

MINERAL EXPLORATION

SUPPORT PROGRAM FOR

CRITICAL AND STRATEGIC MINERALS

NORMATIVE FRAMEWORK

2024-2025

Version: September 11, 2024

1. PROGRAM DESCRIPTION

1.1 Definitions

Unless the context indicates a different meaning, the following words or expressions mean:

Mineralogical analysis: Assessment and determination of the minerals' structural composition and chemical and physical properties.

Geochemical analysis: Study of the composition and chemical properties of rocks and minerals.

Bulk sampling: Extraction of a significant amount of mineral substances representative of the mineralization of a mineral deposit, ore body or accumulation area to determine the characteristics of the ore. The maximum quantity authorized under the program is 500 kilograms for a bulk sample from an oversized diamond drilling or trench.

Lab scale testing: Test carried out on a few kilograms of ore sample using equipment that is non-representative of what is used in the industry.

Geoenvironmental testing: All analyses and tests that focus on the characterization of mining materials for their classification according to anticipated environmental risks. They can be done at different stages of a mining project. The Guide de caractérisation des résidus miniers et du minerai (Ministère de l'Environnement et de la Lutte contre les changements climatiques, June 2020) describes the various relevant tests and analyses, according to the stages of characterization, and the recommended methods:

- Test conducted at the materials identification stage;
- Test conducted during the geochemical variability assessment phase of mining materials (chemical composition analysis; sulphur and carbon induction furnace analysis; mineralogical composition: optical microscopy, mineralogical calculations, X-ray diffraction analysis);
- Test conducted during the geochemical variability assessment phase of mining materials;
- Test conducted during the targeted characterization phase:
 - Acid generation potential prediction tests (static chemical testing using CEAEQ or Sobek validated method; kinetic testing: wet cell testing and column testing).
 - Leaching potential prediction tests (TCLP, SPLP and CTEU-9 and column and field plot kinetic tests).

Geometallurgical testing: Combination of mineralogical analyses with some tests on the rock's physical (mechanical) properties (e.g., bond index) used to develop mineralurgical and extractive metallurgic testing programs.

Mineralurgical testing: Use of physical (mechanical) or physicochemical processes to separate and release minerals of value (gangue) in an ore (also called ore processing).

Preliminary economic study: Study other than a pre-feasibility or feasibility study that includes an economic analysis of the potential viability of mineral resources, also called a techno-economic study. It can be based on measured mineral resources, either indicated or presumed, or a combination of these resources.

Pre-feasibility study: Technical and economic study that aims to identify all aspects of a project to define its probabilities of success and determine whether all mineral resources, or some of them, may be classified as mineral reserves. The confidence level for this study is higher than that of a preliminary economic assessment but lower than that of a feasibility study.

Mining exploration: Mining exploration involves two levels of advancement, i.e. basic and advanced. Basic exploration is to look for and identify an occurrence and confirm its content and continuity, while advanced exploration is to delineate the mineral resources of a deposit and preliminarily assess its economic potential.

Oversized drilling: Diamond drilling (or core drilling) is a type of exploratory drilling used to collect a rock sample using a tube that is penetrated into the rock using a mechanical device called a drill. It is usually small in diameter, either BQ (36.5 mm) or NQ (47.6 mm) for core diameter. Oversized drilling of calibre HQ (63.5 mm) or PQ (85 mm) is used to collect rock samples as part of the exploration work for larger specific sampling volumes for geometallurgical work.

Mineral development process: Process that describes the six major steps a mining company must take to explore and develop Québec's mineral resources sustainably. For each phase, mining companies must meet the requirements of the Ministère des Ressources naturelles et des Forêts.

Geometallurgical work: Integrates geological, mining, metallurgical, environmental and economic information to maximize the present net value of a deposit while minimizing technical and operational risks. Eligible geometallurgical work under this program includes geometallurgical tests, geochemical analysis, laboratory-scale mineral and extractive metallurgical tests.

Geoenvironmental work: All work relevant to conducting characterization studies to assess key geochemical properties, physicochemical parameters and potential for contamination of mining materials (ore, ore concentrate and tailings - including mine waste rock) to predict their environmental behaviour when exposed to atmospheric conditions. This mine material characterization work includes fieldwork and laboratory tests and analyses (see definition of geoenvironmental analyses and tests).

2. PURPOSE

In October 2020, the Ministère des Ressources naturelles et des Forêts (MRNF) launched the Québec Plan for the Development of Critical and Strategic Minerals (QPDCSM). The objective of the QPDCSM is to foster the development and sustainability of critical and strategic mineral value chains by leveraging Québec's competitive advantages and knowledge while contributing to the government's energy and technological transition, with a view to sustainable development, social acceptability, a circular economy and wealth creation for the regions, including local and Indigenous communities.

Action 2.1.2 of the QPDCSM was intended to "improve support for basic CSM exploration". It was introduced because, at the turn of the decade, 87% of exploration and development investments in Québec went to precious, usual, and ferrous metals. In contrast, investments in CSM projects remained modest. As a result of this action, and in order to stimulate the development of mining projects related to CSMs, the Mineral Exploration Support Program for Critical and Strategic Minerals (Program) was launched in August 2021 and ended on March 31, 2024.

Four calls for proposals were issued, providing financial assistance to 17 CSM exploration projects for a total public investment of \$3.79M. From 2020 to 2023, 10 mining exploration projects completed the exploration phase to enter the development phase of the mineral development process. Although the MRNF has managed to commit the entire budget of the Program, efforts must continue to be made to help mining exploration companies find high-quality CSM deposits and thus ensure a stable supply for the various industrial sectors in Québec, such as the battery industry. It should also be noted that issues related to the technical challenges posed by the particular context surrounding the extraction and processing of CSMs are still present. Unlike gold or iron exploration projects, Québec does not yet have the detailed knowledge to ensure the profitability of CSM projects. The advantage of this Program is that it allows CSM mining exploration projects to carry out

the necessary work to determine the profitability of the projects and thus continue their journey through the mineral development process.

In January 2024, the MRNF announced the implementation of the QPDCSM 2023-2025 Action Plan. The first three years of the QPDCSM enabled the identification of the most structuring actions for the development of CSM sectors and ensured that they evolved to the benefit of stakeholders. Thus, the 2023-2025 Action Plan puts forward new targeted actions to address current issues in a sector undergoing transformation, but it also pursues certain actions, including improving support for mineral exploration (action 2.1.1).

The proposed new Program has some modifications that partially change the standards from its previous version. Changes in objectives, eligible clients, eligibility criteria, financial assistance stacking, project selection, and accountability measures will improve the intervention relevance and the operationalization of the Program.

3. OBJECTIVES PURSUED AND DURATION

3.1 Main objective of the Program

The Program's main objective is to help mining exploration companies advance projects from the exploration stage to the development stage.

3.2 Specific objectives of the Program

Specifically, the Program aims to:

- a) assist mining exploration companies in conducting a preliminary economic assessment (PEA);
- b) assess the quality of the potential ores;
- c) encourage exploration companies to invest more in geometallurgical and geoenvironmental work, as well as oversized drilling and bulk sampling.

3.3 Duration of the Program

The Program will take effect on the date of its approval by the Conseil du trésor and will end on March 31, 2025.

4. ELIGIBILITY CRITERIA AND CONDITIONS

The eligibility criteria are only preconditions based on compliance concepts, which do not guarantee financial assistance.

4.1 Eligible applicants

The eligible applicants for the Program are:

- a mining exploration company registered in the Enterprise Register without a mining lease and with a market capitalization of up to \$100 million, or an equivalent in the case of a private company, when applying for financial assistance under the Program;
- Indigenous mining funds, i.e.:
 - the Cree Mineral Exploration Board (CMEB);
 - the Nunavik Mineral Exploration Fund (NMEF).

4.2 Non-eligible applicants

An applicant in one of the following situations is not eligible for the Program:

- a department or a budget-funded body of the Gouvernement du Québec mentioned in Schedule 1 of the Financial Administration Act (CQLR, chapter A-6.001);
- a company registered in the Register of Enterprises Not Eligible for Public Contracts (RENA), including its subcontractors registered in the RENA;
- an entity that has failed to comply with its obligations after being duly put on notice in connection with the granting of previous financial assistance by a department or agency of the Gouvernement du Québec;
- an entity that is insolvent, bankrupt, has filed a proposal, or is receiving a benefit from a bankruptcy or insolvency law.

Financial assistance may not be used to make a payment to any entity in any of the situations in the preceding paragraphs.

The MRNF reserves the right to refuse to process an application for participation if one of the applicant's subcontractors has previously made proven misrepresentations in one of its programs or under an agreement, if they have not satisfactorily met the requirements under previous mandates, if they are bankrupt or enrolled in the RENA. The MRNF will then notify the applicant of its refusal in writing so that the applicant can change subcontractors if it wishes and resubmit an application to the Program.

4.3 Eligible projects

To be eligible for the Program, the projects must:

- be conducted in Québec;
- be part of a mining exploration project of CSMs included in the Québec list of the QPDCSM¹;
- be the object of mineral rights belonging to the applicant or mineral rights for which the applicant has obtained the written authorization from the mineral rights holder to perform the work or, in the case of mineral rights not belonging to the domain of the State, the written authorization of the owner of the private mineral rights;
- be related to the geometallurgical or geoenvironmental work;
- not be located in an area already subject to a mining lease;
- not having reached the pre-feasibility study stage;
- not having been the subject of a preliminary economic assessment;
- not having received financial assistance under another program of the MRNF;
- be funded by the applicant and/or by an external person or persons for at least 50% of the total amount of eligible expenses.

4.4 Conditions to be met

To remain eligible for the Program, the recipient must:

- meet all eligibility requirements of the Program²;
- provide the Minister with any information necessary for the monitoring or evaluation of the Program.

5. PROJECT SELECTION

5.1 Eligibility analysis

¹ <https://www.quebec.ca/agriculture-environnement-et-ressources-naturelles/mines/mineraux-critiques-et-strategiques#c73218>.

² In accordance with the Bankruptcy and Insolvency Act (R.S.C. B-3) and the Companies' Creditors Arrangement Act (R.S.C. 1985, c. C-36).

First, the MRNF sends an acknowledgement of receipt when the application is submitted. The filing date indicated in the acknowledgment of receipt corresponds to the expenses' eligibility date. The acknowledgement of receipt does not guarantee project eligibility.

Subsequently, the MRNF will assess the eligibility of applications by ensuring that they meet all the elements relevant to their assessment cited in this normative framework and include all required documents:

- The duly completed form;
- An official letter from the applicant authorizing the guarantor to apply on their behalf, if applicable;
- A shapefile of the project perimeter;
- A shapefile of the mineral rights to the project;
- Project location map(s);
- Submissions with descriptions of work to be performed.

The MRNF shall confirm to the applicant, in writing, the date on which the application was received, as well as the date on which the application was determined to be admissible, complete and eligible.

In all cases, compliance with the eligibility criteria does not guarantee payment of financial assistance.

5.2 Evaluation of eligible applications

Eligible applications will be assessed by an evaluation committee under the responsibility of the MRNF. External advice may be requested by the evaluation committee depending on the nature of the project, if applicable. The external consultant must declare any absence of real or apparent conflicts of interest.

The evaluation committee is in charge of evaluating applications according to the conditions and criteria defined in this normative framework.

Applications for financial assistance will be submitted and processed on an ongoing basis.

5.3 Evaluation criteria

The criteria evaluated and their related weighting are:

- Economic development component (20%):
 - relevance of the application to the progress of the project;
 - the applicant's financial contribution to the project.
- Technical component of the project (50%):
 - the project's potential to conduct a preliminary economic assessment;
 - the project's potential to obtain social acceptability;
 - types of work;
 - technical coherence of the application in the project's development potential;
 - development of secondary elements (by-products).
- Business component (30%):
 - the applicant's CSM expertise;
 - the laboratory's CSM expertise;
 - the applicant's general expertise.

The minimum pass mark for each project is set at 70%.

5.4 Announcement of the decision and signing of an agreement

Once a project is evaluated and a decision is made, the MRNF will communicate the decision to the applicant in writing.

If an application is accepted, the applicant and the Minister of Natural Resources and Forests must sign a grant agreement to confirm the granting of financial assistance and the conditions associated with it.

6. CALCULATION AND PAYMENT OF FINANCIAL ASSISTANCE

6.1 Amount of financial assistance provided

The maximum rate of financial assistance paid by the MRNF is 50% of the eligible expenses, up to \$400,000.

The minimum amount of financial assistance provided by the MRNF is \$50,000.

A recipient may participate in the Program more than once, on condition that each application pertains to a separate project. A separate project must take place in a different mineralized area, be related to another CSM, or be geographically remote.

6.2 Payment of financial assistance

In the case of a project whose duration is less than twelve (12) months and less than or equal to eighteen (18) months, the financial assistance will be paid in two instalments as follows:

- a payment of up to 60% of the financial assistance following the signing of the grant agreement;
- a payment of up to 40% of the financial assistance following receipt and acceptance by the MRNF of the final report and supporting documentation.

In the case of a project whose duration is more than eighteen (18) months, the financial assistance will be paid in three instalments as follows:

- a payment of up to 60% of the financial assistance following the signing of the grant agreement;
- a payment of up to 25% of the financial assistance following receipt and acceptance by the MRNF of the progress report and supporting documentation.
- a payment of up to 15% of the financial assistance following receipt and acceptance by the MRNF of the final report and supporting documentation.

The financial assistance will be paid in the manner prescribed in a grant agreement to be signed by the parties in accordance with this normative framework.

Payment of the financial assistance is conditional on meeting the eligibility and accountability criteria and on the filing of supporting documents to demonstrate that the amounts were used rigorously and optimally by the recipient, particularly to achieve the Program's objectives.

Each payment is conditional on the availability of funds in the mining heritage component of the Natural Resources Fund in accordance with the provisions of section 51 of the Financial Administration Act (CQLR, c. A-6.001) and their use in accordance with section 17.12.12 of the Act respecting the Ministère des Ressources naturelles et de la Faune (CQLR, c. M-25.2).

6.4 Eligible expenses

To be eligible, expenses must be necessary, justifiable and directly attributable to the delivery of the eligible project. They must be incurred after the application filing date.

Eligible expenses must fall into one of the following categories:

- the geometallurgical or geoenvironmental work, particularly the mineralogical analyses, the geometallurgical tests and the geoenvironmental tests;
- oversized drilling or bulk sampling for geometallurgical or geoenvironmental work (500 kilograms for bulk sample from a trench or oversized diamond drilling).

The eligible expenses must correspond to one of the following expense items:

- the fees for external professional services;
- in-house wages and benefits;
- the purchase or lease of materials, equipment and supplies (including mobilization, demobilization and installation)
- analyses and tests;
- travel expenses not exceeding the parameters in force in the Québec public service;
- the acquisition or leasing costs of equipment, hardware and software. The costs will be calculated according to the project's duration in proportion to the asset's useful life.

No cost overruns for approved projects or activities will be accepted for additional financial assistance.

6.5 Non-eligible expenses

The following expenses are not eligible:

- expenses incurred before the filing date of the application for financial assistance under the Program with the MRNF, including the expenses for which the applicant has made contractual commitments;
- any type of expenses not specified on the list of eligible expenses;
- expenses for external services that are not accompanied by bids;
- sponsorships;
- expenses associated with construction work;
- expenses regarding work performed by subcontractors registered in the RENA;
- taxes, such as the goods and services tax (GST) and the Québec sales tax (QST), and income taxes;
- any expense the MRNF considers unjustified or unreasonable for the project's performance.

6.6 Financial assistance stacking and limits

The financial assistance awarded by the MRNF may be combined with the financial assistance offered directly or indirectly by other government departments or bodies (provincial or federal), public or government corporations and municipal entities.

The cumulative financial assistance obtained directly or indirectly from government departments or bodies (provincial or federal), public or government corporations and municipal entities that are not direct beneficiaries of the Program must not exceed 50% of the eligible expenses.

For the rules for calculating the cumulative rate of public financial assistance, the term "municipal entities" includes municipal bodies in the sense of the Act respecting Access

to documents held by public bodies and the Protection of personal information (CQLR, chapter A 2.1).

The assets referred to in subparagraph 1 of the first paragraph of section 89 of the Act establishing the Eeyou Istchee James Bay Regional Government (CQLR, c. G 1.04) are not considered in the stacking rule of this framework.

For the stacking rate calculation rules, all forms of financial assistance a public body provides must be calculated at 100% of their value, whether repayable or not.

Also, where the government financial assistance stacks below 100% of eligible expenses, a minimum contribution from the recipient is required to ensure that government support does not fully fund the eligible expenses of the project.

In addition, financial assistance from the Business Development Bank of Canada (BDC), Farm Credit Canada (FCC) and La Financière agricole du Québec (FAQ) should be considered as private contributions if they do not provide any benefits, i.e. they have been agreed to under market conditions.

7. CONTROL AND ACCOUNTABILITY MEASURES

7.1 Accountability to the MRNF

The recipient must provide the MRNF with the following documents:

- A progress report on the project's progress according to the specifications set out in the agreement, which include the project title, a description of the project, the results associated with each eligible work and a statement of expenses. The full content of the progress report is outlined in Appendix 1.
- A final report describing, among other things, the project carried out according to the specifications set out in the agreement, which include the project title, the final statement of revenues and expenses, the results associated with the work, and the future actions to be taken related to the project. The full content of the final report is outlined in Appendix 2.
- An audit report prepared by a chartered professional accountant or a member of a professional body holding an auditor's designation, including the audited financial statements and a detailed statement of the use of the financial assistance in accordance with the following parameters:
 - an audit engagement, if the recipient received \$150,000 or more;
 - a review engagement, if the recipient received between \$50,000 and \$149,999.99.

8. OTHER PROVISIONS

8.1 Obligations to call for public tenders and implement an equal access to employment program

For the performance of construction work, except for work performed in-house, the municipal bodies and the public bodies are subject to the Act respecting contracting by public bodies (CQLR, chapter C-65.1) and are subject to the contract adjudication rules applicable to them. Other eligible bodies are required to hold a public tender for a minimum of 15 days for any construction contract with an expenditure equal to or greater than \$100,000.

A Québec recipient employing more than one hundred (100) people in Québec who applies for financial assistance of one hundred thousand dollars (\$100,000) or more must undertake to establish an equal access to employment program compliant with the Québec Charter of Human Rights and Freedoms (CQLR, chapter C-12). To prove its commitment to implement such a program, the recipient attaches a “Commitment to the Program” to its application or, if it has already submitted one previously, it indicates the official number of the “Attestation of Commitment” that it possesses or the number of the “Certificate of Merit”, if applicable. If the application comes from outside Québec, but inside Canada, and the recipient employs more than one hundred (100) people in Québec and applies for financial assistance of one hundred thousand dollars (\$100,000) or more, it will have to provide in advance an attestation that it participates in the employment equity program of its province or territory or, failing this, in the federal Employment Equity Program.

8.2 Management of the Program

The MRNF reserves the right to:

- terminate the financial assistance and/or require repayment if the recipient does not meet any of the specified requirements;
- reduce financial assistance by a percentage or an amount equal to the surplus if the eligible expenses are less than expected and/or the combined assistance, over the period covered by the financial assistance, exceeds the allowable stacking rate;
- refuse to provide or cease to provide financial assistance if the applicant or recipient does not meet the high standards of integrity that the public is entitled to expect from a recipient of financial assistance from public funds;
- limit the number of applications selected to respect the budget envelope and available amounts;
- gather information and conduct site visits to ensure that the project has been completed as planned, evaluate its program and efficiency, assess project or Program costs and expenditures;
- inform the public of the allocation of financial assistance to the recipient (the amount, the project and its impact).

The MRNF may not, in any case, be held liable for any damage or prejudice resulting from the application of the Program.

APPENDIX 1

Content of the progress report

The progress report produced and signed by the RECIPIENT shall include:

- the title of the PROJECT;
- a description of the work performed, a record of the progress of the PROJECT, the associated results of each of the eligible projects and an assessment of the extent to which the objectives of the PROJECT have been achieved to date;
- a description of the problems and irregularities encountered, as well as the impacts that the changes may have on the objectives of the PROJECT and a revised schedule, if applicable;
- a statement of expenses incurred (with a copy of the relevant invoices), details of the eligible expenses of the PROJECT and the estimates to finalize the PROJECT;
- any changes that have occurred or will occur to the PROJECT.

APPENDIX 2

Content of the final report

The final report produced and signed by the RECIPIENT shall include:

- the title of the PROJECT;
- the summary of the PROJECT;
- the statement of revenues and expenses, for the duration of the PROJECT, showing distinctly the financial assistance received from the governments of Québec and Canada, and other sources, as applicable;
- the results achieved for each work eligible for the PROJECT;
- the future actions to be taken related to the project.

In addition, it must be accompanied by the statement concerning the other sources of financial assistance requested and obtained for the PROJECT and, if applicable, an audit opinion issued by an external expert firm attesting to the final costs and eligible expenses incurred and paid for the PROJECT.