

**Courtesy translation**

Francis MacKenzie  
President  
North Atlantic Iron Corporation  
1809 Barrington Street, Suite 805  
Halifax, Nova Scotia B3J 3K8

Dear Mr. MacKenzie:

On behalf of the government of Québec, we would like to express how pleased we are with the constructive dialogue being held between representatives of North Atlantic Iron Corporation (NAIC) and the Québec government.

We are encouraged that your group is seriously considering choosing Québec as the site for its first pig iron production plant using submerged electric arc furnaces.

The purpose of this letter is to present the forms of government support available for your project, specifically with respect to electrical power, financial partnership options, tax measures related to your investment, environmental assessment, human resources management, and workforce training.

#### **Electrical power**

Insofar as NAIC agrees to build its pig iron plant in Québec, the government is prepared to make all necessary arrangements with Hydro-Québec to determine the best way to supply you with a 132 MW block according to the rates and conditions set by Régie de l'énergie (the Régie).

Specifically, Hydro-Québec will review your project for eligibility for the Economic Development Rate (EDR) approved by the Régie and in effect since April 1, 2015. This would entitle your project to a 20% rate discount for a set period of time.

## **Government financing options**

The Québec government is prepared to help finance NAIC's project using the financial products offered by Investissement Québec.

The government could acquire a stake in the share capital, and offer you a loan to help finance your project. We can work with Investissement Québec and the Ministry of Economic Development, Innovation and Export Trade (Ministère de l'Économie, de l'Innovation et des Exportations [MEIE]) to nail down the level and terms of these government contributions, which would be contingent upon NAIC completing its financing and subject to Cabinet approval, where applicable.

You may also qualify for up to \$100,000 in financing through the ESSOR Program to carry out Phase 1 of the feasibility studies specific to the Québec location. We recommend submitting an application under the program's "Feasibility study of a capital project" component. In the meantime, we can begin discussing potential financing options for the second phase of studies specific to Québec.

## **Investment-related tax measures**

There are two investment-related tax measures that may apply to your project, but you would have to choose one or the other:

### **1. Tax holiday for large investment projects**

The tax holiday for large investment projects may offer up to 15% of total eligible investment expenditures for large projects in an eligible activity sector. There are two aspects to the tax holiday:

- A tax holiday on the income of Québec corporations from eligible activities relating to the project;
- A holiday from employer contributions to the Health Services Fund (HSF) regarding the portion of wages paid to its employees attributable to the time they devote to such activities.

The tax holiday lasts a maximum of 15 years. The minimum eligible investment threshold is set at \$75 million for a project carried out in the Saguenay–Lac-Saint-Jean region and must be reached no later than 60 months after the date of issue of the initial certificate. The initial certificate application must be submitted to Québec's Ministry of Finance (Ministère des Finances) before the investment project gets underway, meaning before the company has made a formal commitment to carry out the investment project and by the application cutoff date of November 21, 2017.

## **2. Tax credit for investments relating to manufacturing and processing equipment**

Businesses located in certain designated areas, including Saguenay–Lac-Saint-Jean, may benefit from a tax credit for investments relating to manufacturing and processing equipment.

Under this program, a business in Saguenay–Lac-Saint-Jean may benefit from a tax credit on investments in manufacturing and processing equipment acquired before January 1, 2023. The rate of this credit varies from 4% to 16% depending on the size of the business and the year the investments are made. The tax credit may be carried forward over 20 years and retrospectively over three years.

MEIE representatives will be able to guide you through interpreting and applying these measures as your project plan starts to solidify.

### **Environmental assessment**

In all likelihood, the project will be subject to the environmental assessment process in effect. The Office of Environmental Public Hearings (Bureau d'audiences publiques sur l'environnement [BAPE]) handles all public consultations in Québec.

Once you are ready to start this process, representatives of the Ministry of Sustainable Development, the Environment and the Fight against Climate Change (Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques [MDDELCC]) will work with you to create an aggressive environmental assessment schedule. So long as you are able to complete your action items in a timely fashion, the schedule should meet your needs.

### **Human resources management and workforce training**

Emploi-Québec offers employers located in Québec guidance and support in human resources management and financial assistance for workforce training.

Financial workforce training grants and human resources services may be provided for large-scale economic projects. An Emploi-Québec advisor will guide you through the process to maximize the assistance available.

## **Support**

Finally, the Québec government will form an interministerial committee in support of your project. The committee will comprise representatives from the Ministry of Finance, MDDELCC, the Ministry of Energy and Natural Resources (Ministère de l'Énergie et des Ressources naturelles [MERN]), the Aboriginal Affairs Secretariat (Secrétariat aux affaires autochtones), Emploi-Québec, and Investissement Québec, and will be headed up by MEIE. The committee will coordinate government action on your project and ensure it is carried out according to the set schedule.

Sincerely,

**JOCELIN DUMAS**  
Deputy Minister of Economic  
Development, Innovation and  
Export Trade

**GILBERT CHARLAND**  
Deputy Minister of Energy and  
Natural Resources