

July 8, 2015

BY RESS & Courier

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

Dear Ms. Walli:

**Re: Union Gas Limited (“Union”)
Sudbury Expansion Project
Board File # EB-2015-0120**

Further to Union’s Interrogatory Responses to Board Staff 5 that was filed with the Board on May 27, 2015 and Union’s Reply Submissions dated June 30, 2015. Please find attached a redacted version of the contract with FNX Victoria Mine Company Inc., dated July 1, 2015.

Sincerely,

[Original Signed By]

Shelley Bechard
Administrative Analyst, Regulatory Projects

Encl.

cc: Pascale Duguay, Ontario Energy Board
Colin Schuch, Ontario Energy Board
Zora Crnojacki, OPCC
Shelley Grice, Econalysis Consulting Services
Roger Higgin, Sustainable Planning Associates Inc.
David MacIntosh, Energy Probe Research Foundation
Ian Mondrow, Gowling Lafleur Henderson LLP
Shahrazad Rahbar, Industrial Gas Users Association

Contract ID	SA23030 - 0
Contract Name	FNX Mining NDA

This Northern GAS DISTRIBUTION CONTRACT ("**Contract**"), made as of the 1st day of July, 2015 (the "**Effective Date**").

BETWEEN:

UNION GAS LIMITED

hereinafter called "**Union**"

- and -

FNX MINING COMPANY INC.

hereinafter called "**Customer**".

WHEREAS, Union has built, or proposes to build, certain facilities (the "**Expansion Facilities**") to serve the Victoria Mine owned by Customer;

AND WHEREAS, Customer has requested from Union and Union has agreed to provide Customer with Services as specified in Schedule 1 (the "**Services**");

AND WHEREAS, Union will distribute Gas under this Contract to Customer's Point(s) of Consumption identified in Schedule 1;

IN CONSIDERATION of the mutual covenants contained herein, and other good and valuable consideration, the receipt of and sufficiency of which is hereby acknowledged, the parties agree as follows:

1 INCORPORATIONS

The following are hereby incorporated in and form part of this Contract:

- a) Contract Parameters contained in Schedule 1 as amended in writing by the parties from time to time; and
- b) The latest posted version of the Service Terms and Conditions contained in Schedule 2 subject to Section 12.18 of Union's General Terms and Conditions; and
- c) The latest posted version of Union's General Terms and Conditions subject to Section 12.18 of Union's General Terms and Conditions; and
- d) Rate Schedule Rate 20 as amended from time to time and as approved by the Ontario Energy Board.

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2 CONDITIONS PRECEDENT

The obligations of Union to provide Services hereunder are subject to the following conditions precedent that are for the sole benefit of Union and which may be waived or extended in whole or in part by Union:

- a) Union shall have obtained, in form and substance satisfactory to Union, and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders and authorizations, that are required to:
 - a. Provide the Services; and
 - b. Construct the Expansion Facilities; and
- b) Union shall have obtained all internal approvals that are necessary or appropriate to:
 - a. Provide the Services; and
 - b. Construct the Expansion Facilities; and
- c) Union shall have completed and placed into service the Expansion Facilities; and
- d) Union shall have received from Customer the requisite financial assurances reasonably necessary to ensure Customer's ability to honour the provisions of this Contract which financial assurances, if required, will be determined solely by Union; and
- e) Union shall have received a contribution in aid of construction to Union, of \$ 4,717,000 (the "**Aid Amount**") from Customer pursuant to Customer's obligations in Section 7

Union and Customer shall each use commercially reasonable efforts to satisfy and fulfill the conditions precedent specified in Sections (a), (c), (d), and (e). Union shall notify Customer forthwith in writing of Union's satisfaction or waiver of each condition precedent. If Union concludes, acting reasonably and after exercising its own commercially reasonable efforts for a reasonable period of time that it will not be able to satisfy a condition precedent, Union may, upon written Notice to Customer, terminate this Contract and upon giving such Notice, Section 9 of this Contract shall apply.

3 CONTRACT TERM

This Contract shall be effective from the Effective Date hereof. However, the Services and Union's obligation to provide the Services under Section 4 shall commence on the later of (such later date being the "**Day of First Delivery**") (a) September 1, 2015, and (b) the date that the last condition precedent as set out in Section 2 is satisfied or waived by Union. Subject to the provisions hereof, this Contract shall continue in full force and effect for a period of 10 Contract Years (the "**Initial Term**") and continue thereafter on a year to year basis unless written Notice to terminate is provided by one party to the other at least three (3) months prior to the end of the then-current term.

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4 SERVICES PROVIDED

Union agrees to provide Services as specified in Schedule 1 and Customer agrees to pay for such Services pursuant to this Contract, the referenced attachments, and the rate(s) referenced in Schedule 1.

5 ADJUSTED MINIMUM ANNUAL VOLUME ("AMAV")

Firm Minimum Annual Volume

In each Contract Year, Customer shall consume or, in any event, pay for the Firm Minimum Annual Volume ("FMAV") as adjusted in the formula below. The payment required for the Firm quantity not consumed in any Contract Year (the "**Firm Deficiency Volume**" or "**FDV**") shall be calculated by multiplying FDV by the Firm Delivery Commodity Charge identified in the Rate Schedule in effect on the last day of the Contract Year. This payment shall only apply if the FDV is greater than zero.

Where:

$$FDV = [FMAV \times [(U - D_F) / U]] - [FV - (F + O)]$$

And:

- FMAV** = Firm Minimum Annual Volume (as identified in Schedule 1)
- U** = number of days in the Contract Year
- D_F** = number of days of Force Majeure in the Contract Year where service is curtailed below the Firm Contract Demand, then in effect
- FV** = total firm volume distributed to Customer in the Contract Year
- F** = volumes distributed to the Points of Consumption during Force Majeure
- O** = total Authorized and/or Unauthorized Overrun Gas distributed to Customer in the Contract Year

The adjusted FMAV shall not be less than the qualifying annual volume defined in the Rate Schedule.

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6 NOTICES

Notices shall be delivered pursuant to the Notice provision of Union's General Terms and Conditions (Section 4) and delivered to the addresses as referenced in Schedule 1.

7 AID AMOUNT PAYMENT SCHEDULE

Customer will be required to pay to Union a contribution in aid of construction of \$4,717,000 through payments as indicated in the table below.

Amounts shown do not include any applicable taxes, including (but not limited to) HST.

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

8 CREDIT REQUIREMENTS DURING INITIAL TERM

In addition to the terms of Section 5.04 of Union's General Term and Conditions, Union may, at any time during the Initial Term, request financial assurances to cover the potential financial exposure to Union to the end of Initial Term. Such financial assurances shall be determined by Union in a commercially reasonable manner and such consideration may include, without limitation, Union's expected return on capital invested, but will not exceed an amount equal to the Project Costs as defined in Section 9, but subject to reduction by Union to reflect Aid Amounts paid in accordance with Section 7. Failure to provide such financial assurances shall be treated in a manner provided for in Section 5.04 of Union's General Terms and Conditions.

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9 TERMINATION PRIOR TO COMPLETION OF EXPANSION FACILITIES

Union shall have the right to terminate this Contract at any time prior to the Day of First Delivery, pursuant to Section 2 only, by giving written notice thereof, subject to the terms hereof.

If this Contract is terminated by Union as outlined above, then:

- (a) Upon such termination, this Contract shall be of no further force and effect and each of the parties shall be released from all further obligations hereunder, provided that any rights or remedies that a party may have for breaches of this Contract prior to such termination and any liability that a party may have incurred prior to such termination, and the parties' obligations under this Section 9, shall not thereby be released; and
- (b) Customer shall reimburse Union for all Project Costs; and
- (c) Customer shall reimburse Union for all cancellation costs, fees, or other amounts paid under contracts entered into by Union to support the satisfaction of the conditions precedent as set out in Section 2 ("**Cancellation Costs**").

Union may invoice amounts under this Section from time to time, with the expectation that there will be an invoice rendered within 30 days of termination, and subsequent invoices as additional amounts payable hereunder are incurred from time to time. Upon receiving notice of termination, Union will use commercially reasonable efforts to cease incurring Project Costs and to mitigate Cancellation Costs upon such termination. In no event shall Union invoice Customer for any Cancellation Costs or Project Costs not previously invoiced by Union after 12 months from the termination date.

"**Project Costs**" means any and all costs (including litigation costs, cancellation costs, carrying costs, and third party claims) expenses, losses, demands, damages, obligations, or other liabilities (whether of a capital or operating nature, and whether incurred or suffered before or after the date of this Contract) of Union (including amounts paid to affiliates in accordance with the Affiliate Relationship Code as established by the Ontario Energy Board) in connection with or in respect of development and construction of the Expansion Facilities (including without limitation the construction and placing into service of the Expansion Facilities, the obtaining of all governmental, regulatory, and other third party approvals, and the obtaining of rights of way) except for costs that have arisen from the gross negligence, fraud, or willful misconduct of Union.

10 INTEREST

Any amounts due and payable by Customer to Union under section 8 or Section 9 of this Contract shall, if not paid by the due date thereof, be subject to interest equal to 1.5% per month for an annual nominal interest rate of 18%, compounded monthly.


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11 LAND RIGHTS

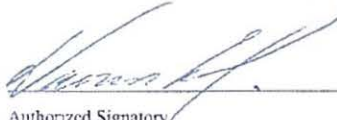
The parties acknowledge and agree that, notwithstanding Section 9 of Union's General Terms and Conditions, Customer does not own the land on which Expansion Facilities will be built. Customer agrees to make commercially reasonable efforts to assist Union in obtaining from the landowner such access and rights as Union reasonably requires.

The undersigned execute this Contract as of the above date. If an Agent on behalf of Customer executes this Contract then, if requested by Union, Agent or Customer shall at any time provide a copy of such authorization to Union.

UNION GAS LIMITED


 Authorized Signatory
 Jacqueline Caille
 Director, Residential, Commercial & Industrial Sales

FNX MINING COMPANY
INC.


 Authorized Signatory
 Warner Uhl
 Chief Project officer for KGHM

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Schedule 1

Northern Gas Distribution Contract General Contract Parameters

1. **DATES**

This Schedule 1 is effective on the Day of First Delivery.

2. **POINT OF RECEIPT FOR T-SERVICE**

Gas under this Contract will be received by Union for Service at the following Point of Receipt:
Northern Delivery Area.

3. **TYPE OF SERVICE**

Service under this Contract shall be for a Firm Sales Service in the quantities and for the Point(s) of Consumption specified in this Schedule 1.

Distribution Parameters:

Service	Daily Contract Demand (10 ³ m ³ /Day)
Rate 20 - Medium Volume Firm – Sales Service	██████████

4. **POINTS OF CONSUMPTION, HOURLY FLOW & DELIVERY PRESSURE**

Union agrees to deliver Gas based on the following parameters:

Meter #	Location Description	Max Hourly Flow	Min Gauge Pressure	Firm Hourly Quantity
TBD	94 Fairbanks Rd. E.Whitefish, ON P0M 3E0	██████████	██████████	██████████

5. **FIRM MINIMUM ANNUAL VOLUME ("FMAV")**

██████████	██████████
██████████	██████████
██████████	██████████
██████████	██████████
██████████	██████████
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FMAV applies to consumption at the Victoria Mine meter.

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6. CONTACT LIST FOR NOTICES

Customer contact information is found in Unionline. Where multiple contacts have been identified by Customer, Union is obligated to contact the first party only.

Union Gas contact information is found on Union's website.