQuesten Substation project and the Transmission Facilities Development have completed Yukon Environmental and Socio-economic Assessment Act screening followed by a decision document issued by the Yukon Government to allow all required construction and operating permits for the Stewart-Keno City Transmission Project (or components thereof) to be issued. YEC can secure access from the Yukon Government to use of the required right of way. Detailed engineering design of the McQuesten Substation project has been largely with funding from the Yukon Government and VGC Group.

**B.2 McQuesten Substation MOU.** A copy of the McQuesten Substation MOU (the "MOU") that was signed by VGC and YEC on September 19, 2017 is attached in Appendix B-1 to this Schedule B, setting out a formal relationship between the Parties and commitments to enable the Parties to work together on the successful tendering, procurement, construction, commissioning and turnover of the McQuesten Substation to YEC. The MOU notes that the McQuesten Substation design has been directed and reviewed by YEC, and has been frozen after the 85% design review and the agreement of the Parties to the design. VGC Group is authorized under the MOU to order long lead equipment, and is responsible under the MOU for issuing request for tender proposals, construction management, and pre-commissioning activities. YEC is responsible under the MOU for actual commissioning of the McQuesten Substation. The MOU provides for the Parties to develop an acceptance test or protocol for determining that the McQuesten Substation has been commissioned, and that deficiencies identified during commissioning will be rectified by VGC and approved by YEC before the McQuesten Substation is released to YEC for commercial operation. When the Substation has passed the agreed upon acceptance test or protocol and all deficiencies are rectified by VGC to the satisfaction of YEC, the MOU specifies that VGC will execute and deliver a document agreed to by the Parties transferring legal and beneficial title to the McQuesten Substation to YEC free and clear of all liens, charges, and encumbrances.

**B.3 McQuesten Substation Capital Costs funded by VGC Group:** Except as otherwise specified in this Agreement, VGC Group will fund all of the costs, fees and expenses for development of the McQuesten Substation, including actual final YEC's Owners Costs (see Table B-1 for YEC's estimate of these costs as of the current date). The YEC's Owner's Costs will be recovered from VGC Group after the Commencement of Delivery under Section 6.1(c) of this Agreement.

**Table B-1: YEC's Owner's Costs for McQuesten Substation Development**

Project Manager	\$68,640
Owner's Engineer	\$93,600
Site Supervision	\$186,000
SCC SCADA	\$16,000
Overhead (management, reporting)	\$15,000
Commissioning (Internal)	\$44,000
Commissioning (External)	\$60,000
<b>Total</b>	<b>\$483,240</b>

**B.4 McQuesten Substation Capital Costs funded by YEC:** YEC is responsible for the YEC McQuesten Substation Costs for incremental fees, costs and expenses associated with the McQuesten Substation being able to operate at 138 kV voltage at such time after the Commencement of Delivery when the Transmission Facilities Development is completed and energized at 138 kV YEC McQuesten Substation Costs are set at **[\$930,563]**, as detailed in Table B-2. The YEC McQuesten Substation Costs will be payable by YEC to VGC Group after the Commencement of Delivery under Section 6.1(d) of this Agreement.

**Table B-2: YEC McQuesten Substation Costs**

5258 McQuesten & 5249 Mayo	YEC
<b>Construction</b>	<b>\$ 605,931</b>
Supervision	\$ 36,000
Site Prep (Civil works)	\$ 325,350
Foundations	\$ 174,081
Structure and Bus Work	\$ 8,000
Electrical / Telecontrol / Telecom	\$ 62,500
<b>Material</b>	<b>\$ 240,036</b>
Switch Yard	\$ 132,770
Major Equipment	\$ 87,266
Delivery	\$ 20,000
<b>Commissioning</b>	<b>\$ -</b>
On-site	
<b>Owner's Costs</b>	<b>\$ -</b>
Overall owner's costs	
<b>Subtotal</b>	<b>\$ 845,967</b>
<b>Contingency (10%)</b>	<b>\$ 84,597</b>
<b>TOTAL</b>	<b>\$ 930,563</b>

**Eagle Gold Project – McQuesten Substation  
Memorandum of Understanding (“MOU”)**

BETWEEN  
YUKON ENERGY CORPORATION (“YEC”)  
AND  
VICTORIA GOLD CORP. (“VGC”)

(collectively the “Parties”)

**WHEREAS**, VGC is a leading gold exploration and development company whose Eagle Gold Project (the “Project”) is located within proximity to YEC’s grid, is fully permitted and under construction to be Yukon’s next and largest gold mine;

**WHEREAS**, YEC is a crown owned, regulated utility with a mandate to plan, generate, transmit, and distribute a continuous and adequate supply of energy in the Yukon;

**WHEREAS**, VGC and YEC have finalized detailed design of the McQuesten Substation (the “Substation”), finalized a system impact study and are actively working on the development of a power purchase agreement which provides the technical and commercial terms for connecting the Project to YEC’s grid;

**WHEREAS**, YEC is currently planning for the replacement and upgrade of the Stewart-Keno Transmission Line; and

**WHEREAS**, YEC and VGC seek to work together on the successful tendering, procurement, construction, commissioning and turnover of the Substation to YEC.

**NOW THEREFORE**, YEC and VGC agree to the Eagle Gold Project – McQuesten Substation MOU as outlined below:

**Objective**

The objective of the Parties is to construct a quality Substation on scope as per the detailed design through quality workmanship in supply and installation, on schedule to meet the Project schedule, and in the most cost-effective manner possible.

## **Intent**

The intent of this MOU is to establish a formal relationship between the Parties and secure commitments to enable the Parties to work together on the successful tendering, procurement, construction, commissioning and turnover of the Substation to YEC by:

- Sharing and exchanging information that is relevant to discussions as outlined in this MOU,
- Committing to the principles of collaboration and time is of the essence,
- Developing a work plan to track and summarize all responsibilities and activities undertaken through this MOU,
- Scheduling regular meetings to ensure ongoing meaningful dialogue, resolution of any issues, formalizing key decisions and reporting on progress,
- Implementing the Substation Construction Execution Plan with the schedule, file No. S258 Construction Schedule R2,
- Developing a genuine atmosphere of collaboration and alliance in the support of an effective and efficient partnership and leadership meant to maintain, safeguard and sustain sound and optimal managerial, financial and administrative commitment with regards to all matters related to the Substation,
- Recognizing that by implementing any contract, license, or other agreement entered into between the Parties subsequent hereto shall supersede any conflicting provision of this MOU.

## **Workplan**

A workplan will be established to detail the implementation of the Substation through the draft Work & Responsibility Matrix attached to this MOU as Schedule 1.

## **Workplan Assumptions**

### **1. Funding**

Except as set out below VGC will fund all the full fees, costs, and expenses, including YEC's non-executive labour costs, external fees, costs, and expenses of the design, engineering, procurement, construction, project management, site supervision, SCADA changes, operations orientation and commissioning of the Substation. Notwithstanding the foregoing YEC will be responsible for all incremental fees, costs, and expenses associated with Substation being able to operate at 138 kV voltage, which amount will be payable by YEC to VGC at the time the Substation is transferred to YEC under Section 7 below.

### **2. Design Approval**

The Substation design has been directed and approved by YEC.

The 85% design review of August 22, 2017, has frozen the design fully meeting YEC's requirements and both Parties agree to the design.

### **3. Long Lead Equipment Procurement**

Orders for long lead equipment are, as of Aug. 22, 2017, being progressed by VGC, which ATCO will issue for tender with ordering prior to year-end 2017. The equipment will be ordered for delivery to ensure the Substation project schedule is maintained.

All of the long lead equipment vendors, save the E-house, have already been approved by YEC and VGC.

### **4. Preparation of Installation Tender Documents**

A tender document for the contract is required. The type of contract (fixed price lump sum, cost plus, unit rate, etc.) to be mutually agreed by the Parties. ATCO will provide a construction work package which includes substation drawings, technical specifications, and tendering documents. YEC may require general and special conditions of contract and evaluation criteria, including provisions which provide for the assignment of all manufacturer warranties to YEC when YEC becomes the owner of the Substation under Section 8 below. YEC will provide VIT with any special conditions prior to VIT ordering any long lead equipment and prior to VGC preparing the tender document. VGC will be responsible for assembly of the document.

### **5. Tendering & Evaluation of Proposals**

VGC, in conjunction with YEC, will be responsible for assembling a list of pre-approved tenderers. Tendering will be on the basis that any or no successful tenderer may be accepted, but in general the principle will be to select a complying proposal that meets all technical and construction requirements, has a competitive price and is by a tenderer with a good utility performance record and is in a solid financial position.

The subject of bid and performance bonds is to be mutually agreed upon by the Parties.

VGC will be responsible for issuing the request for tender proposals (RFPs) and formally answering questions as may arise during tendering.

VGC, with assistance of ATCO, will be responsible for the tender technical and schedule evaluation, with approval from YEC pursuant to the tender document.

VGC will be transparent with YEC for the economic evaluation of the tenders.

### **6. Permits**

The Parties will identify all permits required for the construction and operation of the Substation and allocate responsibility for obtaining such permits.

## **7. Construction Management & QA/QC**

VGC will be responsible for construction management. YEC may review the construction materials and methods and will be kept fully up to date, receive all reports, and make site visits as required and appropriate.

The contractor will be required to retain a pre-approved substation electrical testing contractor. Concrete and similar civil testing will be made available to YEC.

VGC will be responsible for oversight of the QA/QC process, from the results of which will be made available to YEC.

VGC will, in conjunction with the testing subcontractor, be responsible for pre-commissioning and preparation of "punch lists." (See also Section 8, Acceptance & Commissioning below.) This list will be reviewed and approved by YEC.

## **8. Acceptance & Commissioning**

VGC or its designate will complete "pre-commissioning" which consists of all the tests done by the testing subcontractor. These tests will be specified and recorded by VGC, and approved by YEC before proceeding to substation commissioning.

Actual commissioning will be the responsibility of YEC, with assistance from Substation contractor and other parties as involved in Substation installation and testing. The Parties will develop an acceptance test or protocol for determining that the Substation has been commissioned. Deficiencies identified during commissioning will be rectified by VGC and approved by YEC before the Substation is released to YEC for commercial operation. When the Substation has passed the agreed upon acceptance test or protocol and all deficiencies are rectified by VGC to the satisfaction of YEC, VGC will execute and deliver a document agreed to by the Parties transferring legal and beneficial title to the Substation to YEC, free and clear of all liens, charges, and encumbrances.

### **Duration**

The term of this MOU shall extend until March 31, 2019.

### **Extent of the Agreement**

The signing of this MOU doesn't create any legal or financial obligations on the part of either Party. No rights or limitation of rights shall arise or be assumed between the Parties as a result of the terms of this MOU.

### **Assignment**

Neither Party to this MOU may assign or transfer the responsibilities or agreements made herein without the prior written consent of the non-assigning Party, which approval shall not be unreasonably withheld.

### **Legal and Regulatory Authority**

Any future agreements and projects will be subject to any and all legal and regulatory approvals under any applicable legislation.

### **Acts of Parties and Agents**

Each Party shall be responsible for the acts of its own employees, agents and contractors in carryout the provisions of the MOU.

### **Amendment**

Any amendments to the MOU will be made in writing upon the consent of both Parties.

### **Termination**

Either Party may terminate this MOU by providing thirty (30) days written notice to the other Party.

The Parties have executed, and made effective, this MOU as of the \_\_\_\_ day of September, 2017.

**VICTORIA GOLD CORP**

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Mark Ayranto, Executive VP

**YUKON ENERGY CORPORATION**

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Andrew Hall, President & CEO

**Schedule 1**  
**Work & Responsibility Matrix**

**[NTD: Matrix to be reviewed and updated by Parties.]**

Item	Description	Responsibility / Approval Milestones
1	Design completion including S258 and by-pass lines. The design is now 85% with all significant items agreed to by all.	VGC and YEC
2	Purchase of long lead "engineered" equipment	VGC
3	Preparation of tender documents	VGC, YEC
4	Pre-qualification of tenderers	VGC and YEC
5	Installation contract: tendering, contractor selection, and award.	VGC and YEC
6	Construction management	VGC
7	Strategy for QA/QC, third party inspection, etc.	VGC, YEC
8	Strategy to meet the recently published schedule	VGC
9	First Nations participation	VGC
10	Coordination with Northwestel and others	VGC (construction manager)
11	Temporary facilities as required	VGC (construction manager)
12	Contractor mobilization to site	VGC (construction manager)
13	Contractor invoicing and payment	VGC (construction manager)
14	Schedule maintenance	VGC
15	Safety plan with zero accidents objective	VGC (construction manager)

Item	Description	Responsibility / Approval Milestones
16	Field material and free issue equipment, control plan	VGC (construction manager)
17	Parties to identify additional permits required for the Substation and allocate responsibility for obtaining permits.	VGC and YEC
18	Environmental including temporary site drainage control, etc.	VGC (construction manager)
19	Contractor detailed schedule, labour (manpower) plan, review and approve	VGC (construction manager)
20	Site security	VGC (construction manager)
21	Testing & pre-commissioning (by approved subcontractor)	VGC (construction manager), YEC
22	Final inspection and turn over	YEC & VGC
23	Commissioning	YEC
24	Transfer of legal title of Substation to YEC	VGC and YEC
24	Keno outage and line change-over	YEC

## Schedule C

### Initial YEC System Improvements

C.1 The Initial YEC System Improvements that YEC is to design, engineer, procure, construct and commission on YEC's existing power system prior to Commencement of Delivery, to accommodate the sale of Grid Electricity by YEC to VGC Group for the Mine, are as follows:

#### a) Update YEC Under Frequency Load Shedding (UFLS) Scheme:

UFLS settings changes are to be implemented in certain locations throughout the YEC system, as set out in Table C-1 (the specific settings in this table are subject to ongoing change by YEC at its sole discretion as needed for system impact management). Some changes are required to third party equipment (Minto and ATCO). Mayo F1 and Minto will both require relay installations. Testing and tuning will be completed as required following real life system contingencies.

**Table C-1: Under Frequency Load Shedding Settings**

Item Tripped	Relay Settings			Simulation Parameters		
	f (hz)	df/dt (hz/s)	T <sub>d</sub> (4)	T <sub>m</sub> +T <sub>d</sub> (s)(3)	T <sub>b</sub> (s)(2)	T <sub>t</sub> (s)(1)
Minto Block 1 – 50% of Load	59.5	-3.4		.25	.083	0.333
Minto Block 1 – 50% of Load	56	----		.25	.083	0.333
Minto Block 2 – 50% of Load	59.5	-4.2		.1	.083	0.183
Minto Block 2 – 50% of Load	56	----		.75	.083	0.183
Minto Capacitor Bank	59.5	-3.4		.1	.083	0.183
Minto Capacitor Bank	56	----		.25	.083	0.183
S170 S6838	59.5	-1.0		0.6	.083	0.683
S150-52-22, S150-52-21	59.5	-1.8		0.4	.083	0.483
S170 S6837	59.5	-2.6		0.2	.083	0.283
S164 52-7	56.5	----		0.1	.083	0.183
EG F1 Block 1– 50% of F1Load + Caps(5)(6)	59.5	-1.0		0.55	.083	
EG F1 Block 2 – 50% of F1 Load +Caps	59.5	-2.4		0.25	.083	
EG F2 Block 3– 50% of F2 Load + Caps	59.5	-3.2		0.10	.083	
EG F2 Block 4 – 50% of F2 Load + Caps	59.5	-1.8		0.4	.083	.483
Dawson F1	56	----	1.		.083	
Dawson F2	56	----	2.		.083	
Mayo F1	58	----	5.		.083	
Callison (Hunker Creek)	56	----	1.		.083	
Keno/Elsa	59.5	-3.4		0.4	.083	.483
McQuesten Capacitor Stage1 (2 MVAR)	59.5	-1.8		.25	.083	.333
McQuesten Capacitor Stage2 (2 MVAR)	59.5	-2.4		.10	.083	.183

- (1) Total clearing time. Includes all intentional and non-intentional delays and breaker interrupting time.
- (2) Breaker interrupting time. This may be reduced to observed times.
- (3) T<sub>m</sub>+T<sub>d</sub> is the relay measurement delay plus the delay set on the relay. T<sub>m</sub> will vary with the specific relay and the settings and must be determined.
- (4) T<sub>d</sub> must be determined by the relay engineer to achieve to T<sub>t</sub> indicated (TBD).
- (5) F1- Crusher & Conveyers, F2 – Process Plant and Pumping.
- (6) Capacitors are shed in proportion to the amount of load shed so the resulting load power factor remains close to unity.

#### b) Confirm timing of Mayo Breaking Resistors:

Timing test to be performed on the breaking resistors for both insertion and removal.

There are two banks of resistors (2 MW each) each with four stages of 250 kW and two stages of 500 kW. They engage and disengage on frequency and have a limited insertion time of 70 and 12 seconds for the 250 and 500 kW units respectively. Once the thermal limit is reached they disconnect and then are precluded from engaging for the next 15 minutes.

Once timing is determined they are to be compared to the desired settings. Settings changes may be required which will require additional modeling. Current estimated settings are as follows (the specific settings provided below are subject to ongoing change by YEC at its sole discretion as needed for system impact management):

- Stage 1 – >61.5 Hz, >+0.2 Hz/s, >0.1 s (250 kW, 60 seconds).
- Stage 2 – >61.8 Hz, >+0.2 Hz/s, >0.1 s (250 kW, 60 seconds).
- Stage 3 – >62.1 Hz, >+0.2 Hz/s, >0.1 s (250 kW, 60 seconds).
- Stage 4 – >62.4 Hz, >+0.2 Hz/s, >0.1 s (250 kW, 60 seconds).
- Stage 5 – >62.7 Hz, >+0.2 Hz/s, >0.1 s (500 kW, 10 seconds).
- Stage 6 – >63.0 Hz, >+0.2 Hz/s, >0.1 s (500 kW, 10 seconds).

**c) Commission LV Reactor Insertion/Trip (Minto/Faro):**

The purpose of this is to add or remove the reactors from the system during system contingencies. The existing protection relays at Faro and Minto do not have the functionality to accommodate this. They will need to be replaced. There is limited space in the Minto e-house meaning that the panels will need to be reworked. The Minto relay installation will require more than average engineering and installation time. The required scheme is as follows:

- Automatic insertion of the 2.5 MVar reactors at Minto and Faro on detection of sustained voltages greater than 107% (positive sequence or phase-to-phase) with time delays of not less than 2 seconds and less than the over-voltage trips set on L178 at Carmacks, L173 at Minto and L174 at Stewart (staggered insertions). Initial settings can be 2 and 2.5 seconds.
- With two 2.5 MW reactors in service at Minto a trip of either L173 or the trip of L174 at Minto must also cross-trip one reactor with no intentional delay. One of two reactors should also be tripped upon detection of open breaker contacts opening for L173 or L174 breakers at Minto. With only one 2.5 MVar reactor in service at Minto no action is taken.

**d) Confirm Aishihik/Mayo over-frequency trips:**

Over-frequency trips for Mayo-B units and Aishihik units to limit over-frequency in the event of a separation south of Takhini. This work requires settings changes and testing only. Over frequency trips as set are to remain:

- Aishihik1 - >62.7Hz, >0.3 seconds
- Mayo B1 - >66Hz, >0.3 seconds

**e) Engage Over frequency trips on WG1,2,3:**

As backup and to cover isolations south of Minto where SPS and RAS are not practical due to lack of communications. This is due to the increases in the south to north flow resulting from the Mine development and generation supplied from Whitehorse. This work requires equipment replacement, testing and settings changes as per the following current assessments (the specific settings provided below are subject to ongoing change by YEC at its sole discretion as needed for system impact management):

- LNG1>61.5 Hz, >+1.8Hz/s, >.6s AND Also >63.5 Hz, 0.6s.
- LNG2>61.5 Hz, >+2.4Hz/s, >.4s, AND Also >63.5 Hz, 0.4s.
- LNG3>61.5 Hz, >+3.2Hz/s, >.2s, AND Also >63.5 Hz, 0.2s.

**f) Confirm over-voltage trips on MD interconnect and L173:**

This work requires settings changes and testing only. Protection settings to be set as follows (the specific settings provided below are subject to ongoing change by YEC at its sole discretion as needed for system impact management):

L174 or L175 at Stewart - 138kV Voltage

- 140% for 0.15s OR
- 127% for 7s OR
- 117% for 40s

L173 at Minto - 138kV Voltage

- 140% for 0.15s OR
- 127% for 6s OR
- 117% for 30s

L178 at Carmacks - 138kV Voltage

- 140% for 0.10s OR
- 127% for 5s OR
- 117% for 30s

**g) SPS/RAS1 - Shed Mine load for loss of Mayo:**

The loss of units at Mayo can cause unacceptable voltage depressions. SPS/RAS1 executes a high speed load rejection on L250, L180 and the Mine feeders. Operating instructions will need to be written for the YEC System Control Centre. Mayo B and S249 will need some fiber work (fiber already existing but not connected). Programmable Logic Controller (PLC) will need to be

installed at S249. Assuming that no work needed at MH0. Heavy engineering is needed for design and programming of this scheme. SCADA component is also significant.

**h) SPS/RAS2 – L172 Riverside Generation Rejection Whitehorse**

Ensures that system frequency deviation is limited to within tolerable bounds and can be brought back to 60 Hz. SPS/RAS2 monitors L172 MW at Whitehorse and arms selected units for rejection upon detection of trip or open breakers on the Whitehorse end of L172. Units available for selection are three LNG units (preferred trip - assumes LNG third unit installed) and WH3. This work requires some equipment changes to accommodate fiber communications (fiber is already installed). PLC needed at Riverside substation and engineering is needed for design and programming of this scheme. SCADA component is also significant.

**i) SPS/RAS3 – L172 Takhini: Generation Rejection Whitehorse  
SPS/RAS4 – L170 Takhini: Generation Rejection Whitehorse**

Ensures that system frequency deviation is limited to within tolerable bounds and can be brought back to 60 Hz. SPS/RAS3 and SPS/RAS4 monitors L172 and L170 MW at Takhini and arms selected units for rejection upon detection of trip or open breakers on the Whitehorse end of L172 and L170. Units available for selection are three LNG units (preferred trip) and WH3. This work requires some equipment changes to accommodate fiber communications (fiber from Whitehorse to Takhini is being installed by another YEC project, however if that project is canceled then this project would need to pick up that work). PLC needed at Takhini substation and heavy engineering is needed for design and programming of this scheme. SCADA component is also significant.

**j) SPS/RAS5 – MacIntyre: Generation Rejection Whitehorse**

Ensures that system frequency deviation is limited to within tolerable bounds and can be brought back to 60 Hz. SPS/RAS5 Monitors load at MacIntyre substation and arms selected units at Whitehorse for rejection upon detection of trip or open breakers that disconnect the load from the system. Rejection would include the three LNG units (preferred trip) and WH3. This work requires some equipment changes to accommodate fiber communications (fiber from Whitehorse to MacIntyre is being installed by another YEC project, however if that project is canceled then this project would need to pick up that work). PLC needed at MacIntyre substation and heavy engineering is needed for design and programming of this scheme. SCADA component is also significant.

**k) SPS/RAS6 Loss of Mine Load – Tripping Mayo Generators**

The loss of load at the Mine can cause unacceptable voltage spikes. SPS/RAS6 monitors L250 at Mayo substation and arms selected Mayo units for rejection upon detection of trip or open breakers for L250, L180 and the Mine. Operating instruction will need to be written for the YEC SCC. Mayo B and S249 will need some fiber work (fiber already existing but not connected). PLC will need to be installed at S249. Significant programming time. Assuming that no work needed at MH0. Mayo Diesel requires SCADA and Automation systems to be installed along with some fiber work.

**l) Verify the Mine SPS design, settings and commissioning**

YEC to verify VGC Group design, settings and commissioning of SPS's at the Mine as required pursuant to Schedule D.

**m) Out of Step – Protection Review L171**

The Mine development increases the speed requirements of protection and backup protection operations for faults near Takhini and in particular L171. Settings, backup clearing times and coordination to be reviewed. This requires system studies, installation of new settings and testing.

**n) SPS/RAS7 L172 Riverside Trip: On High Load - Cross Trip Takhini Terminal L172**

SPS/RAS7 mitigates lower transient voltages that result for certain contingencies with the reactors in service. Monitors L172 MW at Riverside and Takhini. The setting will depend on the amount of generation on line in the north.

- Arming Parameter = L172 North at Riverside – L172 North at Takhini
- Arm at 0 MW with Aishihik off line
- Arm at the lesser of 4 MW or the regulating reserve at Aishihik when Aishihik is on line
- Requires high-speed communications between Whitehorse and Takhini

**o) Dispatch YEC thermal generators to limit MD Import from south <11 MW**

Programmed alarms for YEC SCC; minimal effort required.

C.2 The estimated YEC Capital Costs of \$1,677,883 for the Initial YEC System Improvements are provided in Table C-2.

**Table C-2: Estimated YEC Capital Costs for Initial YEC System Improvements**

Initial YEC System Improvements		Estimated Capital Cost				
		Contractor	Labour	Material	Contingency	Total
a	Update YEC UFLS Scheme	\$94,200	\$24,880	\$7,000	\$50,432	\$176,512
b	Mayo Breaking Resistors	\$19,400	\$4,000	\$0	\$9,360	\$32,760
c	Minto/Faro LV Reactor Intersection/Trip	\$81,000	\$8,880	\$2,500	\$36,952	\$129,332
d	Aishihik/ Mayo Over-frequency Trips	\$11,200	\$1,600	\$0	\$5,120	\$17,920
e	Over-frequency trips on WG 1,2,3	\$17,600	\$5,600	\$10,000	\$13,280	\$46,480
f	Over-voltage trips on MD Interconnect and L173	\$17,600	\$4,000	\$2,500	\$9,640	\$33,740
g	SPS/RAS1 - Shed EG load for loss of Mayo	\$54,025	\$12,880	\$10,000	\$30,762	\$107,667
h	SPS/RAS2 - L172 Takhini: Generation Rejection WH	\$100,200	\$28,400	\$40,000	\$67,440	\$236,040
	SPS/RAS3/4/5 - L172/L170 Takhini & MacIntyre:					
i,j	Generation Rejection WH	\$240,000	\$78,800	\$20,000	\$135,520	\$474,320
k	SPS/RAS6 - Loss of EG Load - Trip Mayo	\$85,000	\$40,000	\$50,000	\$70,000	\$245,000
l	Verify EG SPS Design, Settings, Commissioning	\$6,400	\$6,800	\$2,500	\$6,280	\$21,980
m	Out of Step - Protection Review L171	\$48,000	\$20,880	\$2,500	\$28,552	\$99,932
	SPS/RAS7 L172 Riverside Trip: On High Load - Cross Trip					
n	Takhini Terminal L172	\$0	\$30,500	\$2,500	\$13,200	\$46,200
	Dispatch YEC Thermal Generators to Limit MD Impact					
o	from south <11 MW	\$0	\$10,000	\$0	\$0	\$10,000
	<b>Total</b>	<b>\$774,625</b>	<b>\$277,220</b>	<b>\$149,500</b>	<b>\$476,538</b>	<b>\$1,677,883</b>

## Schedule D

### VGC Group Power Facilities

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D.1 The VGC Group Power Facilities that VGC Group is to install at the Mine Facilities prior to Commencement of Delivery, and to operate thereafter as set out herein as part of the Mine Facilities in order to manage impacts on the YEC power system from the sale of Grid Electricity by YEC to VGC Group for the Mine, are as follows:

#### **a) Measures in Substitution of McQuesten Capacitor Bank Installation**

The following equipment-related measures will be undertaken in substitution of McQuesten Capacitor Bank installation:

- Ensure that Mine UFLS sheds capacitors in proportion to the Mine load.
- Trip Mine load in response to capacitor bank trips. (i.e., loss of capacitor bank trips two main feeders).

#### **b) Coordinate Mine Voltage and Tap Changer Controls**

Normally the transformer tap-changers will regulate the 13.8kV bus (presumably to nominal voltage). This approach cannot be applied with the Mine generation online. The following operation will be adopted at the Mine Facilities and can be changed if mutually agreed by YEC and VGC Group:

- Mine capacitor banks are switched to produce a net load power factor of unity measured on the feeders or on the LV side of transformers but netting out the reactive load on the generators.
- Tap-changers control 13.8 kV bus voltage with generation off.
- With the Mine generators on, the tap-changers are moved to nominal taps and further operation blocked.
- The Mine generators regulate the 13.8 kV bus voltage between 100 and 105% of nominal and YEC has control of this set-point. Generators reactive output will be adjusted by YEC in real time, to regulate the 69kV system voltage, by pulsing the AVR voltage set-points. The Mine sets the acceptable range that YEC can adjust voltage within it.
- YEC must have full SCADA visibility of the Mine substation and control of critical elements.

#### **c) Install over-voltage protection**

To prevent feeder/load trips at the Mine from creating sustained over-voltages the following protections are required at the Mine Facilities:

- On loss of either of the two main Mine feeders, directly trip a proportionate share of the Mine capacitors with no intentional delay.
- Capacitor stages also must have over-voltage protection set to trip when voltage exceeds threshold on the 69kV bus. The trips are to be staggered with time delays settable, as specified by YEC. The delays are expected to be in the 0.1 to 20 second range. Initial settings are 108% for 1 second and 1.25 and 1.75 seconds assuming shedding in blocks, one allocated to each main feeder.

- Trip of capacitor bank blocks must also trip associated feeder with no intentional delay.

#### **d) Mine Reactive support**

. VGC Group will install and operate the following as part of the Mine Facilities:

- Capacitors must be shed with load and load shed with capacitors
- Install SPS and RAS Loss of the Mine capacitors – Trip Mine load
- Install SPS/RAS Loss of the Mine Load – Trip Mine capacitors pro-rata
- Maximum size of switched elements 1.4 MVar
- Subject to Power Quality requirements, VGC Group may choose to maintain 1MW of load when shedding in order to maintain power supply to critical loads.

#### **e) SPS/RAS6 Loss of Mine Load – Tripping Mayo Generators**

The loss of load at the Mine can cause unacceptable voltage spikes. SPS/RAS6 monitors L250 at Mayo substation and arms selected Mayo units for rejection upon detection of trip or open breakers for L250, L180 and the Mine. Equipment with the necessary metering and communication capabilities including high speed communication to be installed at the Mine Site or McQuesten Substation as required.

#### **f) Mine Generators equipped with Utility Grade Speed and Voltage Controls**

The Mine Facilities generators must provide the same frequency and voltage ride-through as utility generators. In addition the controls must provide the same operational modes as those found on similar utility generators as follows:

- AVR/Exciters will operate in voltage control mode. This is the mode they will invariably operate in.
- Speed Governor – The governor will operate in speed droop (not kW-droop). Any constant kW mode that is included (for troubleshooting) must have trips to Droop that are set by YEC. The governors must be set up to maximize response to frequency deviation, both loading and unloading. YEC must receive test results and modeling information.

#### **g) Under Frequency Protection**

Under Frequency Load Shedding (UFLS) is required at the Mine site to minimize the negative effects of contingency events on the YEC system. The settings will be as per YEC discretion.

#### **h) YEC Inspections**

YEC will have access to the Mine equipment for periodic testing and verification of the SPS/RAS functionality.

## Schedule E

### Operating Agreement

---

E.1 **Operating Agreement.** Prior to the Commencement of Delivery and throughout the balance of the Term, YEC and VGC Group will maintain an operating agreement (the "**Operating Agreement**") to coordinate electric power operations of YEC and the Mine.

E.2. **Draft Operating Agreement.** Appendix E-1 to this Schedule E provides a draft Operating Agreement that the Parties will finalize prior to the Commencement of Delivery. The following are noted regarding terms used in the Draft Operating Agreement:

- "L251" means the Mine Facilities Spur; and
- "Operational Boundary/Interface Point of Point of Common Coupling (PCC)" means the Point of Delivery

E.3 **Amendments to Operating Agreement.** The Parties will review the provisions of the Operating Agreement on a regular basis, and amend the Operating Agreement from time to time as required to reflect changing conditions and requirements.

## Appendix E-1: Draft Operating Agreement



## OPERATING AGREEMENT

DEPARTMENT:

INQUIRIES TO:

TOPIC:

ISSUED DATE

Review Date

Victoria Gold / Yukon Energy  
Operating Agreement

### 1.0 Purpose

- 1.1 This procedure outlines the steps to take to ensure a reliable and safe supply of power to the Mine through a variety of circumstances.

### 2.0 General Information

#### 2.1 Breaker Identification

S258 52-1 – Connection between the McQuesten bus and S249 (Mayo) bus  
S258 52-2 – Connection between the McQuesten bus and S257 (Keno) bus  
S258 52-3 – Connection between the McQuesten bus and L251  
VGC 52-T1 – Connection between L251 and the VGC bus  
VGC 52-T2 – Connection between L251 and the VGC bus

#### 2.2 Interlocks

Identified break interlocks with sequence information

*Operating Authority:* The organizational unit assigned responsibility for operating a portion of the electrical system. For YEC the SCC operator is the operating authority. For the VGC Group the ??? is the operating authority.

*Operational Boundary/Interface Point or Point of Common Coupling (PCC):* The location on the electrical system at which responsibilities between Operating Authorities meet. The breaker S258 52-3 is the interface point between the Mine and YEC.

#### 2.3 Contact Information

SCC – phone 867-393-5355 or 867-393-5324 (recorded lines)

Mike Hannah (Leadhand SCC)	393-5399, cell 334-6759
Myles O'Brien (Operation Coordinator)	393-5352
Ed Peake (Manager Operations)	393-5383, cell 334-6586
Guy Morgan (Director of Operations)	393-5366, cell 334-6904

Mine – Contact Information #####

#### 2.4 Normal Operation

Under normal operating conditions the Mine will be supplied from the YEC grid. The breakers status under normal operating conditions is as follows.

Breaker	Status
S258 52-1	Closed
S258 52-2	Closed



## OPERATING AGREEMENT

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S258 52-3	Closed
VGC 52-T1	Closed
VGC 52-T2	Closed

### 3.0 Operating Procedures

#### 3.1 L### (S258 to the Mine Site) Isolation

L### isolation requires the minimum notification defined in section 4.3, with the exception of emergency repairs. YEC will provide a condition guarantee on breaker S258 52-3. The condition guarantee is used in communications between external parties. It is a formal method of communication that switching has been completed. It ensures the status of the breaker/device will not change until the work is complete, the lock out tag out is surrendered and all workers are clear.

#### 3.2 Voltage Support/Load Reduction

Based on the power quality conditions defined in Schedule F of this Agreement and system security requirements, SCC may request voltage support and/or a mine load reduction. Voltage support and a Mine load reduction can be accomplished by placing the Mine generation on line, or other means such as capacitor banks or transformer tap changing.

- When the Mine has generation online, the generators regulate the 13.8 kV bus voltage between 100 and 105% of nominal and YEC will have control of this set-point. Generators reactive output will be adjusted by YEC in real time, to regulate the 69kV system voltage, by pulsing the AVR voltage set-points. VGC Group sets the acceptable range that YEC can adjust voltage within it.
- YEC must have full SCADA visibility of the Mine substation and control of critical elements.

#### 3.3 SCC Remote Monitoring and Control

SCC will have visual indication of the Mine breakers, generator status, capacitor status and electrical measurement information for the Mine Site Single Line Diagram (SLD) including transformers, feeders and breakers. Control will be limited to approving load step requests from the Mine to SCC. Load step requests will be approved by SCC based on the generation dispatch and system status. Load changes of more than 1000 kW must be communicated and approved by YEC.

YEC will have control (open and close) of incoming 69kV line breakers at the Mine.



## OPERATING AGREEMENT

DEPARTMENT:

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Operating Agreement

If VGC Group exceeds the Maximum Electric Demand load limitations specified in Section 5.1 of this Agreement, the following procedure will be followed.

- a) SCC will contact VGC Group to notify them that their load is exceeding the cap.
- b) VGC Group has 30 min to reduce load below the cap.
- c) If VGC Group does not comply within 30 mins, SCC will contact VGC Group again to provide a final warning.
- d) If the Mine still does not comply within 30 mins, SCC operator may exercise the right to disconnect the Mine by opening S258 52-3.

### 4.0 Operational Notification

#### 4.1 Daily Operating Communications

Under normal operating conditions the Mine will be supplied from the YEC grid. Load changes supplied to the Mine of more than 1000 kW must be communicated and approved by YEC.

- 4.2 The transition from winter to summer and conversely summer to winter loading needs to be established with SCC with a minimum of 30 days' notice.

#### 4.3 Mine Planned Maintenance and Scheduling

To meet changing operating conditions and coordinate maintenance efforts, maintenance shutdowns by the Mine need to be communicated to SCC at least one week in advance for shutdowns of up to 12 hours and 30 days for shutdowns longer than 12 hours.

Changes in the availability and capacity of the onsite generation needs to be communicated to SCC at least 30 days in advance of such changes.

The Parties will share annual shutdown/maintenance plans in February of each year.

#### 4.4 YEC Transmission and Generation Maintenance and Scheduling

YEC performs annual line maintenance on the transmission lines and generation facilities, during which Grid Electricity to the Mine may be curtailed or suspended. The duration of this annual transmission and generation maintenance can be up to 14 days per calendar year.

YEC will provide a minimum of 30 days' notice of the start date and expected duration of work that will curtail or otherwise interrupt the supply of Grid Electricity to the Mine.



## OPERATING AGREEMENT

DEPARTMENT:

INQUIRIES TO:

TOPIC:

ISSUED DATE

Review Date

Victoria Gold / Yukon Energy  
Operating Agreement

### 5.0 Loss of Supply Procedures

#### 5.1 Loss of Supply - Short Term

In the event of a disturbance that results in the loss of Grid Electricity to the Mine Site, SCC will make one attempt to re-energize the line to the Mine Site. If successful the following steps apply to resume the Mine operation with Grid Electricity.

- a) SCC will confirm the status of the breakers located in the S258 switching station.

<b>Breaker</b>	<b>Expected Status</b>
S258 52-1	Closed
S258 52-2	Closed
S258 52- 3	Closed
VGC 52-T1	Open
VGC 52-T2	Open

- b) SCC will request closed breakers VGC 52-T1 and VGC 52-T2.

- c) Once complete and with confirmation from SCC the Mine may proceed with the restarting of their operation. VGC Group will communicate to SCC on load pickups greater than 1000 kW. The request to load up may be communicated verbally or via SCADA.

#### 5.2 Loss of Supply - Long Term

In the event of a disturbance that results in the loss of Grid Electricity to the Mine Site and SCC is unsuccessful in re-energizing the line the following steps will apply.

- b) SCC will confirm the status of the breakers.

<b>Breaker</b>	<b>Expected Status</b>
S258 52-1	Closed
S258 52-2	Closed
S258 52- 3	Open
S258 52-4	Closed
VGC 52-T1	Open
VGC 52-T2	Open

- c) At the direction of SCC the Mine personnel will start and stage their diesels on line supplying power to the Mine.
- d) Once the line to the Mine has been re-energized, with confirmation that breaker S258 52-3 is closed.



## OPERATING AGREEMENT

DEPARTMENT:

INQUIRIES TO:

TOPIC:

ISSUED DATE

Review Date

Victoria Gold / Yukon Energy  
Operating Agreement

- e) SCC will request the Mine synchronize and close breakers VGC 52-T1 and VGC 52-T2.
- f) The Mine is now connected to YEC Grid Electricity. Once complete and with confirmation from SCC the Mine may proceed with the restarting of their operation. VGC Group will communicate to SCC on load pickups greater than 1000 kW. The request to load up may be communicated verbally or via SCADA.
- g) At the direction of SCC the Mine personnel will be requested to unload and shutdown some or all Mine Site diesel generation

### 7.0 Revision and Approval

- 7.1 This Agreement comes into effect once it is signed by VGC Group and YEC.
- 7.2 This Agreement will remain in effect unless cancelled upon the mutual agreement of both Parties.
- 7.3 The Parties will provide 90 days notice in writing of the intention to modify this Agreement.
- 7.4 The Agreement may be revised upon mutual agreement of both Parties. This agreement will be formally reviewed every two (2) years.

Approved by:

\_\_\_\_\_  
Guy Morgan  
Yukon Energy Corporation

Approval Date:

\_\_\_\_\_

Approved by:

\_\_\_\_\_  
X  
Victoria Gold Corporation

Approval Date:

\_\_\_\_\_

Approved by:

\_\_\_\_\_  
X  
Stratagold Corporation

Approval Date:

\_\_\_\_\_

## Schedule F

### Power Quality Requirements

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**F.1 Power Quality Requirements.** Starting with the Commencement of Delivery and throughout the Term when receiving Grid Electricity from YEC, VGC Group will operate the Mine Facilities in accordance with the power quality requirements of YEC as set out in this Schedule F and in Section 5.6 of this Agreement. In this Schedule F "PCC" means the Point of Delivery.

**F.2 Power Factor.** VGC Group will maintain a 96% leading load power factor for Grid Electricity supplied to the Mine at the PCC, that is computed from real load (total 13.8 kV real load less the power generated) and reactive load (total 13.8 kV reactive load net of the capacitors and ignoring any reactive power produced by on-line generators) and will be controlled, as nearly as possible, by the capacitor bank steps of 1.4MVAR.

**F.3 Frequency Variation.** The continuous or quasi-continuous variations in the Mine load should not create a variation in system frequency by more than 0.25 Hz. This includes jogging and variation in load. Infrequent load pickups and trips should not cause more than a 0.5 Hz deviation. This is set to ensure that variations do not risk under-frequency load shedding operations without the SCC having to operate with frequency above 60 Hz.

**F.4 Perceptible Lamp Flicker:** Lamp flicker results from voltage variations caused by the operation and switching of equipment and load variations. The short-circuit strength of the 69 kV bus at the Mine can be between 50 and 33 MVA. At McQuesten Substation, the PCC, short-circuit levels vary between 65 and 40 MVA. The Mine shall design equipment and manage operations to meet the following requirements for flicker at the PCC:

- a)  $P_{st} < 0.8$ ,  $P_{lt} < 0.6$  at McQuesten Substation with the 65 MVA normal YEC short-circuit conditions.
- b)  $P_{st} < 0.9$ ,  $P_{lt} < 0.7$  at the McQuesten Substation with reduced 40 MVA normal YEC short-circuit conditions.
- c) Based on standards IEEE 1546 (adopted from IEC 61000).
- d) Based on 120v 60Hz lamps.
- e) Should the Mines operation produce unacceptable variations then dynamic voltage control equipment can be installed.