

June 29, 2021

Board of Commissioners of Public Utilities  
Prince Charles Building  
120 Torbay Road, P.O. Box 21040  
St. John's, NL A1A 5B2

Attention: Ms. Cheryl Blundon  
Director of Corporate Services & Board Secretary

Dear Ms. Blundon:

**Re: Valentine Gold Interconnection**

Please find enclosed Newfoundland and Labrador Hydro's ("Hydro") application for approval of the construction an interconnection between Star Lake Terminal Station and Valentine Terminal Station to provide service to Marathon Gold Corporation ("Marathon Gold") pursuant to Section 41(3) of the *Public Utilities Act* ("Act"), and a contribution from Marathon Gold of an amount equal to the costs of the interconnection pursuant to Section 41(5) of the *Act*. Marathon Gold will pay all associated project costs which are estimated to be \$15,814,600, excluding HST. This project is required to allow Marathon Gold to develop the Valentine Gold Project.

Should you have any questions, please contact the undersigned.

Yours truly,

**NEWFOUNDLAND AND LABRADOR HYDRO**



Michael S. Ladha  
Vice President, General Counsel, Corporate Secretary & Commercial  
MSL/sk

Encl.

ecc: **Board of Commissioners of Public Utilities**  
Jacqui Glynn  
PUB Official Email

**Newfoundland Power**  
Dominic J. Foley  
Regulatory Email

**Consumer Advocate**  
Dennis M. Browne, Q.C., Browne Fitzgerald Morgan & Avis  
Stephen F. Fitzgerald, Browne Fitzgerald Morgan & Avis  
Sarah G. Fitzgerald, Browne Fitzgerald Morgan & Avis  
Bernice Bailey, Browne Fitzgerald Morgan & Avis  
Bernard Coffey, Q.C.

**Industrial Customer Group**

Paul L. Coxworthy, Stewart McKelvey  
Denis J. Fleming, Cox & Palmer  
Dean A. Porter, Poole Althouse

**Labrador Interconnected Group**

Senwung Luk, Olthuis Kleer Townshend LLP  
Julia Brown, Olthuis Kleer Townshend LLP



# Valentine Gold Interconnection

June 29, 2021



An application to the Board of Commissioners of Public Utilities

**IN THE MATTER OF** the *Electrical Power Control Act, RSNL 1994*, Chapter E-5.1 (“EPCA”) and the *Public Utilities Act, RSNL 1990*, Chapter P-47 (“Act”), and regulations thereunder; and

**IN THE MATTER OF** an application by Newfoundland and Labrador Hydro (“Hydro”) for an Order approving the construction of an interconnection between Star Lake Terminal Station and Valentine Terminal Station to provide service to Marathon Gold Corporation (“Marathon Gold”) pursuant to Section 41(3) of the *Act*, and a contribution from Marathon Gold of an amount equal to the costs of the interconnection pursuant to Section 41(5) of the *Act*.

**To: The Board of Commissioners of Public Utilities (“Board”)**

**THE APPLICATION OF HYDRO STATES THAT:**

**A. Background**

1. Hydro is a corporation continued and existing under the *Hydro Corporation Act, 2007*, is a public utility within the meaning of the *Act*, and is subject to the provisions of the *EPCA*.

**B. Application**

2. Marathon Gold has requested electrical service from Hydro for the Valentine Gold Project mine site. To provide the requested service, system upgrades are required.
3. To integrate the Valentine Gold Project mine site into Hydro’s Island Interconnected System, Hydro must construct a 40 km, 69 kV transmission line (“TL 271”) between the existing Star Lake Terminal Station and Marathon Gold’s proposed new Valentine Terminal Station, owned by the customer, located at the mine site. Hydro must also complete upgrades to the Star Lake Terminal Station (within the existing station property) to interconnect the new transmission line to the electrical grid.

4. The construction of TL 271 and upgrades to the Star Lake Terminal Station are required to allow Marathon Gold to develop the Valentine Gold Project. Further information regarding the scope, justification, cost, and schedule associated with this work is provided in the Supplemental Capital Budget Engineering Report attached to this application as Schedule 1.
5. The assets necessary to interconnect Marathon Gold with the electrical system will be owned by Hydro but solely used to provide service to Marathon Gold. Marathon Gold will pay all costs associated with the project, which are estimated to be \$15,814,600, excluding HST, pursuant to a contribution agreement to be entered into between the parties, effective only upon approval by the Board; the negotiated agreement is attached hereto as Schedule 2. The payment of the costs associated with the project will be made as per a payment schedule agreed to by Marathon Gold and Hydro, detailed in Schedule B to Schedule 2. Costs associated with sustaining capital and operations and maintenance of the assets will be specifically assigned to Marathon Gold. Additionally, Marathon Gold will further arrange for a surety bond for the full costs of decommissioning the specifically assigned assets upon conclusion of the operation of the mine.
6. Hydro currently operates the generation facility at Star Lake, which is owned by the Government of Newfoundland and Labrador (“Government”). As Hydro does not own these assets, it obtained authorization from the Government to undertake activities, including but not limited to the upgrading or installation of equipment at the Star Lake Terminal Station as required to provide electrical services to customers.

**C. Newfoundland and Labrador Hydro’s Request**

7. Pursuant to Section 41(3) of the *Act*, Hydro requests that the Board make an Order approving Hydro’s construction of an interconnection and the associated upgrades between the Star Lake Terminal Station and the customer-owned Valentine Terminal Station to allow for service to Marathon Gold and its Valentine Gold Project, with an estimated capital cost of \$3,479,300 in 2021, \$12,281,700 in 2022, and \$53,600 in 2023, for a total of \$15,814,600, excluding HST.
8. Hydro requests that the Board make an Order approving, pursuant to Section 41(5) of the *Act*, a contribution by Marathon Gold of an amount equal to the capital cost of the work described herein.

**D. Communications**

9. Communications with respect to this application should be forwarded to Michael S. Ladha, Vice President, General Counsel, Corporate Secretary & Commercial for Hydro.

**DATED** at St. John's in the Province of Newfoundland and Labrador this 29th day of June, 2021.

**NEWFOUNDLAND AND LABRADOR HYDRO**



Michael S. Ladha  
Counsel for the Applicant  
Newfoundland and Labrador Hydro,  
500 Columbus Drive, P.O. Box 12400  
St. John's, NL A1B 4K7  
Telephone: (709) 631-9529  
Email: [michaelladha@nlh.nl.ca](mailto:michaelladha@nlh.nl.ca)



# Schedule 1

## Valentine Gold Interconnection

June 29, 2021

A report to the Board of Commissioners of Public Utilities



## 1 Executive Summary

2 Marathon Gold Corporation (“Marathon Gold”) is developing the Valentine Gold Project in central  
3 Newfoundland and Labrador and has requested power service from Newfoundland and Labrador Hydro  
4 (“Hydro”).

5 In response to this request, Hydro is proposing an interconnection point at the Star Lake Terminal  
6 Station, which is located approximately 20 km northwest of the Valentine Gold Project site  
7 (“Interconnection”). To facilitate the Interconnection, the following infrastructure will be required:

- 8 • Star Lake Terminal Station Upgrades: Upgrade of the existing Star Lake Terminal Station<sup>1</sup> to  
9 support the addition of electrical, protection and control, and communications equipment  
10 required to supply power to the customer-owned Valentine Terminal Station;
- 11 • Construction of a 40 km, 69 kV wood pole transmission line (“TL 271”) from the Star Lake  
12 Terminal Station to the new Valentine Terminal Station; and
- 13 • Addition of communications equipment at Hydro’s Buchans Terminal Station and the customer’s  
14 Valentine Terminal Station for remote monitoring and protection.

15 Hydro has entered into an agreement with Marathon Gold regarding the construction and contribution  
16 related to the Interconnection which is subject to approval by the Board of Commissioners of Public  
17 Utilities (“Board”). Hydro will develop, own, and operate the Star Lake Terminal Station expansion and  
18 TL 271. Marathon Gold will develop, own, and operate the Valentine Terminal Station in accordance  
19 with Hydro standards and operating procedures to ensure safety, reliability, and compatibility with  
20 Hydro’s system. The Interconnection is subject to approvals under the provincial *Environmental*  
21 *Assessment Act* as well as the *Public Utilities Act*. Expected completion is tentatively planned for  
22 February 2023 with first power available to meet Marathon Gold’s required date of March 31, 2023.

23 The estimated capital cost of the Interconnection is \$15,814,600. As all of the project costs will be fully  
24 contributed by Marathon Gold, there will be no rate impact associated with the Interconnection for any  
25 of Hydro’s other customers.

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<sup>1</sup> The Star Lake Terminal Station is owned by the Government of Newfoundland and Labrador (“Government”) and operated by Hydro. New assets will be owned by Hydro and fully contributed by the customer. Government has authorized Hydro to undertake activities, including but not limited to, the upgrading or installation of equipment at the Star Lake Terminal Station as required to provide electrical services to customers.

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## 1.0 Introduction

Marathon Gold is developing the Valentine Gold Project in the central region of Newfoundland and Labrador. Marathon Gold has requested electrical service from Hydro for the Valentine Gold Project mine site. To provide the requested service, system upgrades are required. Marathon Gold will contribute all costs incurred by Hydro to respond to this request, including capital costs, ongoing operating and maintenance costs throughout the life of the project, and costs to decommission the assets upon project conclusion.

## 2.0 Background

The Valentine Gold Project will be the largest gold mine in Atlantic Canada. The operating life of the mine is expected to be approximately 12 years with 24-hour continuous operation, followed by approximately 10 years of decommissioning and environmental remediation and mitigation activities. Upon startup, Marathon Gold will become Hydro’s third largest Island Industrial Customer.

Hydro forecasts the load requirement for the development as follows:

- Phase 1: 18 MW from 2023 to 2026;
- Phase 2: 21 MW in 2027 to 2036; and
- Phase 3: 1–2 MW in 2036 to 2046.

To serve this load, the Valentine Gold Project will require interconnection to the Island Interconnected System via the Star Lake Terminal Station. The Star Lake Terminal Station is connected to the bulk electrical system via a 69 kV transmission line (TL 280) originating from the Buchans Terminal Station.

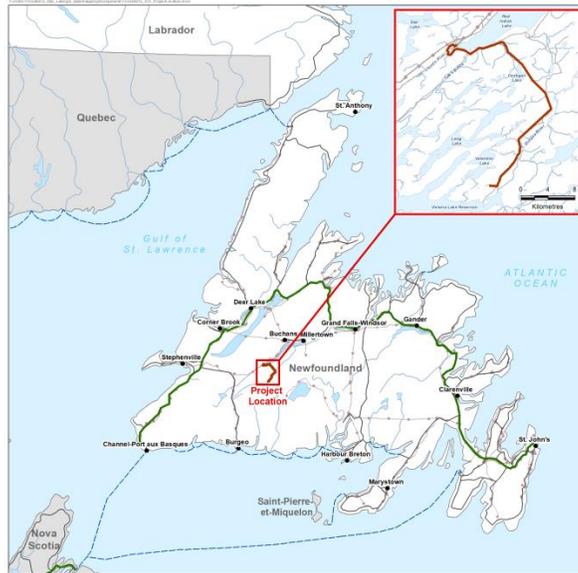
Connection of the Valentine Gold Project site will require:

- Construction of a 40 km, 69 kV transmission line (TL 271)<sup>2</sup> between the existing Star Lake Terminal Station and Marathon Gold’s proposed new Valentine Terminal Station which is approximately 80 km southwest of the town of Millertown (see Figure 1);<sup>3</sup>

<sup>2</sup> The new transmission line will be of wood pole construction and approximately 40 km in length with a right-of-way approximately 15 m to 25 m wide (to be confirmed upon final design).

<sup>3</sup> Marathon Gold will own and operate the Valentine Terminal Station including all equipment therein with the exception of minor communications equipment that Hydro will require for real-time system monitoring of the Valentine Terminal Station.

- 1 • An expansion of the Star Lake Terminal Station (within the existing station property) to
- 2 interconnect the new transmission line to the electrical grid; and
- 3 • Addition of communications equipment at Hydro’s Buchan’s Terminal Station and the
- 4 customer’s Valentine Terminal Station for remote monitoring and protection.



**Figure 1: Project Location**

5 Hydro will own and operate TL 271 and the Star Lake Terminal Station expansion. For the transmission  
 6 line, operational activities to occur throughout the life of the Valentine Gold Project will include  
 7 transmission line infrastructure inspection and repair, as required, and vegetation control. For the Star  
 8 Lake Terminal Station extension, operational activities will include preventative maintenance routines  
 9 and corrective maintenance as required for electrical, protection and control, and communications  
 10 equipment. Marathon Gold will pay the full amount of operational expenses associated with the  
 11 interconnection<sup>4</sup> as well as costs associated with decommissioning the related assets.

12 Pending necessary environmental and regulatory approvals, construction may begin before the end of  
 13 2021, with TL 271 becoming operational within the first quarter of 2023. Decommissioning and removal  
 14 of TL 271, as well as electrical, protection and control, and communications equipment associated with  
 15 the Star Lake Terminal Station expansion, is planned to occur once all power requirements for the  
 16 Valentine Gold Project have been met.

<sup>4</sup> Pending Board approval of specific assignment of the assets to Marathon Gold in Hydro’s next General Rate Application.

### 3.0 Justification

The development of the Valentine Gold Project is dependent on the construction of the TL 271 transmission line and the associated Star Lake Terminal Station expansion. Completion of the Interconnection is required to enable Marathon Gold to operate its mine site at Valentine Lake. Marathon Gold is responsible for all costs associated with the construction, maintenance, and decommissioning of TL 271 and associated infrastructure at the end of the mine life.

### 4.0 Identification of Alternatives

There are no alternatives to the Interconnection as proposed that would enable Hydro to provide service as requested by Marathon Gold. As all costs associated with the Interconnection are fully contributed by Marathon Gold, the Interconnection will have no rate impact on any of Hydro's other customers.

### 5.0 Interconnection Project Description

The scope of the Interconnection includes the following work:

- Construction of a 40 km, 69 kV wood pole transmission line (TL 271) from the Star Lake Terminal Station to the Valentine Terminal Station;
- Expansion of the Star Lake Terminal Station including:
  - Extension of existing yard; and
  - Installation of a new gantry structure and modification to existing structure to form a new box structure;
- Electrical system upgrades at the Star Lake Generating Station switchyard, including the following components:
  - New 69 kV SF<sub>6</sub> circuit breaker;
  - Extension of the existing 69 kV overhead bus work to accommodate TL 271 interconnection;
  - New 69 kV disconnect switches;
  - New 69 kV instrument transformers; and
  - Station grounding system extension for switchyard extension area;

- 1 • New protective relaying equipment and necessary modifications to auxiliary equipment and
- 2 other devices required for the new protective relaying design;
- 3 • New revenue metering equipment;
- 4 • New communications infrastructure between Star Lake Terminal Station and Valentine Terminal
- 5 Station and upgrades to existing communications infrastructure between the Buchans Terminal
- 6 Station, Star Lake Terminal Station, and Valentine Terminal Station; and
- 7 • New remote terminal unit at the Valentine Terminal Station.

8 The scope of work will include all project management, engineering, material procurement,  
9 environmental assessment, construction, and commissioning activities.

10 Hydro currently operates the generation facility at Star Lake, which is owned by the Government of  
11 Newfoundland and Labrador. Hydro has received authorization from the Government regarding the  
12 scope of work related to the Star Lake Terminal Station.

13 Engineering design will be completed by Hydro’s internal resources and supported by external  
14 consultants where required. Materials will be procured in accordance with Hydro engineering  
15 equipment standards. Construction will primarily be completed by contractors with support from  
16 Hydro’s internal resources as required.

17 The estimate for the interconnection is shown in Table 1.

**Table 1: Interconnection Estimate (\$000)<sup>5</sup>**

<b>Project Cost</b>	<b>2021</b>	<b>2022</b>	<b>Beyond</b>	<b>Total</b>
Material Supply	15.5	3,929.3	9.9	<b>3,954.7</b>
Labour	843.3	1,315.3	33.5	<b>2,192.1</b>
Consultant	155.3	127.0	0.0	<b>282.3</b>
Contract Work	1,849.8	4,797.9	0.0	<b>6,647.7</b>
Other Direct Costs	222.7	425.6	2.5	<b>650.8</b>
Interest and Escalation	138.5	708.4	3.3	<b>850.2</b>
Contingency	254.2	978.2	4.4	<b>1,236.8</b>
<b>Total</b>	<b>3,479.3</b>	<b>12,281.7</b>	<b>53.6</b>	<b>15,814.6</b>

<sup>5</sup> Numbers may not add due to rounding.

1 The anticipated interconnection schedule is shown in Hydro’s ability to advance the work in accordance  
 2 with the schedule is dependent on timely Environmental Assessment approvals for the proposed  
 3 interconnection as well as Marathon Gold’s Valentine Gold Project.

4 Table 2. Hydro’s ability to advance the work in accordance with the schedule is dependent on timely  
 5 Environmental Assessment approvals for the proposed interconnection as well as Marathon Gold’s  
 6 Valentine Gold Project.

**Table 2: Interconnection Schedule**

<b>Activity</b>	<b>Start Date</b>	<b>End Date</b>
Design/Planning:		
Engineering Design	June 2021	December 2021
Hydro’s Environmental Assessment	April 2021	June 2021
Marathon Gold’s Environmental Assessment	April 2019	September 2021
Procurement:		
TL 271 Material	October 2021	August 2022
Star Lake Terminal Station Material	October 2021	June 2022
Construction:		
Transmission Line Clearing	October 2021	June 2022
Transmission Line Construction	June 2022	January 2023
Terminal Station Construction	August 2022	September 2022
Commissioning:		
TL 271 Commissioning	January 2023	January 2023
Star Lake Station Commissioning	September 2022	September 2022
Valentine Station Commissioning	January 2023	February 2023
Closeout:		
Complete As-Built Drawings and Financial Closeout	April 2023	June 2023

7 **6.0 Conclusion**

8 Marathon Gold has requested service from Hydro to power its Valentine Gold Project mine site. Hydro’s  
 9 completion of the interconnection is necessary to meet Marathon Gold’s service request. Capital project  
 10 costs, as well as operating and maintenance costs and decommissioning costs, will be fully contributed  
 11 by Marathon Gold. There will be no rate impact associated with this project on Hydro’s other customers.



## **Schedule 2**

### **Construction Contribution Agreement between Newfoundland and Labrador Hydro and Marathon Gold Corporation**



**THIS CONSTRUCTION CONTRIBUTION AGREEMENT** made at St. John's, in the Province of Newfoundland and Labrador on the \_\_\_\_ day of \_\_\_\_\_, 2021.

**BETWEEN:**

**NEWFOUNDLAND AND LABRADOR HYDRO**, a corporation and agent of the Crown constituted by statute, renamed and continued by the *Hydro Corporation Act*, 2007 Chapter H-17 of the 2007 Statutes of Newfoundland and Labrador and having its head office at St. John's, in the Province of Newfoundland and Labrador, (hereinafter called "Hydro") of the first part;

**MARATHON GOLD CORPORATION**, a company organized under the laws of Canada and extra-provincially registered under the laws of Newfoundland and Labrador (hereinafter called the "Customer") of the second part.

**WHEREAS** Hydro is a fully regulated public utility and provider of electrical power and energy within the Province of Newfoundland and Labrador and as such is subject to the *Public Utilities Act*, c. P-47, R.S.N.L. 1990, and the *Electrical Power Control Act, 1994*, c.E-5.1, S.N.L. 1994; and

**WHEREAS** the Customer desires to purchase electrical power and energy from Hydro at the Customer's project site near Valentine Lake, on the island of Newfoundland ("Valentine Gold Project Site") as an industrial customer; and

**WHEREAS** at present no other customers of Hydro exist to be served by Hydro in the vicinity of the Valentine Gold Project Site; and

**WHEREAS** the parties desire to enter into an agreement whereby Hydro will Construct, and the Customer will pay the full cost of Constructing the Interconnection Project as defined herein; and

**WHEREAS** the parties desire to enter into another agreement which outlines the parameters of Hydro's supply of electrical power to the Customer and the Customer's take of electrical power ("Power Service Agreement"); and

**WHEREAS** the Customer will Construct and be fully responsible for the cost of Construction of the Valentine Terminal Station as defined herein, which will be fully owned by the Customer; and

**WHEREAS** the parties acknowledge that the Construction of the Interconnection Project is subject to all necessary and applicable environmental approvals; and

**WHEREAS** the parties acknowledge that this Agreement shall not be binding unless and until it is approved by the Board;

**THEREFORE THIS AGREEMENT WITNESSETH** that the parties agree as follows:

**ARTICLE 1**

**INTERPRETATION**

- 1.01 In this Agreement, including the recitals, unless the context otherwise requires,
- (a) "**Board**" means the Board of Commissioners of Public Utilities for Newfoundland and Labrador;
  - (b) "**Business Day**" means any day that is not a Saturday, Sunday or holiday upon which the main offices of Hydro or the Customer in Newfoundland and Labrador are closed;
  - (c) "**Contribution**" means the principal amount to be paid to Hydro by the Customer to reimburse Hydro for the costs of engineering and Construction of the Interconnection Project;
  - (d) "**Construction**" means construction and commissioning, and "Construct" and "Constructing" shall have like meaning;
  - (e) "**Financing Costs**" means Hydro's interest costs incurred during Construction, consistent with *IAS – 23 Borrowing Costs* and updated quarterly;
  - (f) "**Good Utility Practice**" means those project management, design, procurement, construction, operation, maintenance, repair, removal and disposal practices, methods and acts that are engaged in key a significant portion of the electric utility industry in Canada during the relevant time period, or any other practices, methods or acts that, in the exercise of reasonable judgment in light of the facts known at the time a decision is made, could have been expected to accomplish a desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be the optimum practice, method or act to the exclusion of others, but rather to be a spectrum of acceptable practices, methods or acts generally accepted in such electric utility industry for the project management, design, procurement, construction, operation, maintenance, repair, removal and disposal of electric utility facilities in Canada. Good Utility Practice shall not be determined after the fact in light of the results achieved by the practices, methods or acts undertaken but rather shall be determined based upon the consistency of the practices, methods or acts when undertaken with the standard set forth in the first two sentences of this definition at such time.
  - (g) "**Interconnection Project**" means the extensions to the existing Star Lake Terminal Station ("SLK TS") and the new transmission line, TL271, up to the takeoff structure inside the Customer owned Valentine Terminal Station ("VTN TS") as more specifically detailed in Schedule "A" – Project Description, Project Budget, and Project Schedule;
  - (h) "**Month**" means calendar month;

- 1.02 In this Agreement all references to dollar amounts and all references to any other monetary amounts are, unless specifically otherwise provided, expressed in terms of coin or currency of Canada which at the time of payment or determination shall be legal tender herein for the payment of public and private debts.
- 1.03 Words in this Agreement importing the singular number shall include the plural and vice versa and words importing the masculine gender shall include the feminine and neuter genders.
- 1.04 Where a word is defined anywhere in this Agreement, other parts of speech and tenses of the same word have corresponding meanings.
- 1.05 Wherever in this Agreement a number of days are prescribed for any purpose, the days shall be reckoned exclusively of the first and inclusively of the last.
- 1.06 The headings of all the articles are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement.
- 1.07 Any reference in this Agreement to an Article, a Clause, a subclause or a paragraph shall, unless the context otherwise specifically requires, be taken as a reference to an article, a clause, a subclause or a paragraph of this Agreement.
- 1.08 This Agreement may be executed in two or more counterparts, each of which when so executed shall be deemed to be an original, but all of such counterparts together shall constitute one and the same instrument.

**ARTICLE 2**  
**CONSTRUCTION OF INTERCONNECTION PROJECT**

- 2.01 Hydro agrees to Construct the Interconnection Project and to pay the actual costs of this Construction in the manner set out herein.
- 2.02 The Customer will pay the full cost of Constructing the Interconnection Project, including the costs, if any, related to delays in the completion date or any costs in excess of those estimated in Schedule "A", provided that Hydro, before incurring costs in excess of the contingency provided for to that point in the scheduled work for the Interconnection Project, has notified the Customer and discussed with the Customer possible appropriate remedial actions as hereinafter provided. Should Hydro determine at any time during the Construction period that the total estimated cost to complete or the completion date will exceed that estimated in Schedule "A", Hydro will promptly notify the Customer of such determination and will discuss with the Customer possible appropriate remedial actions to be taken to address such cost overruns and/or delays. The Customer's liability to pay such excess costs shall be subject to Hydro providing the Customer with records and reports as contemplated in section 4.02 and 4.03 hereof and the Customer's right to inspect and audit as contemplated in section 4.02 hereof.

- 2.03 The Customer, as bond principal, agrees to arrange, manage and finance a surety bond, satisfactory to Hydro as the bond obligee, by September 30, 2021, for the full costs of decommissioning of the Interconnection Project. The scope of decommissioning of the Interconnection Project is to cease the use of and remove the assets of the Interconnection Project and address any environmental impacts once the Customer no longer requires service from Hydro via the Interconnection Project assets.
- 2.04 The assets of the Interconnection Project will be owned by Hydro and used only to serve the Customer. The assets of the Interconnection Project will be specifically assigned to the Customer, with the Customer being responsible for all sustaining capital and operations and maintenance as approved by the Board and as further detailed in a Power Service Agreement between Hydro and the Customer. Hydro shall perform the sustaining capital and operations and maintenance work in the same manner and to the same standards as it would use for its own assets and in accordance with Good Utility Practice.

**ARTICLE 3**  
**PAYMENT OF CONTRIBUTION**

- 3.01 Subject to Clause 3.05 hereof, the Customer shall pay all Contribution amounts as per the payment schedule detailed in Schedule “B” hereto herein until the Contribution has been paid in full. The payment schedule is comprised of installment payments totaling the estimated cost of the Interconnection Project at the time of execution of this Agreement. In the event that scheduled work for the Interconnection Project, as set out in Schedule “A” hereto, is delayed by 3 months or greater, for any reason, the Contribution payment schedule shall be reviewed and adjusted accordingly.
- 3.02 At a time 12 months subsequent to the commencement of Construction of the Interconnection Project, or at any time if there is any material change in the Construction costs estimated in Schedule “A”, Hydro shall review the payment schedule in Schedule “B” to ensure that it allows for Hydro to obtain Contributions equal to or exceeding the actual costs of the Construction costs as of that date. If the payment schedule does not reflect or recover the costs incurred, Hydro may revise the payment schedule for the remaining period.
- 3.03 During the Construction of the Interconnection Project, near the end of each calendar year, Hydro shall invoice the Customer actual costs incurred as of the date of the invoice in that calendar year up to a maximum amount equal to the sum of the Contribution amounts for that calendar year, as per the payment schedule in Schedule ‘B’. Upon completion of the Interconnection Project, Hydro shall confirm the actual costs of Constructing the Interconnection Project and shall invoice the Customer. If the Contributions paid by the Customer as per the payment schedule in Schedule ‘B’ exceed the final actual costs of the Construction, Hydro shall refund the Customer any excess. Interconnection Project Construction invoice(s) will identify HST as a separate item so that input tax credits can be claimed by the Customer.
- 3.04 In the event that Hydro serves one or more new Hydro customers from the

Interconnection Project, Hydro shall file an application with the Board for the purpose of determining the amount, if any, by which the Contribution shall be reduced or, where applicable, refunded based on amounts that Hydro has received or will receive from such new Hydro customers.

- 3.05 If the Customer voluntarily or involuntarily abandons the Valentine Gold Project Site, commits an act of bankruptcy or liquidates its assets, there shall become due and payable to Hydro by the Customer, stipulated as liquidated damages without burden or proof thereof, a lump sum equal to the actual costs of the Construction incurred to the date that the Customer notifies Hydro of the abandonment then outstanding, along with any costs associated with cessation of the project as a result of the abandonment, and actual decommissioning costs then outstanding plus Financing Costs calculated from the date of notice of abandonment to the date of final payment of the amounts due under this section.

#### **ARTICLE 4** **COSTS OF INTERCONNECTION PROJECT**

- 4.01 Throughout the engineering, procurement and Construction of the Interconnection Project, Hydro will endeavour to ensure that the costs related to Construction of the Interconnection Project do not exceed those necessary to meet Hydro's normal standards for such work, including applicable engineering standards provided in the Stage III FEED Study Report for Interconnection Project as reviewed during the detailed design phase.
- 4.02 Hydro shall cause to be kept proper books of account, records and supporting materials covering all matters relevant to the calculation of the Contribution and the reasonable verification thereof. The Customer may, on reasonable notice and at its own costs, ask for and carry out an independent audit and Hydro shall, for such purpose and at all reasonable times, permit agents of the Customer to inspect and audit and make copies from all such books of account, record and supporting materials relevant to the calculation of the Contribution.
- 4.03 The Customer and Hydro shall meet each month at a mutually agreeable time and location to discuss the progress of the project. Hydro shall provide the Customer with monthly reports on the progress of the project in accordance with construction industry best practice standards.

#### **ARTICLE 5** **PAYMENT OF ACCOUNTS AND NOTICE OF CLAIMS OF CUSTOMER**

- 5.01 Hydro will render its actual Interconnection Project Construction accounts quarterly in a form and content acceptable to the Customer, acting reasonably.
- 5.02 All amounts due to Hydro by the Customer are due as provided in this agreement. All

amounts in arrears after the expiration of the period of thirty (30) days shall bear interest at the rate of one and one-half (1.5%) percent per Month.

- 5.03 If the Customer is in default for more than fifteen (15) days in paying any amount due Hydro under this Agreement, then, without prejudice to its other recourses and without liability therefor, Hydro shall, upon five (5) Business Days' advance written notice to the Customer of its intention so to do, be entitled to delay or suspend Construction on the Interconnection Project and to delay or suspend the supply of power and energy until all payments due are received from the Customer until the said amount is paid.
- 5.04 The Customer and Hydro will submit to the other in writing every claim or counterclaim which each may have or claim to have against the other arising under this Agreement within sixty (60) days of the day upon which the Customer or Hydro has knowledge of the event giving rise to such a claim, provided that it is acknowledged and agreed that in the case of the Customer carrying out an independent audit as contemplated by section 4.03 hereof, the sixty (60) day period to submit such claim or counterclaim shall not start until the Customer has received the final report of the independent auditor.
- 5.05 The Customer and Hydro shall be deemed to have waived all rights for the recovery of any claim or counterclaim that has not been submitted to the other party pursuant to and in accordance with Clause 5.04.

**ARTICLE 6**  
**MODIFICATION OR TERMINATION OF AGREEMENT**

- 6.01 Except, where otherwise specifically provided in this Agreement and only to the extent so provided, all previous communications between the parties to this Agreement, either oral or written, with reference to the subject matter of this Agreement, are hereby abrogated and this Agreement shall constitute the sole and complete agreement of the parties hereto in respect of the matters herein set forth.
- 6.02 Any amendment, change or modification of this Agreement shall be binding upon the parties hereto or either of them only if such amendment, change or modification is in writing and is executed by each of the parties to this Agreement by its duly authorized officers or agents and in accordance with its regulations or by-laws.

**ARTICLE 7**  
**SUCCESSORS AND ASSIGNS**

- 7.01 This Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors and assigns, but it shall not be assignable by the Customer except to any affiliate, parent or subsidiary corporation of the Customer, without the written consent of Hydro, acting reasonably. Where the Agreement is assigned to an affiliate, parent or subsidiary corporation of the Customer, the Customer must provide

written notice to Hydro of the assignment.

## **ARTICLE 8** **ARBITRATION**

- 8.01 Any dispute or differences between the parties hereto concerning this Agreement which cannot be resolved or settled by the said parties shall be settled by final and binding arbitration in the City of St. John's, Newfoundland and Labrador, at the request of either party pursuant to the provisions of the Arbitration Act (Newfoundland and Labrador), subject to the specific terms hereof. The party desiring arbitration shall notify the other party of its intention to submit any dispute(s) or difference(s) to arbitration as well as a brief description of the matter(s) to be submitted for arbitration. Should the parties fail to agree on a single arbitrator to settle the relevant dispute(s) or difference(s) within fifteen (15) days of delivery of the aforesaid notice, then each such party shall within thirty (30) days thereafter nominate an arbitrator having expertise with respect to the subject matter(s) under dispute (failing which nomination by a party, the arbitrator nominated by the other party may proceed to determine the dispute alone as he or she shall deem fit) and the two (2) arbitrators so selected shall select a chairman of the arbitral tribunal of similar expertise to act jointly with them. If said arbitrators shall be unable to agree in the selection of such chairman within thirty (30) days of the expiry of the aforesaid thirty (30) day arbitrator nomination period, the chairman shall be selected as contemplated in the *Arbitration Act* (Newfoundland and Labrador). The costs of the arbitration shall be borne by the parties hereto as may be specified in the determination of the arbitrator(s). The arbitrator(s) shall further be authorized to retain such legal counsel and other professional advisors to provide any advice to the arbitrator(s) as the arbitrator(s) deem appropriate. The decision of the single arbitrator or any two (2) of the three (3) arbitrators, as the case may be, shall be non-appealable, final and binding with respect to the issue(s) in dispute.

## **ARTICLE 9** **FORCE MAJEURE**

- 9.01 If at any time during the Term of the Agreement, the Construction of the Interconnection Project is suspended in whole or in part, or the performance of a party's obligations hereunder is delayed, interfered with or made impossible by reason of events beyond the reasonable control of and not foreseen or reasonably foreseeable, the party affected due to an Act of God, fire, flood, tidal wave, lightning, earthquake, cyclone, epidemic, pandemic, acts of a competent authority, acts of public enemies, terrorism, civil commotion, war, invasion, embargo, insurrection, rebellion, sabotage, protest, riot, violence, malicious mischief, extortion, strike, labour dispute or lockout and includes any other cause which could not have been avoided by the exercise of reasonable human foresight and skill, (an event of "Force Majeure") then, subject as hereinafter set out, such party will not be liable to the other party for any resulting failure to perform its obligations hereunder nor shall any remedy against the affected party be exercisable until the cause of and the resulting inability to perform due to such

Force Majeure has been removed, and any due dates for performance by a party as set forth herein shall be extended accordingly; provided that no event of Force Majeure shall excuse the performance of payment obligations hereunder for services already rendered or plant Constructed. In any event of Force Majeure, the party or parties whose performance has been affected shall use all reasonable diligence and take such action as it or they may lawfully initiate to remove the cause of the Force Majeure. Upon and during the occurrence of an event of Force Majeure, each party shall continue to perform its covenants under this Agreement as soon as possible and to the extent then remaining possible.

**ARTICLE 10**  
**GOVERNING LAW AND FORUM**

- 10.01 This Agreement shall be governed by and interpreted in accordance with the laws of the Province of Newfoundland and Labrador and, subject to Clause 8.01, every action or other proceeding arising hereunder shall be determined exclusively by a court of competent jurisdiction in the Province, subject to the right of appeal to the Supreme Court of Canada where such appeal lies.
- 10.02 This Agreement is subject to the approval of the Board.

**ARTICLE 11**  
**ADDRESS FOR SERVICE**

- 11.01 Any notice, request or other instrument which is required or permitted to be given, made or served under this Agreement by either of the parties hereto, shall be given, made or served in writing and shall be deemed to be properly given, made or served if personally delivered, or sent by email or facsimile transmission, or mailed by prepaid registered post, addressed, if service is to be made

(a) on Hydro, to

The Corporate Secretary  
Newfoundland and Labrador Hydro  
Hydro Place  
P.O. Box 12400  
St. John's, Newfoundland  
CANADA. A1B 4K7  
HydroCorporateSecretary@nlh.nl.ca  
or

(b) on the Customer, to

Marathon Gold Corporation  
Suite 600, 36 Lombard Street  
Toronto, Ontario  
M5C 2X3  
Email: twilliams@marathon-gold.com  
Attention: Tim Williams, COO.

- 11.02 Any notice mailed by prepaid registered mail will be conclusively deemed to have been given on the fourth day after mailing thereof and, if given by email, will be conclusively deemed to have been given on the day of transmittal thereof if given during the normal business hours of the recipient and on the next Business Day during which such normal business hours next occur if not given during such hours on any day; provided that, in each case, confirmation of receipt is received by the party giving the notice. If the party giving any notice knows or ought reasonably to know any difficulties with the postal system that might affect the delivery of mail, any such notice must not be mailed but must be given by email.
- 11.03 Either of the parties hereto may change the address to which a notice, request or other instrument may be sent to it by giving to the other party to this Agreement notice of such change, and thereafter, every notice, request or other instrument shall be delivered or mailed in the manner prescribed in Clause 11.01 to such party at the new address.

**ARTICLE 12**  
**CONFIDENTIAL INFORMATION**

- 12.01 The Customer and Hydro acknowledge and agree that the Customer will provide certain proprietary and business related confidential information during the course of this Agreement. The Customer acknowledges that Hydro is subject to the Public Utilities Act and the Access to Information Act and Personal Privacy Act, 2015, S.N.L. 2015, C. A-1.2, and may be required under law to make disclosures under those statutes or under other legal processes. In particular, Hydro is required to submit this Agreement and the details of the Interconnection Project to the Board for review and approval. Hydro shall take reasonable measures and efforts to protect the confidentiality of this information and, in the event that disclosure is demanded under an order or other legally binding requirement, shall provide due notice of such a requirement to the Customer so that the Customer can avail of an opportunity to make the appropriate representations to the body responsible so as to protect the confidentiality of the Customer's information in Hydro's possession.

**ARTICLE 13**  
**COUNTERPARTS**

- 13.01 This Agreement may be executed in counterparts, each of which when so executed

shall be deemed to be an original, and such counterparts together shall constitute but one and the same instrument. Signatures delivered by facsimile or electronic mail shall be deemed for all purposes to be original counterparts of this Agreement. Signatures scanned and uploaded by electronic means and electronic signatures provided in accordance with section 11 of the Electronic Commerce Act shall be deemed for all purposes to be original.

**IN WITNESS WHEREOF** Newfoundland and Labrador Hydro and the Customer has each executed this Agreement by causing it to be executed in accordance with its by-laws or regulations and by its duly authorized officers or agents, the day and year first above written.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
\_\_\_\_\_

**DULY EXECUTED** by **Marathon Gold Corporation**  
in accordance with its Regulations or By-Laws in  
the presence of:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
Witness

**SCHEDULE A**

PROJECT DESCRIPTION, PROJECT BUDGET, AND PROJECT SCHEDULE

**PROJECT DESCRIPTION**

The Interconnection Project comprises the addition of electrical equipment and associated civil/structure, and protection & control equipment at Star Lake Terminal Station (“Star Lake Extension”) and a 40 km 69 kV transmission line from Star Lake Terminal Station to Valentine Terminal Station (“TL271”). The project also includes new telecommunications equipment from Star Lake Terminal Station to Valentine Terminal Station as well as upgrades to the telecommunications equipment between Star Lake Terminal Station and Buchans Terminal Station.

Where clarification or further information is required, the parties shall refer to report dated April 7, 2021: “Valentine Gold Interconnection Stage III FEED Study Report for Marathon Gold”

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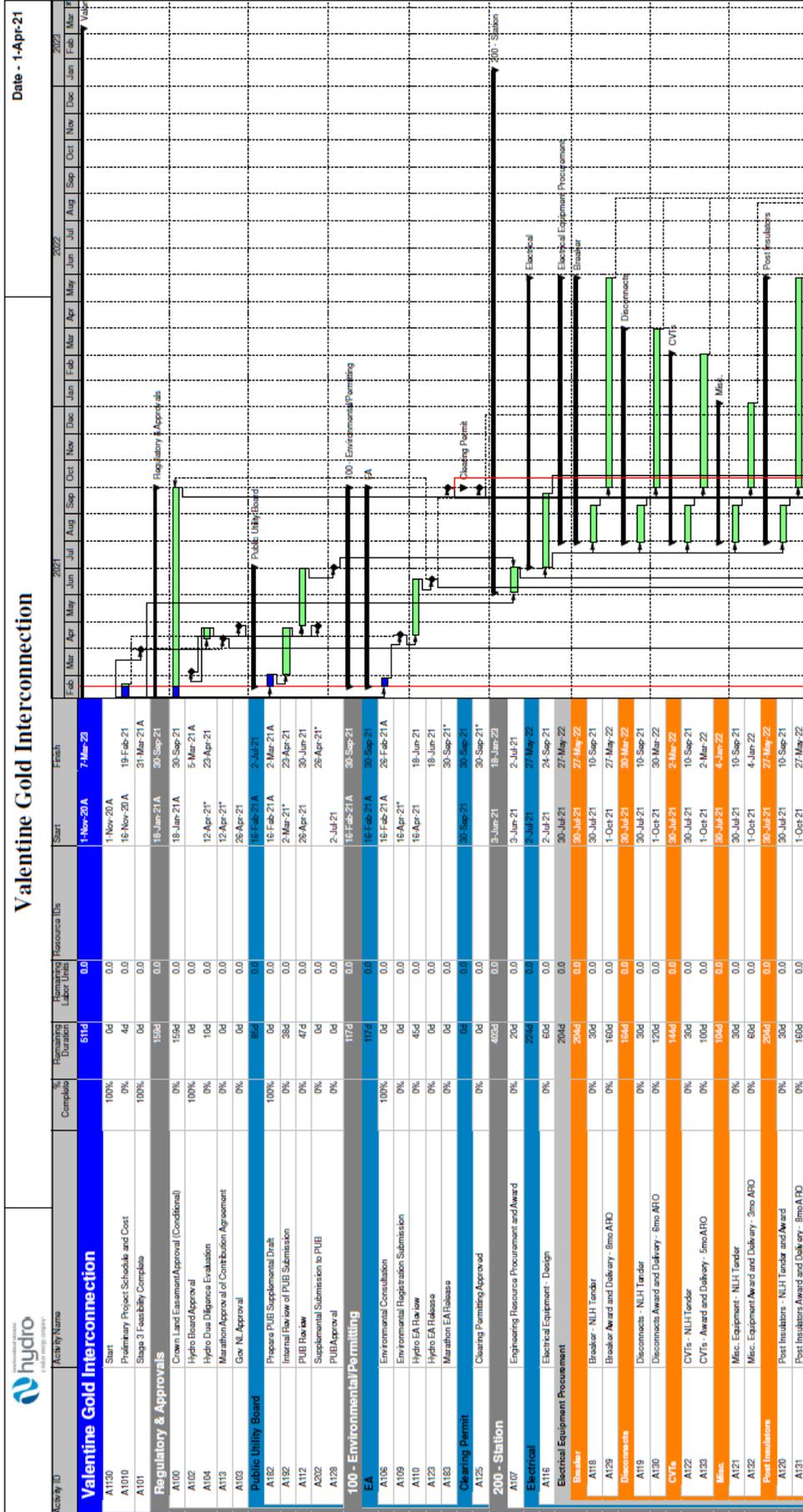
**PROJECT BUDGET**

<b>Project Cost</b>	<b>2021</b>	<b>2022</b>	<b>Beyond</b>	<b>Total</b>
Material Supply	15,512	3,929,279	9,891	3,954,682
Labour	843,263	1,315,290	33,458	2,192,011
Consultant	155,313	127,040	0	282,353
Contract Work	1,849,843	4,797,922	0	6,647,765
Other Direct Costs	222,676	425,586	2,475	650,737
Escalation	138,512	708,366	3,252	850,130
Contingency	254,134	978,235	4,582	1,236,951
<b>Total</b>	<b>3,479,252</b>	<b>12,281,718</b>	<b>53,659</b>	<b>15,814,629</b>

<b>Project Cost</b>	<b>Base</b>	<b>Contingency</b>	<b>Escalation</b>	<b>Total</b>
Project Management	206,490	18,796	12,130	237,417
SLK TS - Electrical	903,284	74,777	46,972	1,025,033
SLK TS - Civil/Structural	488,699	46,231	25,398	560,328
SLK TS – Protection &Control	398,668	34,829	20,380	453,878
SLK TS - Communication	505,628	50,563	25,928	582,119
TL271	11,224,779	1,011,754	719,321	12,955,854
<b>Total</b>	<b>13,727,548</b>	<b>1,236,951</b>	<b>850,130</b>	<b>15,814,629</b>

All figures exclude HST

**PROJECT SCHEDULE**

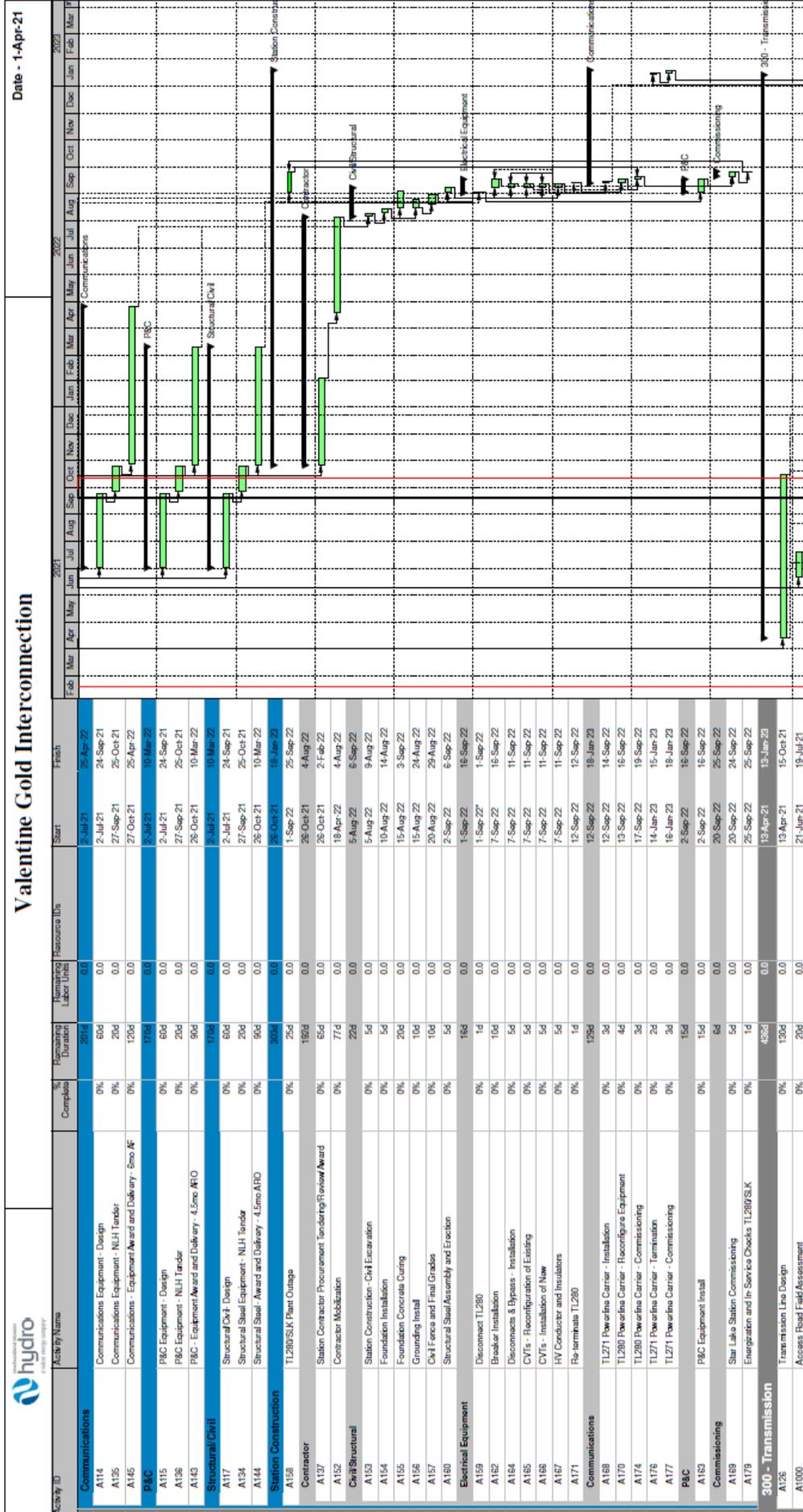


**NOTES:**  
 Based on updated information from Marathon regarding the anticipated EA release for the mine site, Hydro has revised the schedule to reflect this milestone. For the purpose of this project, it is assumed that even if Hydro receives early EA release, no contracts will be awarded until the mine site is released. As a result of the linkages, it has been decided to only maintain one schedule going forward. Please note that the Stantec report identifies both an early and late schedule which should not be utilized due to the updated information.

If Hydro EA release is delayed due to the requirement to submit an EPR, the following variances are acknowledged:

- The entire clearing activity for TL271 will be moved into 2022 and will overlap with construction of the line;
- Material for the Star Lake Station Extension and TL271 will not be procured until Hydro receives EA approval;
- The end date for power supply to Marathon will be maintained for March 31, 2023.

SCHEDULE A: PROJECT DESCRIPTION, PROJECT BUDGET, AND PROJECT SCHEDULE



Valentine Gold Interconnection

Date - 1-Apr-21



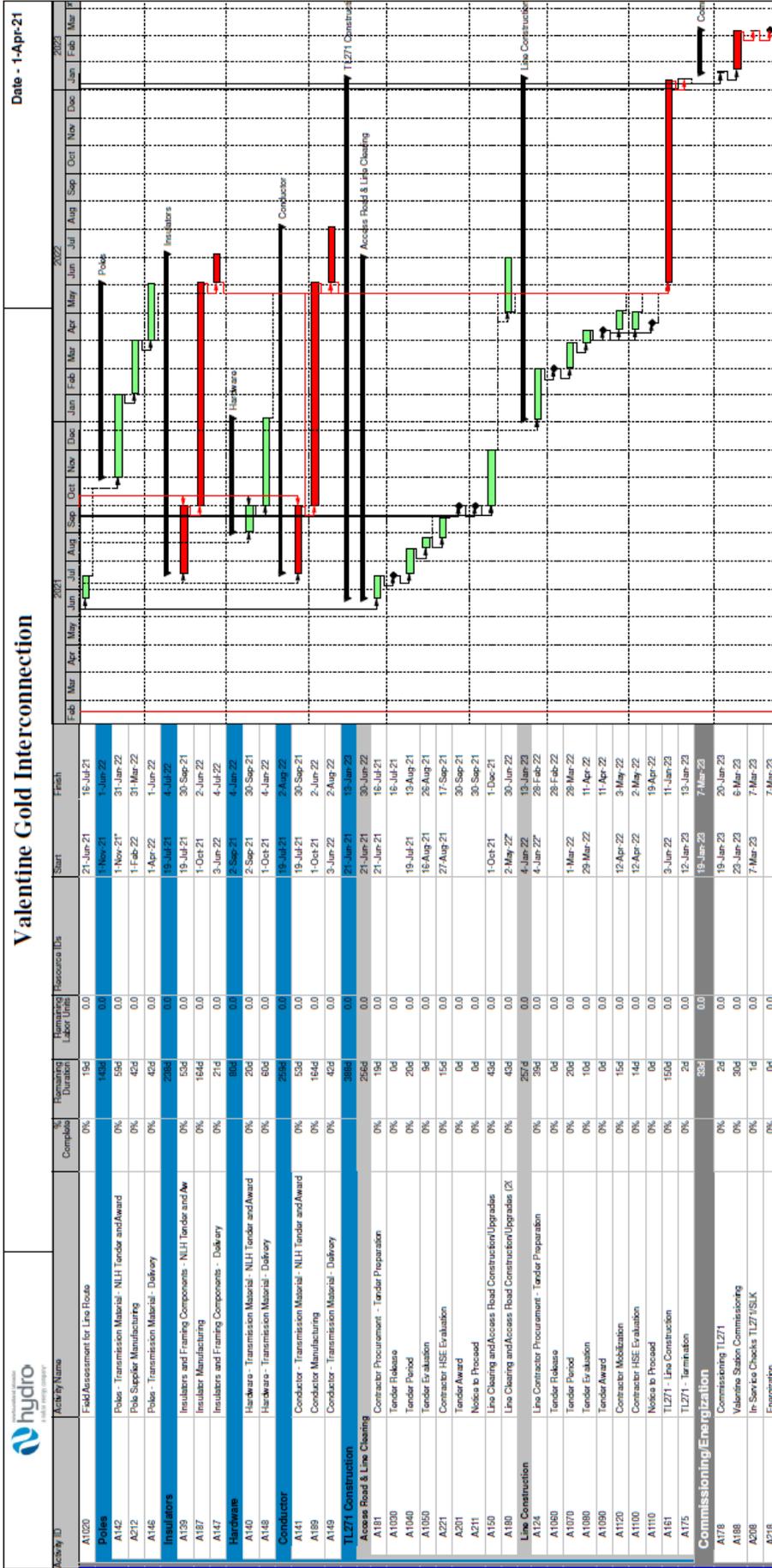
Activity ID	Activity Name	% Complete	Remaining Duration	Remaining Labor Units	Start	Finish
<b>Communications</b>						
A114	Communications Equipment - Design	0%	201d	0.0	2-Jul-21	25-Apr-22
A126	Communications Equipment - NLI Tender	0%	60d	0.0	2-Jul-21	24-Sep-21
A145	Communications - Equipment Award and Delivery - 5mo AF	0%	20d	0.0	27-Sep-21	25-Oct-21
<b>P&amp;C</b>						
A115	P&C Equipment - Design	0%	170d	0.0	2-Jul-21	10-Mar-22
A126	P&C Equipment - NLI Tender	0%	20d	0.0	27-Sep-21	25-Oct-21
A143	P&C - Equipment Award and Delivery - 4.5mo AFO	0%	90d	0.0	28-Oct-21	10-Mar-22
<b>Structural/Civil</b>						
A117	Structural/Civil - Design	0%	170d	0.0	2-Jul-21	10-Mar-22
A134	Structural Steel Equipment - NLI Tender	0%	20d	0.0	27-Sep-21	25-Oct-21
A144	Structural Steel - Award and Delivery - 4.5mo AFO	0%	90d	0.0	28-Oct-21	10-Mar-22
<b>Station Construction</b>						
A158	TL280/SLK Plant Outage	0%	25d	0.0	1-Sep-22	25-Sep-22
<b>Contractor</b>						
A137	Station Contractor Procurement Tendering/Review Award	0%	180d	0.0	28-Oct-21	4-Aug-22
A152	Contractor Mobilization	0%	65d	0.0	28-Oct-21	2-Feb-22
<b>Civil Structural</b>						
A153	Station Construction - Civil Excavation	0%	22d	0.0	18-Apr-22	4-Aug-22
A154	Foundation Installation	0%	5d	0.0	5-Aug-22	9-Aug-22
A155	Foundation Concrete Curing	0%	20d	0.0	10-Aug-22	14-Aug-22
A156	Grounding Install	0%	10d	0.0	15-Aug-22	24-Aug-22
A157	Civil Fence and Final Grades	0%	10d	0.0	20-Aug-22	29-Aug-22
A160	Structural Steel Assembly and Erection	0%	5d	0.0	2-Sep-22	6-Sep-22
<b>Electrical Equipment</b>						
A159	Disconnect TL280	0%	1d	0.0	1-Sep-22	1-Sep-22
A162	Breaker Installation	0%	10d	0.0	7-Sep-22	16-Sep-22
A164	Disconnects & Bypass - Installation	0%	5d	0.0	7-Sep-22	11-Sep-22
A165	CVTs - Reconfiguration of Existing	0%	5d	0.0	7-Sep-22	11-Sep-22
A166	CVTs - Installation of New	0%	5d	0.0	7-Sep-22	11-Sep-22
A167	HV Conductor and Insulators	0%	5d	0.0	7-Sep-22	11-Sep-22
A171	Re terminate TL280	0%	1d	0.0	12-Sep-22	12-Sep-22
<b>Communications</b>						
A168	TL271 Powerline Carrier - Installation	0%	3d	0.0	12-Sep-22	18-Jun-23
A170	TL280 Powerline Carrier - Reconfigure Equipment	0%	4d	0.0	12-Sep-22	14-Sep-22
A174	TL280 Powerline Carrier - Commissioning	0%	3d	0.0	13-Sep-22	16-Sep-22
A176	TL271 Powerline Carrier - Termination	0%	2d	0.0	14-Jan-23	15-Jan-23
A177	TL271 Powerline Carrier - Commissioning	0%	3d	0.0	14-Jan-23	18-Jan-23
<b>P&amp;C</b>						
A163	P&C Equipment Install	0%	15d	0.0	2-Sep-22	16-Sep-22
<b>Commissioning</b>						
A169	Star Lake Station Commissioning	0%	6d	0.0	20-Sep-22	25-Sep-22
A179	Energy and In-Service Checks TL280/SLK	0%	1d	0.0	20-Sep-22	25-Sep-22
<b>300 - Transmission</b>						
A126	Transmission Line Design	0%	130d	0.0	13-Apr-21	15-Oct-21
A1000	Access Road Field Assessment	0%	20d	0.0	19-Jun-21	19-Jul-21

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SCHEDULE A: PROJECT DESCRIPTION, PROJECT BUDGET, AND PROJECT SCHEDULE



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**SCHEDULE B**  
**PAYMENT SCHEDULE**

## SCHEDULE B: PAYMENT SCHEDULE

**Interconnection Project Costs**

<b>Payment Date</b>	<b>Amount</b>
Date of Contract Signing	\$2,215,000
September 1, 2021 (Wednesday)	\$1,264,000
December 1, 2021 (Wednesday)	\$251,000
March 1, 2022 (Tuesday)	\$6,250,000
June 1, 2022 (Wednesday)	\$3,293,000
September 1, 2022 (Thursday)	\$2,488,000
December 1, 2022 (Thursday)	\$54,000
<b>TOTAL</b>	<b>\$15,815,000</b>

All figures exclude HST



**Affidavit**

**IN THE MATTER OF** the *Electrical Power Control Act, RSNL 1994*, Chapter E-5.1 (“EPCA”) and the *Public Utilities Act, RSNL 1990*, Chapter P-47 (“Act”), and regulations thereunder; and

**IN THE MATTER OF** an application by Newfoundland and Labrador Hydro (“Hydro”) for an Order approving the construction of an interconnection between Star Lake Terminal Station and Valentine Terminal Station to provide service to Marathon Gold Corporation (“Marathon Gold”) pursuant to Section 41(3) of the *Act*, and a contribution from Marathon Gold of an amount equal to the costs of the interconnection pursuant to Section 41(5) of the *Act*.

**AFFIDAVIT**

I, Robert Collett, of St. John’s in the Province of Newfoundland and Labrador, make oath and say as follows:

1. I am Vice President, Engineering & Technology for Newfoundland and Labrador Hydro, the applicant named in the attached application.
2. I have read and understand the foregoing application.
3. To the best of my knowledge, information, and belief, all of the matters, facts, and things set out in this application are true.

**SWORN** at St. John’s in the )  
Province of Newfoundland and )  
Labrador this 29th day of June )  
2021, before me: )



Barrister – Newfoundland and Labrador



Robert Collett, P. Eng.