

Direct Dial: (416) 216-2311
Direct Fax: (416) 216-3930
rking@ogilvyrenault.com

FILED ON RESS
SENT BY EMAIL AND COURIER

Toronto, January 4, 2011

Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms. Walli:

RE: Five Nations Energy Inc. – 2010 Transmission Rates Application
Board File No. EB-2009-0387 (LDC Service Agreements)

We are counsel to Five Nations Energy Inc. (“FNEI”).

In its November 1, 2010 Decision and Order (the “**Board Decision**”), the Board directed FNEI to enter into and file Service Agreements between FNEI and each of Attawapiskat Power Corporation (“**APC**”), Fort Albany Power Corporation (“**FAPC**”) and Kashechewan Power Corporation (“**KPC**”) (collectively, the “**Member LDCs**”), on or before December 31, 2010. The purpose of these Service Agreements is to set out the terms and conditions governing the provision of services by the three Member LDCs to FNEI in each of their respective communities.

Enclosed are all three Service Agreements (with the Member LDCs). By December 31, 2010, only two of the three Service Agreements had been received by FNEI, hence the delay in filing these documents. As you will note, all three Service Agreements are effective January 1, 2011. A supplemental letter from FNEI’s Chief Executive Officer (mentioned on page 12 of the Board Decision) will follow shortly.

Please do not hesitate to contact me should you have any questions.

Yours very truly,



Richard J. King

RK/mnm

Encl.

cc: Derek Stephen, Interim CEO, FNEI (*via email*)
Ed Chilton, Secretary-Treasurer, FNEI (*via email*)
Intervenors in EB-2009-0387 (*via email*)
George Hookimaw, General Manager, APC (*via email*)
John-Paul Nakochee, General Manager, FAPC (*via email*)
Mary Williams, General Manager, KPC (*via email*)
Rudra Mukherji, Ontario Energy Board, (*via email*)

Original # 2

MAINTENANCE SERVICES CONTRACT BETWEEN APC AND FNEI

THIS MAINTENANCE SERVICES CONTRACT dated as of the 1ST day of January, 2011

1

BETWEEN:

FIVE NATIONS ENERGY INC.,
a non-share corporation validly existing under the laws of Canada,
having its registered office at
P.O. Box 370, Moose factory, ON P0L 1W0
(hereinafter referred to as "FNEI")

AND

Attawapiskat Power Corporation
General delivery, Attawapiskat, ON P0L 1A0
(hereinafter referred to as "APC")

WHEREAS:

- A. FNEI owns and operates the transmission line and substations. FNEI requires, on request, a local service provider for specific maintenance services and emergency response related to the transmission line and substations described herein as the Site.
- B. FNEI and APC now wish to enter into this Contract in order to establish terms and conditions whereby APC will assist as FNEI's service provider, and will perform Work on FNEI's Site as more particularly defined herein.

ARTICLE 1 : CONTRACT DOCUMENTS

The Contract shall consist of the following documents which, by this reference, are incorporated herein and deemed to be part hereof:

- 2.1 FNEI Purchase Order with respect to the Work, and any Change to Purchase Order issued from time to time as deemed valid and accepted in writing by APC; and,
- 2.2 This Contract, together with the following Appendices annexed hereto and incorporated by reference and deemed to be part hereof:
 - (i) Appendix "A" - Scope of Work
 - (ii) Appendix "B" - Response Guidelines
 - (iii) Appendix "C" - List of Contacts

ARTICLE 2 : ENTIRE AGREEMENT

2

2.1 Entire Agreement

As of the Effective Date, this Contract constitutes the entire agreement between the Parties hereto with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the Parties with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the Parties other than as expressly set forth in this Contract.

2.2 Amendment

Should either Party determine that a revision to this Contract is required, said Party shall provide the other Party with written notification, and that Party shall respond thereto within five (5) Business Days. Any revisions to the Contract will be agreed to in writing by the Parties, and within twenty (20) Business Days thereof, FNEI shall issue a confirming Change to Purchase Order that incorporates said mutually agreed amendment(s) including any associated change in the Contract Price. APC shall undertake any required mutually agreed actions upon receipt of a written instruction from FNEI. .

ARTICLE 3 : TERM OF THE CONTRACT

3.1 Term

Unless this Contract has been terminated in accordance with either Section 7.2 or Section 7.3 or renewed in accordance with section 3.2, the term ("Term") of this Contract shall commence on the Effective Date and shall end at the Expiration Date..

3.2 Automatic Renewal

Unless terminated in accordance with either Section 7.2 or section 7.3, the Term shall be automatically extended for successive periods of one (1) year (each a "Renewal Term") with the first Renewal Term thereafter commencing on the day following the day on which the previous Renewal Term expired. The Parties agree that upon written notice from one Party to the other at least one hundred and twenty (120) days prior to the expiration of the Term or the then current Renewal Term, they shall schedule and conduct a meeting between the administrators of this Contract for the purpose of confirmation of the relationship between the Parties arising out of this Contract, at a mutually convenient time and location, such meeting to occur at least ninety days prior to the end of the Term or the then current Renewal Term. The foregoing shall be subject to a Contract Price being established under Section 8 in respect of each Renewal Term. If the Parties are unable to agree upon pricing for the Renewal Term at least thirty (30) days prior to the end of the Term or the then current Renewal Term, then FNEI shall, at its option, require renewal of the Contract for a period of one (1) month at APC then existing published commercial rates.

3.3 Termination or Expiration

Subject to the rights of early termination pursuant to Sections 7.2 and 7.3, either Party may terminate this Contract upon not less than ninety (90) days' notice to the other Party prior to the Expiration Date, such notice specifying the date of termination of the Contract as being the Expiration Date.

Termination or expiry of all or part of this Contract for any reason does not affect any rights of either Party against the other which:

- (a) Arose prior to the time at which such termination or expiration occurred, or
- (b) Otherwise relate to or may arise at any future time from any breach or non-observance of obligation under this Contract occurring prior to the termination or expiration.

ARTICLE 4

4.1 Required Insurance

- (a) APC at its own cost agrees to provide the following insurance which shall take effect as of the Effective Date of this Contract and shall remain in effect during the Term of the Contract or any extension thereof or as otherwise specified herein:

- (i) Automobile Liability Insurance

Automobile liability insurance coverage and policy limits covering owned, non-owned, hired, leased and rented automobiles and automotive equipment providing a combined inclusive limit of two million dollars (\$2,000,000) coverage for injury, death, or property damage resulting from each occurrence.

- (ii) Commercial General Liability Insurance

General liability insurance coverage with a limit of two million dollars (\$2,000,000) per occurrence and in the aggregate covering bodily injury, including death, and damage to property.

Coverage shall include, but not be limited to:

- (A) Blanket contractual liability;
- (B) Premises and/or operations liability;
- (C) Pollution liability coverage on at least a Time Element Sudden and Accidental basis;
- (D) Broad form property damage;
- (E) Products and completed operations to be continuously maintained through the APC operational insurance;

(F) Employer's liability; and

(G) Such insurance shall: i) include FNEI as an additional insured, but only with respect to liability arising from the operations of APC with respect to this Contract; and, ii) contain a cross liability and severability of interests clause.

(iii) Worker's Compensation

Workers Compensation as required by the *Ontario Workplace Safety and Insurance Act* or similar legislation covering all persons employed by APC.

(iv) APC shall ensure that all coverage applies to APC agents, assigns and employees.

4.2 General Insurance Conditions:

(a) Certificates of Insurance

Before starting work, APC will supply FNEI by registered mail, or courier, receipt required, with a certificate of insurance completed by a duly authorised representative of their insurer certifying that the coverages required here are in effect and that the coverages will not be cancelled, non-renewed, or materially changed by endorsement or through issuance of other policy(ies) of insurance which restricts or reduces coverage, without thirty (30) days advance written notice.

(i) Failure of FNEI to demand such certificate or other evidence of full compliance with these insurance requirements or failure of FNEI to identify a deficiency from evidence provided shall not be construed as a waiver of APC obligation to maintain such insurance.

(ii) The acceptance of delivery by FNEI of any certificate of insurance evidencing the required coverages and limits shall not constitute approval or agreement by FNEI that the insurance requirements have been met or that the insurance policies shown in the certificates of insurance are in compliance with the requirements.

(iii) APC's failure to maintain the required insurance may result in termination of this Contract at FNEI's option.

(iv) If any of the coverages are required to remain in force after final payment as determined by FNEI, an additional certificate evidencing continuation of such coverage shall be submitted with the APC's final invoice.

(v) Certificates of Insurance shall be provided within fourteen (14) days of award of the Contract.

(b) All deductibles shall be to the account of APC and/or its Subcontractors.

(c) With the exception of Automobile Liability, all insurance noted above shall specify that it is primary coverage and not contributory with or in excess of any other insurance that may be maintained by FNEI.

- (d) All limits and deductibles are expressed in Canadian dollars.
- (c) Coverage provided for FNEI shall not be invalidated or vitiated by actions or inactions of others.

ARTICLE 5 : COVENANTS AND WARRANTIES

5.1 Performance

APC covenants:

- (a) that it is fully qualified to perform the Work in accordance with the terms of this Contract and is familiar with the prevailing Site Conditions as advised by FNEI;
- (b) that it will comply with all applicable legislative and regulatory requirements relating to the Work;
- (c) that it currently holds, and will maintain for the Term of the Contract, all licenses, registrations, administrative, supervisory and skilled operative personnel, procedures, tools and equipment, and insurance coverage necessary to perform the Work in accordance with this Contract;
- (d) that, under the laws of Canada and the province of Ontario, the completion of the Work or the use of any equipment associated therewith does not infringe directly or indirectly on any patent, intellectual property rights, copyright or trademark, foreign or domestic, owned or controlled by a third party.

ARTICLE 6 : LIMIT OF LIABILITY AND INDEMNIFICATION

6.1 Indemnification

- (a) APC shall indemnify, defend and hold harmless FNEI, its affiliates, and each of their respective officers, directors, partners, general partners, limited partners, employees, shareholders and agents (each a "FNEI Indemnatee") from and against any and all claims, demands, suits, losses, liabilities, damages, obligations, payments, costs and expenses and accrued interest thereon (including the costs and expenses of, and accrued interest in respect of, any and all actions, suits, proceedings, assessments, judgments, settlements and compromises relating thereto and reasonable lawyers' fees and reasonable disbursements in connection therewith) (each, an "Indemnifiable Loss"), asserted against or suffered by a FNEI Indemnatee relating to, or in connection with, or resulting from or arising out of any negligence or willful misconduct of APC, its employees or any authorized representatives, including any of its third party contractors, Subcontractors, consultants, agents or advisors, in performing APC's obligations under this Contract. For greater certainty, in the event of contributory negligence or other fault of a FNEI Indemnatee, then such FNEI Indemnatee shall not be indemnified hereunder in the proportion that the FNEI Indemnatee's negligence or fault contributed to any Indemnifiable Loss.

- (b) FNEI shall be deemed to hold the provisions of section 6.1 (a) that are for the benefit of the FNEI Indemnitee that are not party to this Contract in trust for such persons as third party beneficiaries under this Contract.
- (c) FNEI shall indemnify, defend and hold harmless THE SPECIFIC LDC, its affiliates, subsidiaries and shareholders, and each of their respective officers, directors, partners, general partners, limited partners, employees, shareholders and agents (each an "APC Indemnitee") from and against an Indemnifiable Loss, asserted against or suffered by any APC Indemnitee relating to, or in connection with, or resulting from, or arising out of any negligence or willful misconduct of FNEI, its employees or any authorized representatives, including any of its third party contractors, consultants, agents or advisors, in performing FNEI's obligations under this Contract. For greater certainty, in the event of contributory negligence or other fault of an APC Indemnitee, then such APC Indemnitee shall not be indemnified hereunder in the proportion that the APC Indemnitee's negligence or fault contributed to any Indemnifiable Loss.
- (d) APC shall be deemed to hold the provisions of section 6.1 (c) that are for the benefit of the APC Indemnitees that are not party to this Contract in trust for such Persons as third party beneficiaries under this Contract.

6.2 Limit of Liability

- (a) APC's aggregate liability (pursuant to section 6.1(a) or otherwise in relation to or as a consequence of this Contract), during each calendar year, shall, not exceed an amount equal to one hundred percent (100%) of the amounts actually received by APC from FNEI in the previous calendar year for Work performed in that year. In no event shall APC be liable to any FNEI Indemnitee (pursuant to section 6.1(a) or otherwise in relation to or as a consequence of this Contract) under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract, cost of capital, loss of business opportunity, or loss of goodwill, or for any indirect, consequential, incidental, or special damages, including but not limited to punitive or exemplary damages, whether any of the said liability, loss, or damages arise in contract, tort, or otherwise. The provisions of this 6.1(a) shall not apply to indemnification for a third party claim, save and except for any FNEI Indemnitee (unless the FNEI Indemnitee claim is in respect of personal injury or death).
- (b) FNEI's aggregate liability (pursuant to 6.1(a) or otherwise in relation to or as a consequence of this Contract), during each calendar year, other than for unpaid invoice amounts shall not exceed one hundred percent (100%) of the amounts actually received by APC from FNEI in the previous calendar year for Work performed in that year. Except where expressly stated in this Agreement, in no event shall FNEI be liable to any APC Indemnitee (pursuant to section 6.1(c) or otherwise in relation to or as a consequence of this Contract) under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract, cost of capital, loss of business opportunity, or loss of goodwill, or for any indirect, consequential, incidental, or special damages, including, but not limited to, punitive or exemplary damages, whether any of the said liability, loss, or damages arise in contract or tort. The provisions of this section 6.2 (b) shall not apply to indemnification for a third party claim, save and except for any APC Indemnitee (unless the APC Indemnitee claim is in respect of personal injury or death).
- (c) Neither APC nor FNEI shall be liable to the other for loss, damage, delay in the Work or non-performance of any Contract obligation caused by Force Majeure. In such event both Parties shall be prompt in restoring normal conditions, re-establishing schedules, and resuming operations as soon as the interruptions have ceased. The duty to be prompt in restoring normal conditions, re-establishing schedules, and resuming operations shall

not apply in the case where the Force Majeure is declared as a result of a strike, lockout or other labour dispute.

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- (d) Notwithstanding anything else in this Contract, the parties agree that APC shall not be responsible for any sanctions, fines, penalties, or similar obligations imposed by the Independent Electricity System Operator ("IESO"), or similar body on FNEI. and FNEI agrees to indemnify and hold harmless APC from any such sanctions, fines, penalties, or similar obligations,

ARTICLE 7 : SUSPENSION AND TERMINATION

7.1 Suspension and Cancellation

- (a) FNEI shall have the right, acting reasonably, which may be exercised at any time without invalidating the Contract, to suspend performance by APC of any part or the whole of the Work on one occasion during each Term and Renewal Term for a period of time not to exceed ten (10) days.
- (b) Except to the extent any such suspension or delay arises from any material act or material omission of APC or Force Majeure, in the event of any suspension, delay or cancellation of Work Section 7.1 (a), FNEI shall pay to APC an amount, which shall be limited to:
 - (i) Reimbursement at the Contract rates for all Work performed and delivered to the date of such suspension, delay or cancellation;
 - (ii) Reimbursement for the actual costs to APC for work in progress at the Contract rates and actuals expenses incurred in the course of the Work supported by reasonable documentation;
 - (iii) Reimbursement of reasonable mobilization and demobilization costs and of unavoidable costs and expenses directly related to the suspension, delay or cancellation, including but not limited to labour, equipment, material and subcontract obligations, and which are subject to cancellation charges. All such costs shall be supported by reasonable documentation
 - (iv) Other items approved in writing by FNEI.
- (c) If FNEI cancels Pre-planned Activities for any reason and or impedes, suspends, or cancels any Work in progress for any reason, then in such case, APC shall not be held accountable for any failure to perform such Work or for any damages resulting therefrom.
- (d) The schedule for completion of the Work after any suspension shall be mutually agreed between FNEI and THE SPECIFIC LDC.

7.2 Termination by FNEI

- (a) APC will be deemed to be in default under this Contract if it:
 - (i) fails to perform any material obligation of APC under this Contract;

- (ii) becomes insolvent, bankrupt, or unable to pay its debts as they fall due, or pursuant to any bankruptcy, reorganization, debt arrangement, or other proceeding under any bankruptcy or insolvency law being instituted by or against it.
- (b) In the event APC is in default under this Contract pursuant to section 7.2(a), FNEI may, in addition to any other rights and remedies that it may have at law or in equity, terminate this Contract. In the event APC is in default under this Contract pursuant to section 7.2(a), FNEI shall give seven (7) calendar days written notice to APC of its default and in the event APC has not remedied the default, or commenced steps to remedy the default satisfactory to FNEI, within that period (the "Cure Period") FNEI may, without limiting any other remedy available to it in law or equity, terminate this Contract.
- (c) If the Contract is terminated pursuant to section 7.2(a), APC shall immediately discontinue the Work which can be discontinued without creating a hazardous condition, cancel all outstanding commitments which may be cancelled without undue cost, place no further orders, and FNEI shall pay to THE SPECIFIC LDC, no later than fifteen (15) days after issuance of an invoice thereof by THE SPECIFIC LDC, the total of all reasonable costs incurred by THE SPECIFIC LDC, including but not limited to:
 - (i) reasonable material and labour costs and indirect expenses; and,
 - (ii) reasonable costs incurred by APC by reason of any undertakings or commitments by APC prior to the date of termination.

7.3 Termination by THE SPECIFIC LDC

- (a) If FNEI is in default under this Contract because it:
 - (i) fails to perform any material obligation of FNEI under this Contract including the obligation to pay for work done, APC shall give seven (7) calendar days written notice to FNEI of its default and in the event FNEI has not remedied the default or commenced steps to remedy the default satisfactory to APC within that period (the "Cure Period") APC may, without limiting any other remedy available to it in law or equity, terminate this Contract. The Parties agree that the Cure Period shall only apply to three events of default only; or
 - (ii) becomes insolvent, bankrupt, or unable to pay its debts as they fall due, or pursuant to any bankruptcy, reorganization, debt arrangement, or other proceeding under any bankruptcy or insolvency law being instituted by or against FNEI.

ARTICLE 8 : CONTRACT PRICES, PRICE REVISIONS AND TERMS OF PAYMENT

8.1 Contract Prices

As full compensation for APC performance of the Work and obligations under the Contract, FNEI shall pay APC the fixed lump sum prices and cost-plus basis prices set out in the Purchase Orders or Change to Purchase Orders as accepted by APC (collectively referred to as the "Contract Price").

Except for Ontario Retail Sales Tax and Goods and Services Tax required by law to be collected by APC from FNEI, the compensation amounts as set out in the Purchase Orders are, as of the

date of such Purchase Orders, inclusive of all known duties, license fees and all other costs imposed or incurred by reason of the Work to be performed.

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8.2 Price Revisions

- (a) The Contract Prices shall be reflected in the Purchase Order or Change to Purchase Order, as agreed to by the Parties.
- (b) The Parties shall negotiate a revision to the Contract Price if, subsequent to the date of execution of this Contract:
 - (i) There is a change in the Site Conditions or the applicable federal, provincial, or local laws, by-laws, rules, provincial regulations, guidelines, codes and judgements relating to the scope of work and such change has the effect of increasing or decreasing APC's costs of performing the Work, in the opinion of APC or FNEI, respectively.
 - (ii) There is a change in the scope of the Work resulting in a material change to APC costs, in which case the Parties shall negotiate a price adjustment; or
 - (i) FNEI, at its sole discretion requests a change in the Work in accordance with the provisions of Article 22.2.

8.3 Terms of Payment

- (a) In respect of the fixed-price Pre-Planned Activities described in the Proposal, APC shall submit monthly invoices, beginning one month after the Effective Date, with an original invoice forwarded to the attention of FNEI Accounts Payable at the address shown in section 10.1., APC's fixed-price invoices shall only state the fixed monthly amount due as stated in FNEI's Purchase Order number described in section 2.1.
- (b) In respect of the Non-scheduled Work Activities in Appendix "A", APC shall submit monthly invoices with an original to the attention of FNEI Accounts Payable. The invoices shall be accompanied by summaries of man-hour records, equipment and material, vendors and Subcontractors invoices, which correspond to the time, materials and equipment verified by the designated FNEI Site contact as evidence of the work having been done.

ARTICLE 9 : COUNTERPARTS

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This Contract may be signed by fax and in counterparts, each of which shall be deemed to be an original and all of which shall constitute one Contract. Any delivery of an executed copy by fax shall constitute delivery hereof. However, the Parties agree to exchange original documents within fifteen (15) days of the Effective Date of this Contract.

IN WITNESS HEREOF the Parties have, by their duly appointed representatives who each have the authority to bind the Parties, executed this Contract on the day and year first written.

<p><u>Five Nations Energy Inc.</u></p> <p>By: <u>[Signature]</u></p> <p>Name: <u>Derek Stephen</u></p> <p>Title: <u>Interim CEO</u></p> <p>Date: <u>100 13/10</u></p>	<p><u>Attawapiskat Power Corporation</u></p> <p>By: <u>[Signature]</u></p> <p>Name: <u>STEVE KATAQUAPIT</u></p> <p>Title: <u>President</u></p> <p>Date: <u>Sat. Dec. 11, 2010</u></p>
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APPENDIX "A" – SCOPE OF WORK

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A) Labour : FNEI will contract with APC for the various levels of qualified staff and the hourly rate will depend on the qualification levels of the staff . The qualifications will be those recognized by the electrical utility industry and Electrical Utility Safety Association of Ontario. As well, FNEI Safety qualifications , as defined by the FNEI Maintenance Supervisor, will be part of the certification for the classification of labour outlined below.

- i) Journeyperson, 4th year completion or greater Lines Staff \$ 50.00/hr
- ii) Apprentice 3rd year Line Staff 45.00/hr
- iii) Apprentice 2nd year Liens Staff \$ 40.00/hr
- iv) Apprentie 1st year Line Staff \$ 30.00/hr
- v) General Labourer – no line training \$20.00/hr
- vi) Premium for hours worked outside regular hours (work between 5 :00 pm & 7 :30 am weekdays & saturday add 50 %, Sundays add 100% and statutory holidays add 150%.

B) Equipment Rental : FNEI will rent, as required , various work and transportation equipment that is owned by the LDC . The equipment must be in good working order, and ,if used for HV electrical work , be certified for such Works. The vehicle will be fueled at the start of the rental and FNEI will refuel the vehicle at the end of the rental period

- i) Truck Stand-by (multi passenger) \$ 5000.00 / year
- ii) RBD Line Truck \$900.00/day (based on 8hr day) or \$150.00/hr. Fuel not included
- iii) Snow Machine/ ATV : \$ 200 / day
- iv) Nodwell : \$ 900.00 day (based on 8hr day) or \$150.00/hr. Fuel not included
- v) Boat \$ 250.00 day

C) Administrative Overhead : an applied % of the labour, equipment invoice costs and miscellaneous expenses of staff such as meals , travel expense, and accomodation while working for FNEI : 15 %

D) Planned weekly inspections of local transformer station : \$ 833.00 / mo

E) Materials : FNEI will , as required , purchase materials from the LDC and will re-imburse the LDC for their cost (replacement purchase price & cost to deliver to community) plus a mark up of 25 % .

APPENDIX "B" – RESPONSE TIME

Response time is defined as the time taken from the notification of a problem to the mobilization of crews to investigate the problem .

FNEI AND APC will target an initial response requirement to FNEI within one (1) hour on average.. APC have qualified staff available to be contacted by FNEI on a continuous basis , and contact numbers will be provided to FNEI.

APPENDIX "C": LIST OF CONTACTS**A) FNEI:**

SINGLE POINT OF CONTACT	ALTERNATE CONTACT	MAILING ADDRESS
Name, Title & Contact Information	Name, Title & Contact Information	
Vladimir Govorov Maintenance Supervisor Phone: 705 268 0056 Cell: 705 288-4535 Fax: 705 268 0071 E-mail: vgovorov@fivenations.ca	Chris Innes Operations Technician Phone: 705 268 0056 Cell: 705 365-6799 Fax: 705 268 0071 E-mail: cinnes@fivenations.ca	Five Nations Energy Inc. 70-C Mountjoy Street North Suite 421 Timmins, Ontario P4N 4V7

B) APC:

SINGLE POINT OF CONTACT	ALTERNATE CONTACT	MAILING ADDRESS
Name, Title & Contact Information	Name, Title & Contact Information	

MAINTENANCE SERVICES CONTRACT BETWEEN FAPC AND FNEI

THIS MAINTENANCE SERVICES CONTRACT dated as of the 1ST day of January, 2011

12/29/2010 10:11 AM

1

BETWEEN:

FIVE NATIONS ENERGY INC.,
a non-share corporation validly existing under the laws of Canada,
having its registered office at
P.O. Box 370, Moose factory, ON P0L 1W0
(hereinafter referred to as "FNEI")

AND

Fort Albany Power Corporation
P.O. Box 236
Fort Albany, ON P0L 1H0
(hereinafter referred to as "FAPC")

WHEREAS:

- A. FNEI owns and operates the transmission line and substations. FNEI requires, on request, a local service provider for specific maintenance services and emergency response related to the transmission line and substations described herein as the Site.
- B. FNEI and FAPC now wish to enter into this Contract in order to establish terms and conditions whereby FAPC will assist as FNEI's service provider, and will perform Work on FNEI's Site as more particularly defined herein.

ARTICLE 1 : CONTRACT DOCUMENTS

The Contract shall consist of the following documents which, by this reference, are incorporated herein and deemed to be part hereof:

- 2.1 FNEI Purchase Order with respect to the Work, and any Change to Purchase Order issued from time to time as deemed valid and accepted in writing by FAPC; and,
- 2.2 This Contract, together with the following Appendices annexed hereto and incorporated by reference and deemed to be part hereof:
 - (i) Appendix "A" - Scope of Work
 - (ii) Appendix "B" - Response Guidelines
 - (iii) Appendix "C" - List of Contacts

MAINTENANCE SERVICES CONTRACT BETWEEN FAPC AND FNEI

ARTICLE 2 : ENTIRE AGREEMENT

2

2.1 Entire Agreement

As of the Effective Date, this Contract constitutes the entire agreement between the Parties hereto with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the Parties with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the Parties other than as expressly set forth in this Contract.

2.2 Amendment

Should either Party determine that a revision to this Contract is required, said Party shall provide the other Party with written notification, and that Party shall respond thereto within five (5) Business Days. Any revisions to the Contract will be agreed to in writing by the Parties, and within twenty (20) Business Days thereof, FNEI shall issue a confirming Change to Purchase Order that incorporates said mutually agreed amendment(s) including any associated change in the Contract Price. FAPC shall undertake any required mutually agreed actions upon receipt of a written instruction from FNEI.

ARTICLE 3 : TERM OF THE CONTRACT

3.1 Term

Unless this Contract has been terminated in accordance with either Section 7.2 or Section 7.3 or renewed in accordance with section 3.2, the term ("Term") of this Contract shall commence on the Effective Date and shall end at the Expiration Date...

3.2 Automatic Renewal

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MAINTENANCE SERVICES CONTRACT BETWEEN FAPC AND FNRI

3

3.3 Termination or Expiration

Subject to the rights of early termination pursuant to Sections 7.2 and 7.3, either Party may terminate this Contract upon not less than ninety (90) days' notice to the other Party prior to the Expiration Date, such notice specifying the date of termination of the Contract as being the Expiration Date.

Termination or expiry of all or part of this Contract for any reason does not affect any rights of either Party against the other which:

- (a) Arose prior to the time at which such termination or expiration occurred, or
- (b) Otherwise relate to or may arise at any future time from any breach or non-observance of obligation under this Contract occurring prior to the termination or expiration.

ARTICLE 4

4.1 Required Insurance

- (a) FAPC at its own cost agrees to provide the following insurance which shall take effect as of the Effective Date of this Contract and shall remain in effect during the Term of the Contract or any extension thereof or as otherwise specified herein:

- (i) Automobile Liability Insurance

Automobile liability insurance coverage and policy limits covering owned, non-owned, hired, leased and rented automobiles and automotive equipment providing a combined inclusive limit of two million dollars (\$2,000,000) coverage for injury, death, or property damage resulting from each occurrence.

- (ii) Commercial General Liability Insurance

General liability insurance coverage with a limit of two million dollars (\$2,000,000) per occurrence and in the aggregate covering bodily injury, including death, and damage to property.

Coverage shall include, but not be limited to:

- (A) Blanket contractual liability;
 - (B) Premises and/or operations liability;
 - (C) Pollution liability coverage on at least a Time Element Sudden and Accidental basis;
 - (D) Broad form property damage;
 - (E) Products and completed operations to be continuously maintained through the FAPC operational insurance;

MAINTENANCE SERVICES CONTRACT BETWEEN FAPC AND FNEI

(F) Employer's liability; and

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(G) Such insurance shall: i) include FNEI as an additional insured, but only with respect to liability arising from the operations of FAPC with respect to this Contract; and, ii) contain a cross liability and severability of interests clause.

(iii) Worker's Compensation

Workers Compensation as required by the *Ontario Workplace Safety and Insurance Act* or similar legislation covering all persons employed by FAPC.

(iv) FAPC shall ensure that all coverage applies to FAPC agents, assigns and employees.

4.2 General Insurance Conditions:

(a) Certificates of Insurance

Before starting work, FAPC will supply FNEI by registered mail, or courier, receipt required, with a certificate of insurance completed by a duly authorised representative of their insurer certifying that the coverages required here are in effect and that the coverages will not be cancelled, non-renewed, or materially changed by endorsement or through issuance of other policy(ies) of insurance which restricts or reduces coverage, without thirty (30) days advance written notice.

(i) Failure of FNEI to demand such certificate or other evidence of full compliance with these insurance requirements or failure of FNEI to identify a deficiency from evidence provided shall not be construed as a waiver of FAPC obligation to maintain such insurance.

(ii) The acceptance of delivery by FNEI of any certificate of insurance evidencing the required coverages and limits shall not constitute approval or agreement by FNEI that the insurance requirements have been met or that the insurance policies shown in the certificates of insurance are in compliance with the requirements.

(iii) FAPC's failure to maintain the required insurance may result in termination of this Contract at FNEI's option.

(iv) If any of the coverages are required to remain in force after final payment as determined by FNEI, an additional certificate evidencing continuation of such coverage shall be submitted with the FAPC's final invoice.

(v) Certificates of Insurance shall be provided within fourteen (14) days of award of the Contract.

(b) All deductibles shall be to the account of FAPC and/or its Subcontractors.

(c) With the exception of Automobile Liability, all insurance noted above shall specify that it is primary coverage and not contributory with or in excess of any other insurance that may be maintained by FNEI.

MAINTENANCE SERVICES CONTRACT BETWEEN FAPC AND FNEI

- (d) All limits and deductibles are expressed in Canadian dollars.
- (c) Coverage provided for FNEI shall not be invalidated or vitiated by actions or inactions of others.

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ARTICLE 5 : COVENANTS AND WARRANTIES**5.1 Performance**

FAPC covenants:

- (a) that it is fully qualified to perform the Work in accordance with the terms of this Contract and is familiar with the prevailing Site Conditions as advised by FNEI;
- (b) that it will comply with all applicable legislative and regulatory requirements relating to the Work;
- (c) that it currently holds, and will maintain for the Term of the Contract, all licenses, registrations, administrative, supervisory and skilled operative personnel, procedures, tools and equipment, and insurance coverage necessary to perform the Work in accordance with this Contract;
- (d) that, under the laws of Canada and the province of Ontario, the completion of the Work or the use of any equipment associated therewith does not infringe directly or indirectly on any patent, intellectual property rights, copyright or trademark, foreign or domestic, owned or controlled by a third party.

ARTICLE 6 : LIMIT OF LIABILITY AND INDEMNIFICATION**6.1 Indemnification**

- (a) FAPC shall indemnify, defend and hold harmless FNEI, its affiliates, and each of their respective officers, directors, partners, general partners, limited partners, employees, shareholders and agents (each a "FNEI Indemnitee") from and against any and all claims, demands, suits, losses, liabilities, damages, obligations, payments, costs and expenses and accrued interest thereon (including the costs and expenses of, and accrued interest in respect of, any and all actions, suits, proceedings, assessments, judgments, settlements and compromises relating thereto and reasonable lawyers' fees and reasonable disbursements in connection therewith) (each, an "Indemnifiable Loss"), asserted against or suffered by a FNEI Indemnitee relating to, or in connection with, or resulting from or arising out of any negligence or willful misconduct of FAPC, its employees or any authorized representatives, including any of its third party contractors, Subcontractors, consultants, agents or advisors, in performing FAPC's obligations under this Contract. For greater certainty, in the event of contributory negligence or other fault of a FNEI Indemnitee, then such FNEI Indemnitee shall not be indemnified hereunder in the proportion that the FNEI Indemnitee's negligence or fault contributed to any Indemnifiable Loss.

MAINTENANCE SERVICES CONTRACT BETWEEN FAPC AND FNEI

- (b) FNEI shall be deemed to hold the provisions of section 6.1 (a) that are for the benefit of the FNEI Indemnitee that are not party to this Contract in trust for such persons as third party beneficiaries under this Contract. 6
- (c) FNEI shall indemnify, defend and hold harmless THE SPECIFIC LDC, its affiliates, subsidiaries and shareholders, and each of their respective officers, directors, partners, general partners, limited partners, employees, shareholders and agents (each an "FAPC Indemnitee") from and against an Indemnifiable Loss, asserted against or suffered by any FAPC Indemnitee relating to, or in connection with, or resulting from, or arising out of any negligence or willful misconduct of FNEI, its employees or any authorized representatives, including any of its third party contractors, consultants, agents or advisors, in performing FNEI's obligations under this Contract. For greater certainty, in the event of contributory negligence or other fault of an FAPC Indemnitee, then such FAPC Indemnitee shall not be indemnified hereunder in the proportion that the FAPC Indemnitee's negligence or fault contributed to any Indemnifiable Loss.
- (d) FAPC shall be deemed to hold the provisions of section 6.1 (c) that are for the benefit of the FAPC Indemnitees that are not party to this Contract in trust for such Persons as third party beneficiaries under this Contract.

6.2 Limit of Liability

- (a) FAPC's aggregate liability (pursuant to section 6.1(a) or otherwise in relation to or as a consequence of this Contract), during each calendar year, shall, not exceed an amount equal to one hundred percent (100%) of the amounts actually received by FAPC from FNEI in the previous calendar year for Work performed in that year. In no event shall FAPC be liable to any FNEI Indemnitee (pursuant to section 6.1(a) or otherwise in relation to or as a consequence of this Contract) under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract, cost of capital, loss of business opportunity, or loss of goodwill, or for any indirect, consequential, incidental, or special damages, including but not limited to punitive or exemplary damages, whether any of the said liability, loss, or damages arise in contract, tort, or otherwise. The provisions of this 6.1(a) shall not apply to indemnification for a third party claim, save and except for any FNEI Indemnitee (unless the FNEI Indemnitee claim is in respect of personal injury or death).
- (b) FNEI's aggregate liability (pursuant to 6.1(a) or otherwise in relation to or as a consequence of this Contract), during each calendar year, other than for unpaid invoice amounts shall not exceed one hundred percent (100%) of the amounts actually received by FAPC from FNEI in the previous calendar year for Work performed in that year. Except where expressly stated in this Agreement, in no event shall FNEI be liable to any FAPC Indemnitee (pursuant to section 6.1(c) or otherwise in relation to or as a consequence of this Contract) under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract, cost of capital, loss of business opportunity, or loss of goodwill, or for any indirect, consequential, incidental, or special damages, including, but not limited to, punitive or exemplary damages, whether any of the said liability, loss, or damages arise in contract or tort. The provisions of this section 6.2 (b) shall not apply to indemnification for a third party claim, save and except for any FAPC Indemnitee (unless the FAPC Indemnitee claim is in respect of personal injury or death).
- (c) Neither FAPC nor FNEI shall be liable to the other for loss, damage, delay in the Work or non-performance of any Contract obligation caused by Force Majeure. In such event both Parties shall be prompt in restoring normal conditions, re-establishing schedules, and resuming operations as soon as the interruptions have ceased. The duty to be prompt in restoring normal conditions, re-establishing schedules, and resuming operations shall

MAINTENANCE SERVICES CONTRACT BETWEEN FAPC AND FNEI

not apply in the case where the Force Majeure is declared as a result of a strike, lockout or other labour dispute.

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- (d) Notwithstanding anything else in this Contract, the parties agree that FAPC shall not be responsible for any sanctions, fines, penalties, or similar obligations imposed by the Independent Electricity System Operator ("IESO"), or similar body on FNEI, and FNEI agrees to indemnify and hold harmless FAPC from any such sanctions, fines, penalties, or similar obligations,

ARTICLE 7 : SUSPENSION AND TERMINATION

7.1 Suspension and Cancellation

- (a) FNEI shall have the right, acting reasonably, which may be exercised at any time without invalidating the Contract, to suspend performance by FAPC of any part or the whole of the Work on one occasion during each Term and Renewal Term for a period of time not to exceed ten (10) days.
- (b) Except to the extent any such suspension or delay arises from any material act or material omission of FAPC or Force Majeure, in the event of any suspension, delay or cancellation of Work Section 7.1 (a), FNEI shall pay to FAPC an amount, which shall be limited to:
- (i) Reimbursement at the Contract rates for all Work performed and delivered to the date of such suspension, delay or cancellation;
 - (ii) Reimbursement for the actual costs to FAPC for work in progress at the Contract rates and actual expenses incurred in the course of the Work supported by reasonable documentation;
 - (iii) Reimbursement of reasonable mobilization and demobilization costs and of unavoidable costs and expenses directly related to the suspension, delay or cancellation, including but not limited to labour, equipment, material and subcontract obligations, and which are subject to cancellation charges. All such costs shall be supported by reasonable documentation
 - (iv) Other items approved in writing by FNEI.
- (c) If FNEI cancels Pre-planned Activities for any reason and or impedes, suspends, or cancels any Work in progress for any reason, then in such case, FAPC shall not be held accountable for any failure to perform such Work or for any damages resulting therefrom.
- (d) The schedule for completion of the Work after any suspension shall be mutually agreed between FNEI and THE SPECIFIC IDC.

7.2 Termination by FNEI

- (a) FAPC will be deemed to be in default under this Contract if it:

MAINTENANCE SERVICES CONTRACT BETWEEN FAPC AND FNEI

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- (i) fails to perform any material obligation of FAPC under this Contract;
 - (ii) becomes insolvent, bankrupt, or unable to pay its debts as they fall due, or pursuant to any bankruptcy, reorganization, debt arrangement, or other proceeding under any bankruptcy or insolvency law being instituted by or against it.
- (b) In the event FAPC is in default under this Contract pursuant to section 7.2(a), FNEI may, in addition to any other rights and remedies that it may have at law or in equity, terminate this Contract. In the event FAPC is in default under this Contract pursuant to section 7.2(a), FNEI shall give seven (7) calendar days written notice to FAPC of its default and in the event FAPC has not remedied the default, or commenced steps to remedy the default satisfactory to FNEI, within that period (the "Cure Period") FNEI may, without limiting any other remedy available to it in law or equity, terminate this Contract.
- (c) If the Contract is terminated pursuant to section 7.2(a), FAPC shall immediately discontinue the Work which can be discontinued without creating a hazardous condition, cancel all outstanding commitments which may be cancelled without undue cost, place no further orders, and FNEI shall pay to THE SPECIFIC LDC, no later than fifteen (15) days after issuance of an invoice thereof by THE SPECIFIC LDC, the total of all reasonable costs incurred by THE SPECIFIC LDC, including but not limited to:
- (i) reasonable material and labour costs and indirect expenses; and,
 - (ii) reasonable costs incurred by FAPC by reason of any undertakings or commitments by FAPC prior to the date of termination.

7.3 Termination by THE SPECIFIC LDC

- (a) If FNEI is in default under this Contract because it:
- (i) fails to perform any material obligation of FNEI under this Contract including the obligation to pay for work done, FAPC shall give seven (7) calendar days written notice to FNEI of its default and in the event FNEI has not remedied the default or commenced steps to remedy the default satisfactory to FAPC within that period (the "Cure Period") FAPC may, without limiting any other remedy available to it in law or equity, terminate this Contract. The Parties agree that the Cure Period shall only apply to three events of default only; or
 - (ii) becomes insolvent, bankrupt, or unable to pay its debts as they fall due, or pursuant to any bankruptcy, reorganization, debt arrangement, or other proceeding under any bankruptcy or insolvency law being instituted by or against FNEI.

ARTICLE 8 : CONTRACT PRICES, PRICE REVISIONS AND TERMS OF PAYMENT

8.1 Contract Prices

As full compensation for FAPC performance of the Work and obligations under the Contract, FNEI shall pay FAPC the fixed lump sum prices and cost-plus basis prices set out in the Purchase Orders or Change to Purchase Orders as accepted by FAPC (collectively referred to as the "Contract Price").

MAINTENANCE SERVICES CONTRACT BETWEEN FAPC AND FNEI

Except for Ontario Retail Sales Tax and Goods and Services Tax required by law to be collected by FAPC from FNEI, the compensation amounts as set out in the Purchase Orders are, as of the date of such Purchase Orders, inclusive of all known duties, license fees and all other costs imposed or incurred by reason of the Work to be performed. 9

8.2 Price Revisions

- (a) The Contract Prices shall be reflected in the Purchase Order or Change to Purchase Order, as agreed to by the Parties.
- (b) The Parties shall negotiate a revision to the Contract Price if, subsequent to the date of execution of this Contract:
 - (i) There is a change in the Site Conditions or the applicable federal, provincial, or local laws, by-laws, rules, provincial regulations, guidelines, codes and judgments relating to the scope of work and such change has the effect of increasing or decreasing FAPC's costs of performing the Work, in the opinion of FAPC or FNEI, respectively.
 - (ii) There is a change in the scope of the Work resulting in a material change to FAPC costs, in which case the Parties shall negotiate a price adjustment; or
 - (i) FNEI, at its sole discretion requests a change in the Work in accordance with the provisions of Article 22.2.

8.3 Terms of Payment

- (a) In respect of the fixed-price Pre-Planned Activities described in the Proposal, FAPC shall submit monthly invoices, beginning one month after the Effective Date, with an original invoice forwarded to the attention of FNEI Accounts Payable at the address shown in section 10.1. FAPC's fixed-price invoices shall only state the fixed monthly amount due as stated in FNEI's Purchase Order number described in section 2.1.
- (b) In respect of the Non-scheduled Work Activities in Appendix "A", FAPC shall submit monthly invoices with an original to the attention of FNEI Accounts Payable. The invoices shall be accompanied by summaries of man-hour records, equipment and material, vendors and Subcontractors invoices, which correspond to the time, materials and equipment verified by the designated FNEI Site contact as evidence of the work having been done.

MAINTENANCE SERVICES CONTRACT BETWEEN FAPC AND FNEI

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ARTICLE 9 : COUNTERPARTS

This Contract may be signed by fax and in counterparts, each of which shall be deemed to be an original and all of which shall constitute one Contract. Any delivery of an executed copy by fax shall constitute delivery hereof. However, the Parties agree to exchange original documents within fifteen (15) days of the Effective Date of this Contract.

IN WITNESS HEREOF the Parties have, by their duly appointed representatives who each have the authority to bind the Parties, executed this Contract on the day and year first written.

Five Nations Energy Inc.

By: [Signature]
Name: Derek Stephen
Title: Interim CEO
Date: December 30, 2010

Fort Albany Power Corporation

By: Alex Solomon
Name: Alex Solomon
Title: President
Date: December

MAINTENANCE SERVICES CONTRACT BETWEEN FAPC AND FNEI

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APPENDIX "A" – SCOPE OF WORK

A) Labour : FNEI will contract with FAPC for the various levels of qualified staff and the hourly rate will depend on the qualification levels of the staff as per internai agreement between FAPC and its employees. The qualifications will be those recognized by the electrical utility industry and Electrical Utility Safety Association of Ontario. As well, FNEI Safety qualifications, as defined by the FNEI Maintenance Supervisor, will be part of the certification for the classification of labour outlined below.

- i) Journeyperson, 4th year completion or greater Lines Staff \$ 50.00/hr
- ii) Apprentice 3rd year Line Staff \$ 45.00/hr
- iii) Apprentice 2nd year Liens Staff \$ 40.00/hr
- iv) Apprentie 1st year Line Staff \$30.00/hr
- v) General Labourer – no line training \$20.00/hr
- vi) Premium for hours worked outside regular hours (work between 5 :00 pm & 7 :30 am weekdays & Saturday add 50 %, Sundays add 100% and statutory holidays add 150%.

B) Equipment Rental : FNEI will rent, as required , various work and transportation equipment that is owned by the LDC . The equipment must be in good working order, and ,if used for HV electrical work , be certified for such Works. The vehicle will be fueled at the start of the rental and FNEI will refuel the vehicle at the end of the rental period

- i) Truck (multi passenger) \$ 250 / day
- ii) RBD Line Truck \$900.00/day (based on 8hr day) or \$150.00/hr. Fuel not included
- iii) Snow Machine/ ATV : \$ 200 / day
- iv) Nodwell : \$ 900.00 day (based on 8hr day) or \$150.00/hr. Fuel not included
- v) Boat \$ 250.00 day

C) Administrative Overhead : all labour, equipment invoice costs and miscellaneous expenses of staff such as meals, travel expense, and accomodation while working for FNEI : 15 %

D) Planned weekly inspections of local transformer station : 833.34 / monthly

E) Materials : FNEI will , as required , purchase materials from the LDC and will re-imburse the LDC for their cost (replacement purchase price & cost to deliver to community) plus a mark up of 25 % .

MAINTENANCE SERVICES CONTRACT BETWEEN FAPC AND FNEI

APPENDIX "B" – RESPONSE TIME

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Response time is defined as the time taken from the notification of a problem to the mobilization of crews to investigate the problem.

FNEI AND FAPC will target an initial response requirement to FNEI within one (1) hour on average.. FAPC have qualified staff available to be contacted by FNEI on a continuous basis, and contact numbers will be provided to FNEI.

APPENDIX "C": LIST OF CONTACTS**A) FNEI:**

SINGLE POINT OF CONTACT	ALTERNATE CONTACT	MAILING ADDRESS
Name, Title & Contact Information	Name, Title & Contact Information	
Vladimir Govorov Maintenance Supervisor Phone: 705 268 0056 Cell: 705 288-4535 Fax: 705 268 0071 E-mail: vgovorov@fivenations.ca	Chris Innes Operations Technician Phone: 705 268 0056 Cell: 705 365-6799 Fax: 705 268 0071 E-mail: cinnes@fivenations.ca	Five Nations Energy Inc. 70-C Mountjoy Street North Suite 421 Timmins, Ontario P4N 4V7

B) FAPC:

SINGLE POINT OF CONTACT	ALTERNATE CONTACT	MAILING ADDRESS
Name, Title & Contact Information	Name, Title & Contact Information	

THIS MAINTENANCE SERVICES CONTRACT dated as of the 1ST day of January, 2011

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BETWEEN:

FIVE NATIONS ENERGY INC.,
a non-share corporation validly existing under the laws of Canada,
having its registered office at
P.O. Box 370, Moose factory, ON P0L 1W0
(hereinafter referred to as "FNEI")

AND

Kashechewan Power Corporation
P.O. Box 229
Kashechewan, ON P0L 1S0
(hereinafter referred to as "KPC")

WHEREAS:

- A. FNEI owns and operates the transmission line and substations. FNEI requires, on request, a local service provider for specific maintenance services and emergency response related to the transmission line and substations described herein as the Site.
- B. FNEI and KPC now wish to enter into this Contract in order to establish terms and conditions whereby KPC will assist as FNEI's service provider, and will perform Work on FNEI's Site as more particularly defined herein.

ARTICLE 1 : CONTRACT DOCUMENTS

The Contract shall consist of the following documents which, by this reference, are incorporated herein and deemed to be part hereof:

- 2.1 FNEI Purchase Order with respect to the Work, and any Change to Purchase Order issued from time to time as deemed valid and accepted in writing by KPC; and,
- 2.2 This Contract, together with the following Appendices annexed hereto and incorporated by reference and deemed to be part hereof:
 - (i) Appendix "A" - Scope of Work
 - (ii) Appendix "B" - Response Guidelines
 - (iii) Appendix "C" - List of Contacts

ARTICLE 2 : ENTIRE AGREEMENT

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2.1 Entire Agreement

As of the Effective Date, this Contract constitutes the entire agreement between the Parties hereto with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the Parties with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the Parties other than as expressly set forth in this Contract.

2.2 Amendment

Should either Party determine that a revision to this Contract is required, said Party shall provide the other Party with written notification, and that Party shall respond thereto within five (5) Business Days. Any revisions to the Contract will be agreed to in writing by the Parties, and within twenty (20) Business Days thereof, FNEI shall issue a confirming Change to Purchase Order that incorporates said mutually agreed amendment(s) including any associated change in the Contract Price. KPC shall undertake any required mutually agreed actions upon receipt of a written instruction from FNEI. .

ARTICLE 3 : TERM OF THE CONTRACT

3.1 Term

Unless this Contract has been terminated in accordance with either Section 7.2 or Section 7.3 or renewed in accordance with section 3.2, the term ("Term") of this Contract shall commence on the Effective Date and shall end at the Expiration Date..

3.2 Automatic Renewal

Unless terminated in accordance with either Section 7.2 or section 7.3, the Term shall be automatically extended for successive periods of one (1) year (each a "Renewal Term") with the first Renewal Term thereafter commencing on the day following the day on which the previous Renewal Term expired. The Parties agree that upon written notice from one Party to the other at least one hundred and twenty (120) days prior to the expiration of the Term or the then current Renewal Term, they shall schedule and conduct a meeting between the administrators of this Contract for the purpose of confirmation of the relationship between the Parties arising out of this Contract, at a mutually convenient time and location, such meeting to occur at least ninety days prior to the end of the Term or the then current Renewal Term. The foregoing shall be subject to a Contract Price being established under Section 8 in respect of each Renewal Term. If the Parties are unable to agree upon pricing for the Renewal Term at least thirty (30) days prior to the end of the Term or the then current Renewal Term, then FNEI shall, at its option, require renewal of the Contract for a period of one (1) month at KPC then existing published commercial rates.

3.3 Termination or Expiration

Subject to the rights of early termination pursuant to Sections 7.2 and 7.3, either Party may terminate this Contract upon not less than ninety (90) days' notice to the other Party prior to the Expiration Date, such notice specifying the date of termination of the Contract as being the Expiration Date.

Termination or expiry of all or part of this Contract for any reason does not affect any rights of either Party against the other which:

- (a) Arose prior to the time at which such termination or expiration occurred, or
- (b) Otherwise relate to or may arise at any future time from any breach or non-observance of obligation under this Contract occurring prior to the termination or expiration.

ARTICLE 4

4.1 Required Insurance

- (a) KPC at its own cost agrees to provide the following insurance which shall take effect as of the Effective Date of this Contract and shall remain in effect during the Term of the Contract or any extension thereof or as otherwise specified herein:

- (i) Automobile Liability Insurance

Automobile liability insurance coverage and policy limits covering owned, non-owned, hired, leased and rented automobiles and automotive equipment providing a combined inclusive limit of two million dollars (\$2,000,000) coverage for injury, death, or property damage resulting from each occurrence.

- (ii) Commercial General Liability Insurance

General liability insurance coverage with a limit of two million dollars (\$2,000,000) per occurrence and in the aggregate covering bodily injury, including death, and damage to property.

Coverage shall include, but not be limited to:

- (A) Blanket contractual liability;
- (B) Premises and/or operations liability;
- (C) Pollution liability coverage on at least a Time Element Sudden and Accidental basis;
- (D) Broad form property damage;
- (E) Products and completed operations to be continuously maintained through the KPC operational insurance;

- (F) Employer's liability; and
- (G) Such insurance shall: i) include FNEI as an additional insured, but only with respect to liability arising from the operations of KPC with respect to this Contract; and, ii) contain a cross liability and severability of interests clause.

(iii) Worker's Compensation

Workers Compensation as required by the *Ontario Workplace Safety and Insurance Act* or similar legislation covering all persons employed by KPC.

- (iv) KPC shall ensure that all coverage applies to KPC agents, assigns and employees.

4.2 General Insurance Conditions:

(a) Certificates of Insurance

Before starting work, KPC will supply FNEI by registered mail, or courier, receipt required, with a certificate of insurance completed by a duly authorised representative of their insurer certifying that the coverages required here are in effect and that the coverages will not be cancelled, non-renewed, or materially changed by endorsement or through issuance of other policy(ies) of insurance which restricts or reduces coverage, without thirty (30) days advance written notice.

- (i) Failure of FNEI to demand such certificate or other evidence of full compliance with these insurance requirements or failure of FNEI to identify a deficiency from evidence provided shall not be construed as a waiver of KPC obligation to maintain such insurance.
- (ii) The acceptance of delivery by FNEI of any certificate of insurance evidencing the required coverages and limits shall not constitute approval or agreement by FNEI that the insurance requirements have been met or that the insurance policies shown in the certificates of insurance are in compliance with the requirements.
- (iii) KPC's failure to maintain the required insurance may result in termination of this Contract at FNEI's option.
- (iv) If any of the coverages are required to remain in force after final payment as determined by FNEI, an additional certificate evidencing continuation of such coverage shall be submitted with the KPC's final invoice.
- (v) Certificates of Insurance shall be provided within fourteen (14) days of award of the Contract.

(b) All deductibles shall be to the account of KPC and/or its Subcontractors.

(c) With the exception of Automobile Liability, all insurance noted above shall specify that it is primary coverage and not contributory with or in excess of any other insurance that may be maintained by FNEI.

- (d) All limits and deductibles are expressed in Canadian dollars.
- (c) Coverage provided for FNEI shall not be invalidated or vitiated by actions or inactions of others.

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ARTICLE 5 : COVENANTS AND WARRANTIES

5.1 Performance

KPC covenants:

- (a) that it is fully qualified to perform the Work in accordance with the terms of this Contract and is familiar with the prevailing Site Conditions as advised by FNEI;
- (b) that it will comply with all applicable legislative and regulatory requirements relating to the Work;
- (c) that it currently holds, and will maintain for the Term of the Contract, all licenses, registrations, administrative, supervisory and skilled operative personnel, procedures, tools and equipment, and insurance coverage necessary to perform the Work in accordance with this Contract;
- (d) that, under the laws of Canada and the province of Ontario, the completion of the Work or the use of any equipment associated therewith does not infringe directly or indirectly on any patent, intellectual property rights, copyright or trademark, foreign or domestic, owned or controlled by a third party.

ARTICLE 6 : LIMIT OF LIABILITY AND INDEMNIFICATION

6.1 Indemnification

- (a) KPC shall indemnify, defend and hold harmless FNEI, its affiliates, and each of their respective officers, directors, partners, general partners, limited partners, employees, shareholders and agents (each a "FNEI Indemnatee") from and against any and all claims, demands, suits, losses, liabilities, damages, obligations, payments, costs and expenses and accrued interest thereon (including the costs and expenses of, and accrued interest in respect of, any and all actions, suits, proceedings, assessments, judgments, settlements and compromises relating thereto and reasonable lawyers' fees and reasonable disbursements in connection therewith) (each, an "Indemnifiable Loss"), asserted against or suffered by a FNEI Indemnatee relating to, or in connection with, or resulting from or arising out of any negligence or willful misconduct of KPC, its employees or any authorized representatives, including any of its third party contractors, Subcontractors, consultants, agents or advisors, in performing KPC's obligations under this Contract. For greater certainty, in the event of contributory negligence or other fault of a FNEI Indemnatee, then such FNEI Indemnatee shall not be indemnified hereunder in the proportion that the FNEI Indemnatee's negligence or fault contributed to any Indemnifiable Loss.

- (b) FNEI shall be deemed to hold the provisions of section 6.1 (a) that are for the benefit of the FNEI Indemnatee that are not party to this Contract in trust for such persons as third party beneficiaries under this Contract.
- (c) FNEI shall indemnify, defend and hold harmless THE SPECIFIC LDC, its affiliates, subsidiaries and shareholders, and each of their respective officers, directors, partners, general partners, limited partners, employees, shareholders and agents (each an "KPC Indemnatee") from and against an Indemnifiable Loss, asserted against or suffered by any KPC Indemnatee relating to, or in connection with, or resulting from, or arising out of any negligence or willful misconduct of FNEI, its employees or any authorized representatives, including any of its third party contractors, consultants, agents or advisors, in performing FNEI 's obligations under this Contract. For greater certainty, in the event of contributory negligence or other fault of an KPC Indemnatee, then such KPC Indemnatee shall not be indemnified hereunder in the proportion that the KPC Indemnatee's negligence or fault contributed to any Indemnifiable Loss.
- (d) KPC shall be deemed to hold the provisions of section 6.1 (c) that are for the benefit of the KPC Indemnitees that are not party to this Contract in trust for such Persons as third party beneficiaries under this Contract.

6.2 Limit of Liability

- (a) KPC's aggregate liability (pursuant to section 6.1(a) or otherwise in relation to or as a consequence of this Contract), during each calendar year, shall, not exceed an amount equal to one hundred percent (100%) of the amounts actually received by KPC from FNEI in the previous calendar year for Work performed in that year. In no event shall KPC be liable to any FNEI Indemnatee (pursuant to section 6.1(a) or otherwise in relation to or as a consequence of this Contract) under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract, cost of capital, loss of business opportunity, or loss of goodwill, or for any indirect, consequential, incidental, or special damages, including but not limited to punitive or exemplary damages, whether any of the said liability, loss, or damages arise in contract, tort, or otherwise. The provisions of this 6.1(a) shall not apply to indemnification for a third party claim, save and except for any FNEI Indemnatee (unless the FNEI Indemnatee claim is in respect of personal injury or death).
- (b) FNEI's aggregate liability (pursuant to 6.1(a) or otherwise in relation to or as a consequence of this Contract), during each calendar year, other than for unpaid invoice amounts shall not exceed one hundred percent (100%) of the amounts actually received by KPC from FNEI in the previous calendar year for Work performed in that year. Except where expressly stated in this Agreement, in no event shall FNEI be liable to any KPC Indemnatee (pursuant to section 6.1(c) or otherwise in relation to or as a consequence of this Contract) under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract, cost of capital, loss of business opportunity, or loss of goodwill, or for any indirect, consequential, incidental, or special damages, including, but not limited to, punitive or exemplary damages, whether any of the said liability, loss, or damages arise in contract or tort. The provisions of this section 6.2 (b) shall not apply to indemnification for a third party claim, save and except for any KPC Indemnatee (unless the KPC Indemnatee claim is in respect of personal injury or death).
- (c) Neither KPC nor FNEI shall be liable to the other for loss, damage, delay in the Work or non-performance of any Contract obligation caused by Force Majeure. In such event both Parties shall be prompt in restoring normal conditions, re-establishing schedules, and resuming operations as soon as the interruptions have ceased. The duty to be prompt in restoring normal conditions, re-establishing schedules, and resuming operations shall

not apply in the case where the Force Majeure is declared as a result of a strike, lockout or other labour dispute.

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- (d) Notwithstanding anything else in this Contract, the parties agree that KPC shall not be responsible for any sanctions, fines, penalties, or similar obligations imposed by the Independent Electricity System Operator ("IESO"), or similar body on FNEI. and FNEI agrees to indemnify and hold harmless KPC from any such sanctions, fines, penalties, or similar obligations,

ARTICLE 7 : SUSPENSION AND TERMINATION

7.1 Suspension and Cancellation

- (a) FNEI shall have the right, acting reasonably, which may be exercised at any time without invalidating the Contract, to suspend performance by KPC of any part or the whole of the Work on one occasion during each Term and Renewal Term for a period of time not to exceed ten (10) days.
- (b) Except to the extent any such suspension or delay arises from any material act or material omission of KPC or Force Majeure, in the event of any suspension, delay or cancellation of Work Section 7.1 (a), FNEI shall pay to KPC an amount, which shall be limited to:
 - (i) Reimbursement at the Contract rates for all Work performed and delivered to the date of such suspension, delay or cancellation;
 - (ii) Reimbursement for the actual costs to KPC for work in progress at the Contract rates and actuals expenses incurred in the course of the Work supported by reasonable documentation;
 - (iii) Reimbursement of reasonable mobilization and demobilization costs and of unavoidable costs and expenses directly related to the suspension, delay or cancellation, including but not limited to labour, equipment, material and subcontract obligations, and which are subject to cancellation charges. All such costs shall be supported by reasonable documentation
 - (iv) Other items approved in writing by FNEI.
- (c) If FNEI cancels Pre-planned Activities for any reason and or impedes, suspends, or cancels any Work in progress for any reason, then in such case, KPC shall not be held accountable for any failure to perform such Work or for any damages resulting therefrom.
- (d) The schedule for completion of the Work after any suspension shall be mutually agreed between FNEI and THE SPECIFIC LDC.

7.2 Termination by FNEI

- (a) KPC will be deemed to be in default under this Contract if it:
 - (i) fails to perform any material obligation of KPC under this Contract;

- (ii) becomes insolvent, bankrupt, or unable to pay its debts as they fall due, or pursuant to any bankruptcy, reorganization, debt arrangement, or other proceeding under any bankruptcy or insolvency law being instituted by or against it.
- (b) In the event KPC is in default under this Contract pursuant to section 7.2(a), FNEI may, in addition to any other rights and remedies that it may have at law or in equity, terminate this Contract. In the event KPC is in default under this Contract pursuant to section 7.2(a), FNEI shall give seven (7) calendar days written notice to KPC of its default and in the event KPC has not remedied the default, or commenced steps to remedy the default satisfactory to FNEI, within that period (the "Cure Period") FNEI may, without limiting any other remedy available to it in law or equity, terminate this Contract.
- (c) If the Contract is terminated pursuant to section 7.2(a), KPC shall immediately discontinue the Work which can be discontinued without creating a hazardous condition, cancel all outstanding commitments which may be cancelled without undue cost, place no further orders, and FNEI shall pay to THE SPECIFIC LDC, no later than fifteen (15) days after issuance of an invoice thereof by THE SPECIFIC LDC, the total of all reasonable costs incurred by THE SPECIFIC LDC, including but not limited to:
 - (i) reasonable material and labour costs and indirect expenses; and,
 - (ii) reasonable costs incurred by KPC by reason of any undertakings or commitments by KPC prior to the date of termination.

7.3 Termination by THE SPECIFIC LDC

- (a) If FNEI is in default under this Contract because it:
 - (i) fails to perform any material obligation of FNEI under this Contract including the obligation to pay for work done, KPC shall give seven (7) calendar days written notice to FNEI of its default and in the event FNEI has not remedied the default or commenced steps to remedy the default satisfactory to KPC within that period (the "Cure Period") KPC may, without limiting any other remedy available to it in law or equity, terminate this Contract. The Parties agree that the Cure Period shall only apply to three events of default only; or
 - (ii) becomes insolvent, bankrupt, or unable to pay its debts as they fall due, or pursuant to any bankruptcy, reorganization, debt arrangement, or other proceeding under any bankruptcy or insolvency law being instituted by or against FNEI.

ARTICLE 8 : CONTRACT PRICES, PRICE REVISIONS AND TERMS OF PAYMENT

8.1 Contract Prices

As full compensation for KPC performance of the Work and obligations under the Contract, FNEI shall pay KPC the fixed lump sum prices and cost-plus basis prices set out in the Purchase Orders or Change to Purchase Orders as accepted by KPC(collectively referred to as the "Contract Price").

Except for Ontario Retail Sales Tax and Goods and Services Tax required by law to be collected by KPC from FNEI, the compensation amounts as set out in the Purchase Orders are, as of the

date of such Purchase Orders, inclusive of all known duties, license fees and all other costs imposed or incurred by reason of the Work to be performed.

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8.2 Price Revisions

- (a) The Contract Prices shall be reflected in the Purchase Order or Change to Purchase Order, as agreed to by the Parties.
- (b) The Parties shall negotiate a revision to the Contract Price if, subsequent to the date of execution of this Contract:
 - (i) There is a change in the Site Conditions or the applicable federal, provincial, or local laws, by-laws, rules, provincial regulations, guidelines, codes and judgements relating to the scope of work and such change has the effect of increasing or decreasing KPC's costs of performing the Work, in the opinion of KPC or FNEI, respectively.
 - (ii) There is a change in the scope of the Work resulting in a material change to KPC costs, in which case the Parties shall negotiate a price adjustment; or
 - (i) FNEI, at its sole discretion requests a change in the Work in accordance with the provisions of Article 22.2.

8.3 Terms of Payment

- (a) In respect of the fixed-price Pre-Planned Activities described in the Proposal, KPC shall submit monthly invoices, beginning one month after the Effective Date, with an original invoice forwarded to the attention of FNEI Accounts Payable at the address shown in section 10.1., KPC's fixed-price invoices shall only state the fixed monthly amount due as stated in FNEI's Purchase Order number described in section 2.1.
- (b) In respect of the Non-scheduled Work Activities in Appendix "A", KPC shall submit monthly invoices with an original to the attention of FNEI Accounts Payable. The invoices shall be accompanied by summaries of man-hour records, equipment and material, vendors and Subcontractors invoices, which correspond to the time, materials and equipment verified by the designated FNEI Site contact as evidence of the work having been done.

ARTICLE 9 : COUNTERPARTS

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This Contract may be signed by fax and in counterparts, each of which shall be deemed to be an original and all of which shall constitute one Contract. Any delivery of an executed copy by fax shall constitute delivery hereof. However, the Parties agree to exchange original documents within fifteen (15) days of the Effective Date of this Contract.

IN WITNESS HEREOF the Parties have, by their duly appointed representatives who each have the authority to bind the Parties, executed this Contract on the day and year first written.

Five Nations Energy Inc.

Kashechewan Power Corporation

By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

APPENDIX "B" – RESPONSE TIME

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Response time is defined as the time taken from the notification of a problem to the mobilization of crews to investigate the problem .

FNEI AND KPC will target an initial response requirement to FNEI within one (1) hour on average.. KPC have qualified staff available to be contacted by FNEI on a continuous basis , and contact numbers will be provided to FNEI.

APPENDIX "C": LIST OF CONTACTS**A) FNEI:**

SINGLE POINT OF CONTACT	ALTERNATE CONTACT	MAILING ADDRESS
Name, Title & Contact Information	Name, Title & Contact Information	
Vladimir Govorov Maintenance Supervisor Phone: 705 268 0056 Cell: 705 288-4535 Fax: 705 268 0071 E-mail: vgovorov@fivenations.ca	Chris Innes Operations Technician Phone: 705 268 0056 Cell: 705 365-6799 Fax: 705 268 0071 E-mail: cinnes@fivenations.ca	Five Nations Energy Inc. 70-C Mountjoy Street North Suite 421 Timmins, Ontario P4N 4V7

B) KPC:

SINGLE POINT OF CONTACT	ALTERNATE CONTACT	MAILING ADDRESS
Name, Title & Contact Information	Name, Title & Contact Information	
Mary Williams General Manager Work: (705) 275-4128 Home: (705) 275-9992 Email: kpc@fivenations.ca	David C. Wesley Senior Utility Worker Work: (705) 275-4128 Home: (705) 275-1131 Matthew Wynne Utility Worker Home: (705) 275-1448 Radio: (705) 275-4281	P.O. Box 120 Kashechewan, Ontario P0L 1S0

ARTICLE 9 : COUNTERPARTS

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This Contract may be signed by fax and in counterparts, each of which shall be deemed to be an original and all of which shall constitute one Contract. Any delivery of an executed copy by fax shall constitute delivery hereof. However, the Parties agree to exchange original documents within fifteen (15) days of the Effective Date of this Contract.

IN WITNESS HEREOF the Parties have, by their duly appointed representatives who each have the authority to bind the Parties, executed this Contract on the day and year first written.

Five Nations Energy Inc.

By: Derek Stephen
Name: [Signature]
Title: Interim CEO
Date: December 10, 2010

Kashechewan Power Corporation

By: Mary Williams
Name: [Signature]
Title: General Manager
Date: December 8, 2010