

**Term Sheet for
Power Purchase Agreement (“PPA”) Between
Yukon Energy Corporation (“YEC”)
and Minto Explorations Ltd. (“Minto”)
for the Minto copper-gold project (the “Mine”)
December 21 2006**

Under a Letter of Intent (“**LOI**”) dated March 23, 2006, YEC and Minto agreed to negotiate a PPA for the supply of electricity by YEC to Minto at the Mine from a transmission line (the “**Transmission Project**”) to be developed by YEC before the end of 2008 connecting the Mine to YEC’s 138 kV Whitehorse-Aishihik-Faro (“**WAF**”) grid.

Minto is in the process of developing the Mine, which is currently approximately 50% developed, and has recently obtained third party financing (the “Current Bank Financing”) to complete development of the Mine for the third quarter of 2007. The Mine is currently expected to begin commercial operations in the second quarter of 2007. The Mine will commence operations using on-site diesel generation (“**Mine Diesels**”) leased and operated by Minto.

On October 13, 2006, YEC filed with the Yukon Environmental and Socio-economic Assessment Board Executive Committee a Project Proposal Submission for the Carmacks-Stewart/Minto Spur Transmission Project, which includes the following two components:

- a 138 kV transmission line to be developed generally along the Klondike Highway to connect the WAF grid in the Carmacks airport area with the 69 kV Mayo-Dawson grid in the Stewart Crossing area, and all related substations to be developed at Carmacks, Pelly Crossing and Stewart Crossing (the “**CS Project**”); the CS Project is planned to be developed in two stages, with the first stage to include the 138 kV CS development from Carmacks to Pelly Crossing (“**Stage One**”) and the second stage to proceed thereafter with the balance of the CS transmission when conditions will permit its development without adverse impact on ratepayers; and
- a 25 kV to 35 kV transmission connection from the CS Project in the Minto Landing area to an agreed point of delivery at the Mine (“**Point of Delivery**”), including any related YEC substations, switches, fuses, meters or other equipment at the Minto Landing area and at the Mine required to connect Stage One of the 138 kV CS Project to the Mine (the “**Mine Spur**”); the Mine Spur is planned to be developed concurrently with Stage One of the CS Project.

The Transmission Project to supply electricity to the Mine includes (a) the Mine Spur, and (b) the CS Project segment between the WAF grid and the Mine Spur in the Minto Landing areas (the “Carmacks-Minto Landing Segment”).

YEC’s commitment to develop Stage One of the CS Project and the Transmission Project is subject to completion, execution and delivery of the PPA and the terms of the PPA.

Timely completion of the Transmission Project prior to the end of 2008 will enable YEC to supply electricity to Minto, displacing use of the Mine Diesel and securing economic benefits for both Minto and Yukon electricity ratepayers.

YEC and Minto (collectively the "Parties") have agreed to complete the negotiation of the PPA as soon as feasible prior to the end of January 2007 based on the following agreed principles and terms:

1. **No adverse rate impacts on other ratepayers in Yukon due to PPA:** To meet this requirement, and to provide certainty for the Parties, the following will be provided for in the PPA:
 - a. **Minto Customer Contributions to Transmission Project costs:** Minto will provide customer contributions to YEC for the Transmission Project as follows:
 - i. **Mine Spur:** Minto will provide a customer contribution (the "**Spur Contribution**") equal to the actual costs incurred by YEC to develop and commission the Mine Spur, including all related planning, permitting, design, engineering, procurement, construction, and commissioning costs and interest at YEC's assumed cost of capital at 7.5% per year on such costs prior to the commencement of delivery of electricity to the Mine.
 - ii. **138 kV CS Carmacks-Minto Landing Segment:** Minto will provide a customer contribution (the "**CS Contribution**") of \$7.2 million towards YEC's costs to develop and commission the Carmacks-Minto Landing Segment of the CS Project.
 - iii. **Minto Customer Contribution Payments:** On commencement of electricity delivery to the Mine by YEC, Minto will provide annual payments to YEC for seven years for the Spur Contribution and the CS Contribution (collectively the "**Minto Contribution**"), such payments to be based on the total of the Minto Contribution and an assumed YEC cost of capital of 7.5% per year and subject to the following provisions:
 1. Interest only payments will be made by Minto to YEC for the first four years; and
 2. In years five through seven equal blended annual payments of interest and principal will be made by Minto to YEC such that the loan will fully repaid by the end of year seven.
 3. Notwithstanding sub-points (1) and (2) above, at YEC's option, acting reasonably, if Minto does not provide documentation to YEC by December 31, 2008 which confirms Minto's ability and commitment to extend Mine operations to the end of at least the year 2016 at power consumption levels of at least 30 GWh/yr, Minto will be required to

pay the balance of interest and principal owing at the end of the fourth year

- iv. **Other mine customers:** If other mine customers connect to the Transmission Project or the CS Project they will be required by YEC to pay customer contributions for their appropriate share of capital costs for any spur lines and the CS Project on a similar basis.
 - b. **Minimum Take-or-Pay Power Purchase Provisions:** Minto will provide YEC with a minimum take-or-pay power purchase, starting when YEC commences delivery of electricity to the Mine of \$24 million within the first 8 years after the commencement of electricity delivery to the Mine by YEC.
 - c. **Minto Security provided to YEC:** Minto will provide security (the “Security”) for its above take-or-pay obligations, as well as for the Minto Contribution, through a charge on the Mine assets granted to YEC second only to the Current Bank Financing.
 - d. **Retention and use of Mine Power Purchase Net Revenues:** So long as Minto continues to provide the Security, YEC will establish a deferral account (the “Mine Net Revenue Account”) in accord with the following provisions:
 - i. **Determine Mine Net Revenue amount:** YEC will determine each fiscal year the amount (the “Mine Net Revenue”), if any, by which Mine payments to YEC for purchase of electricity in that year exceed incremental YEC expenses and return on rate base in that year for the CS Project and the supply of electricity to the Mine.
 - ii. **Mine Net Revenue Account:** The Mine Net Revenue amount as determined each year by YEC will be assigned to the Mine Net Revenue Deferral Account and thereby not be part of YEC’s earnings in that year. YEC will use the Mine Net Revenue Account (a) to fund outstanding infrastructure capital costs for the CS Project or other new infrastructure such as the Aishihik 3rd Turbine if developed on an accelerated basis due to the Mine, and (b) net incremental costs (if any) in any year that exceed Mine payments to YEC for purchase of electricity in that year.
 - iii. **Provisions after Minto Security ends:** Subject to approval of the Yukon Utilities Board as to how any remaining Mine Net Revenue Account funds will be used, YEC will be able to end the above provisions with regard to the Mine Net Revenue Account at such time as Minto no longer provides the Security to YEC.
2. **YUB approval of PPA and Rates for Power:** The PPA based on this Term Sheet will be provided to the Yukon Utilities Board (the “YUB”) for review and approval, with specific provisions for YUB approval of the following:

- a. **New firm Mine Rate:** A new Major Industrial Customer firm mine rate providing for projected 2008 costs of service for the Major Industrial Customer class including \$15 per kVA per month (demand charge) and \$0.076 per kW.h (energy charge) applicable to the Minto Mine in 2008 that yields an estimated average charge to the Mine for all electricity charges (net of GST) of approximately 10 cents per kWh for purchase of an estimated 32.5 GW.h per year of electricity at a peak contract load of up to 4.4 kVA.
- b. **Mine Net Revenue Account:** The provisions for the Mine Net Revenue Account as set out in section (1)(d) above.
- c. **Other Provisions set out in Section 1 above:** The provisions respecting the Minto Customer Contributions to the Transmission Project, the minimum take-or-pay power purchase provisions, and the Security to be provided by Minto.
- d. **Provision for increased Mine power use:** Provision for Minto to elect to increase its contract requirements for firm power at the new firm mine rate up to 42 GW.h per year of electricity at a peak contract load of up to 5.7 kVA.
- e. **Provision for Low Grade Ore Secondary Energy rate:** A new secondary energy sales rate set at 6 cents per kWh for processing ore at the Mine with less than 1% copper content ("Low Grade Ore"), subject to the following terms and conditions:
 - i. The secondary energy for processing Low Grade Ore will only be available from YEC's surplus hydro-electric energy remaining after supplying customers served under the current secondary energy rate. However, if Minto pays the full energy charge it will obtain priority access over customers served under the current secondary energy rate.
 - ii. Such use of secondary energy by Minto will not be allowed to contribute in any way to YEC peak winter energy capacity requirements, or to incremental requirements to run YEC's diesel generation.
 - iii. YEC will be able to require Minto to stop using such secondary energy for processing Low Grade Ore on notice not to exceed 24 hours in the event that conditions so require because such surplus hydro-electric energy is not available as forecast.
 - iv. Given that such surplus energy use will not be separately metered at the Mine, Minto will secure the reduced secondary energy sales rate by accounting for its use of Low Grade Ore at the Mine. The PPA will set out commitments in this regard for auditable reporting and controls by Minto as reasonably needed by YEC.
- f. **Peak Shaving Rate provision:** The new Major Industrial Customer firm mine rate under Section 2(a) above will include provision for Minto to nominate a winter peak

contract load (the “Winter Contract Load”) at two-thirds of the Mine’s maximum firm contract load (MVA), subject to the following terms and conditions:

- i. Minto will contract not to exceed the Winter Contract Load at the Mine whenever the temperature at Whitehorse is below a reasonable threshold temperature (estimated at -30 degrees C). The Winter Contract Load contract will include reasonable provisions for notice to Minto by YEC as to forecast and actual winter temperatures at Whitehorse.
 - ii. Subject to Minto undertaking such a Winter Contract Load contract for a full 12 month period, and agreement to provide a year’s notice of any changes to such contract provisions, Minto will receive a credit equal to 50% of YEC’s firm demand rate multiplied by the amount by which the nominated Winter Contract Load is less than the maximum firm contract load.
 - iii. If during such contract period Minto’s load exceeds the Winter Contract Load, Minto will be subject to reasonable penalty provisions which will be specified in the PPA and YEC reserves the right during the remaining term of the Winter Contract Load nomination to interrupt electricity supply to the Mine in excess of the Winter Contract Load.
- g. Mine Diesels:** Terms for Minto selling to YEC 6.4 MW of its Mine Diesels (the “Used Mine Diesels”), consisting of four 1.6 MW trailer mounted units, under the following terms and conditions:
 - i. YEC will acquire the Used Mine Diesels when YEC commences delivery of electricity to the Mine, at a price of \$350 per kW (\$2.24 million for the 6.4 MW), provided that a minor overhaul has been completed on the units and the units are otherwise in good condition. The PPA will provide for timing of YEC payments for the Used Mine Diesels or application of this amount as an offset against the Minto Contributions.
 - ii. So long as YEC retains the Used Mine Diesels at the Mine, Minto will provide YEC with fuel and operator assistance as reasonably required in accordance with terms to be set out in the PPA. The PPA will also provide terms whereby, under these conditions, Minto can elect to require running of the Used Mine Diesels to supply the Mine with electricity at Minto’s sole cost during a period when YEC is unable to supply power through the Transmission Project.
 - iii. YEC will have the right after such purchase at any time to move the Used Mine Diesels from the Mine, or to sell or otherwise dispose of these units, subject to Minto’s right to re-acquire the Used Mine Diesels at a reasonable price to be set out in the PPA.
- h. Decommissioning Costs Provisions:** The following provisions with regard to decommissioning costs:

- i. Minto responsibility:** Minto will be responsible for all decommissioning and other costs (including, without limitation, costs to take down and remove facilities, costs to restore any property in accordance with applicable law, and credits for recovery sales of any materials removed and sold) required to remove such parts of the Mine Spur as YEC shall determine require to be decommissioned after commercial operations have ceased at the Mine and no further power purchases from YEC are required by Minto at the Mine.
 - ii. Estimated Decommissioning Costs:** An amount equal to 25% of the capital costs incurred by YEC for the Mine Spur is the estimated costs for the required decommissioning (the “Estimated Decommissioning Costs”), with provision for YEC to reduce this amount as appropriate for costs related to parts of the Mine Spur that are expected to be retained and not removed.
 - iii. Provision for Payments by Minto:** Minto will provide regular annual payments to YEC during the first 8 years of the PPA as required for YEC, after provision for investment of such funds at 6.5% per year, to accrue prior to the end of the Mine’s commercial operations an amount (the “Accrued Decommissioning Fund Amount”) equal to the Estimated Decommissioning Costs. In any event, Minto will remain responsible for the actual decommissioning costs reasonably incurred by YEC, to the extent such costs exceed the Accrued Decommissioning Fund Amount. In the event that the Accrued Decommissioning Fund Amount exceeds such actual costs, YEC will refund to Minto such excess amount.
 - iv.** The accrued Decommissioning Fund Amount will be used to pay the actual decommission costs.
- 3. Conditions to Proceed:** The PPA will provide that the obligations of the Parties to proceed with and complete the Transmission Project prior to the end of 2008 are subject to the following conditions:

 - a. Each of the following conditions must be fulfilled:

 - i. On or before April 30, 2007, the YUB will have approved the PPA.
 - ii. On or before June 30, 2007, the Mine will have begun commercial operations as defined in the PPA;
 - iii. On or before June 30, 2007, Minto will have provided to YEC the Security as required under the PPA;
 - iv. On or before June 30, 2007, the right of way will have been secured for the segment of the Mine Spur over the Selkirk First Nation settlement lands on the west side of the Yukon River to the satisfaction of YEC, acting reasonably;

- v. On or before June 30, 2007, YEC will have obtained all licences, approvals, consents, and rights of way (excluding the Mine Spur right-of-way which is addressed under condition (iv)) required by YEC, acting reasonably, to design, engineer, procure, construct, commission and operate the Transmission Project; and
 - vi. On or before July 30, 2007, YEC will have received tenders for equipment and materials and as otherwise required for construction of the Transmission Project, satisfactory to YEC, acting reasonably.
- b. Condition (i) in Section 3(a) above is for the benefit of both Parties and may only be waived, altered or the time period extended by written agreement between the Parties.
 - c. Conditions (ii) to (vi) in Section 3(a) above are for the sole benefit of YEC and may be waived, altered or the time period extended by YEC, in its sole and absolute discretion, by notice in writing to Minto at any time.
 - d. The PPA will terminate if any of the conditions set out above are not fulfilled or waived on or before the date specified.