



MEMORANDUM

Date: March 26, 2024

To: Michigan Strategic Fund (“MSF”) Board Members

From: Vicki Schwab, Managing Director, Regional Prosperity
Erik Wilford, Strategic Project Advisor

Subject: Grant Request
Strategic Site Readiness Program (“SSRP”)
Copperwood Resources Inc. (“Company” or “Applicant”)

Background

On January 30, 2024, the Michigan Strategic Fund (“MSF”) Board considered a request to award a Strategic Site Readiness Program (“SSRP”) grant of up to \$50,000,000 to Copperwood Resources Inc. (the “Company”) for the creation of 380 Qualified Jobs and capital investment of \$425,000,000 in Wakefield and Ironwood Townships, Gogebic County, Michigan (the “Project”). After discussion of the Project terms, the MSF Board referred the Project to the Finance and Investment Subcommittee (the “Finance Subcommittee”) for further review before it would consider approval of the Project.

The Subcommittee reviewed the proposed project with a focus on the following three categories: 1) Economic and Community Impact; 2) Financial Assurances; and 3) Environmental Considerations. Those categories are discussed in more detail below. In addition, the statutory considerations for the SSRP Program are addressed in Attachment A to this memorandum.

Economic and Community Impact

The Project will have a transformational impact on Gogebic County and the Upper Peninsula. Over the years, the community has endured the closure of the White Pine Mine in 1995, closure of the Ontonagon Paper Mill in 2010 and then the Ojibway Correctional Facility in Marenisco in 2018. These large businesses provided family sustaining careers to residents of the Western Upper Peninsula, and they have yet to be replaced. Following these local government and business leaders developed a strategic economic plan to drive sustainable growth in the region, of which the Copperwood mine is an important part. A return-on-investment analysis based on the anticipated, minimum 11-year life of the mine shows that the project will generate approximately \$1,337,790,512 in new personal income and \$121,731,408 in tax revenue to the state. This figure includes local and state revenue of approximately \$62,782,500 generated through the Michigan Severance Tax, which represents significant additional revenue to support local investments that create additional economic development in the region long after the mine is gone. This tax is specific to the mining industry and would not be realized by other types of business investments; the Project would be only the second business in the state to pay this tax representing the unique revenue opportunity it would afford the local community. The mining severance tax is split between local units of government (\$40,808,625) and the Michigan Rural Development Fund (\$21,973,875), which supports rural investments on a statewide basis.

Direct jobs created by this Project are expected to have average wages from \$80,000-\$120,000. This is twice the median regional wage of \$41,000. These jobs present life-changing opportunities that would propel residents into the middle class. In the absence of these mining jobs, residents in the region will continue to rely on tourism as the major economic industry. In 2022, visitor spending in Gogebic County

was \$79,900,000 and supported \$38,500,000 in direct and indirect income in the county. The Project presents an opportunity to create an additional economic industry in the region and could drive a minimum of \$134,600,000 in new personal income annually over the life of the mine.

The site preparation work and infrastructure improvements that Copperwood is undertaking with the support of this incentive is taking place on the land owned by the company. However, the benefits of these investments will directly impact surrounding communities as well. Key infrastructure improvements include:

- Transportation/roads – addressing significant structural issues, as well as bringing additional seasonality and capacity to the roads.
 - 2023, almost all of Thomaston and Presque Isle roads (CR519) was rated 2 (poor) on a scale of 1-10.
- Power – the electrical improvement project will provide a new main connection from the large substation south of Ironwood across western Gogebic County.
 - This will increase reliability for all the residents of Ironwood, Bessemer, Wakefield, Erwin Township, Charter Township of Ironwood, Bessemer Township and Wakefield Township
- Telecommunications – increased access to cellular and broadband for the entire community
 - At least 25% of the Ironwood Township, 50% of the Wakefield township as well as park visitors would see an improvement in cell phone and cell data useability.
 - The broadband improvements will benefit 100% of Wakefield Township residents and 25% of the City of Wakefield residents on the north and east portions of the City on the way to the project.

The local public support for this Project by residents and elected and appointed officials is significant. In a public opinion survey that was conducted as part of the Wakefield Township Master planning process, 91% of respondents expressed support for mining. The Wakefield Township Master Plan notes mining is one of the best opportunities for job creation in the region. The local community not only supports the Project, they have indicated it is core to their plans for long-term economic growth. Across the Upper Peninsula as a whole, a poll conducted by InvestUP showed 82% of residents support mining in this region. Local officials and trade organizations who have the greatest line of sight on what this investment, wages/job and new tax revenue would mean for these communities in the Upper Peninsula have expressed strong support for the Project.

Financial Assurances

The Finance Subcommittee reviewed the original term sheet for the Project and recommended the Company be required to secure financing of at least \$150,000,000 before it is able to request disbursement of the SSRP grant funds. Taking an approaching that has been implemented for past projects, the Company will have a pre-disbursement milestone requiring it to confirm that it has obtained \$150,000,000 in financing by providing binding term sheets, executed agreements, or the equivalent thereof, to the satisfaction of the MEDC Compliance Manager and the MSF Fund Manager. This financing could include debt, asset finance, equity, additional local, state or federal assistance, or other form of project investment.

This pre-disbursement milestone must be satisfied before the Company may begin seeking reimbursement for its SSRP eligible activities. This pre-disbursement milestone must be met on or before December 31, 2025. If the Company fails to meet the pre-disbursement milestone, the MSF has the option to terminate the agreement. If the Company meets the pre-disbursement milestone, then it may begin seeking disbursements under the SSRP grant. Disbursements for this SSRP grant will be reimbursement-based, where the Company may request reimbursement for a percentage of eligible activities. A project budget will be incorporated into the final written agreement. Grant funds must be spent in accordance with the

project budget. The Company may not reallocate more than five percent (5%) between budget lines without the prior written approval of the MEDC Compliance Manager. They cannot add new budget line items without an amendment to the agreement, which amendment can only be approved by the MSF Board. In addition, this SSRP grant award will have a jobs creation commitment that must be achieved for the Company to retain all disbursements made under the award.

Environmental Considerations

There has been considerable attention given to the environmental impact of the Project to the surrounding area. While the fact that the Company has received all relevant permits is important, understanding the process and due diligence that is required to receive these permits is critical to demonstrating the safety requirements and contingency planning that has been required of the Company to get to this point in the process. The Michigan Department of Environment, Great Lakes, and Energy (“EGLE”) is responsible for all permits and regulations for the act of extracting minerals from the land. EGLE has primary responsibility for enforcing compliance with all air, water, and mining regulations, as well as mine reclamation once mining is complete. The mining regulations are administered by the Oil, Gas, and Minerals Division (“OGMD”) pursuant to the statutory requirements of Part 632, of the Michigan Natural Resources and Environmental Protection Act, 1994 PA 451, as amended MCL 324.6301. The mining industries are also regulated by other environmental statutes and divisions within the EGLE such as Air Quality Division and Water Resources Division. EGLE confirms that the Project has all the key permits required for site construction and operation, including mining, wetlands and streams, air, water discharge, and dam safety permits. All submittals and reports are posted and available to the public on the EGLE website: [Non-Ferrous Metallic Mining \(michigan.gov\)](https://www.michigan.gov/egle).

As part of the permitting process, the Project must provide a sum of money called a financial assurance to the State of Michigan before mining can start. These funds are a security for taxpayers and the community if the Company is not able to complete all required reclamation activities at closure. If that happens, the State will use the financial assurance funds to close the mine according to the approved plans. The amount of money held by the State will be reviewed and updated every three years to reflect changes in the cost of reclamation, remediation, or post-closure monitoring. The Company has a bond in place with the state of Michigan of approximately \$6.5 million for the Project. Additional bonding will be put in place as they progress through the different stages of construction. Every time the project plans to build further infrastructure, additional financial assurance must be put in place with EGLE to cover all costs of compliant closure by a third party. The amount of the financial assurance is approved by EGLE and reviewed every three years as a condition of the mining permit.

In addition, there are many federal environmental regulations that apply to mining operations. Such as: Clean Air Act, Clean Water Act, Water Pollution Control Act, Safe Drinking Water Act: Underground Injection Control provisions; Resource Conservation and Recovery Act (“RCRA”); Toxic Substances Control Act (“TSCA”); National Environmental Protection Act (“NEPA”); Federal Endangered Species Act; Wilderness Act; National Historic Preservation Act; Comprehensive Environmental Response, Compensation, and Liability Act (“CERCLA”); Surface Mining Control and Reclamation Act (“SMCRA”)

The mining permits address issues such as transportation, storage, treatment, and disposal of ore, waste rock, and plans for mining and reclamation. The mining permitting process requires an environmental impact assessment that includes a baseline of conditions and features as they currently exist, an identification and analysis of proposed mining activities that may impact those conditions or features, proposed measures to mitigate those impacts and predicted effects of those measures, and analysis of feasible and prudent alternatives and finally an analysis of the potential cumulative impacts on each identified condition or feature. The contingency plan required in the permitting process includes both an

assessment of risk to the environment and public safety, but also response measures (and procedures for public notification) that would be followed in the cases of any of the following: release or threat of toxic materials; storage, transportation and handling of explosives; fuel storage and distribution; fires; wastewater collection and treatment system; settling pond or tailings disposal area embankment failure; air emissions; spills of hazardous substances; other specific natural risks; power disruption; unplanned subsidence; and leaks from containment systems for stockpiles or storage or disposal facilities.

The plan for tailings management and reclaiming the natural state when mining operations ceased is already being planned for with conditions laid out in the mine permit. One of the requirements of the reclamation plan is a ground and surface water quality monitoring plan that must be in place for a minimum of 20 years. As part of project engineering, a comprehensive closure plan has been prepared, aligned to Michigan's standard – including seepage prevention structures such as seals and bulkheads and other means to protect the surface and surrounding surface water resources. The mine area, particularly the tailings disposal facility, will be covered and revegetated with native plants that will integrate with the surrounding landscapes.

The tailings from the Project will be mixed with water and pumped in a slurry form to a Tailings Disposal Facility (“TDF”). As the solids decant, water will rise to the surface. Water collected in the TDF will be returned to the mill or stored for future use. Excess water is treated to rigorous standards before discharging to the environment. The detailed dam design and construction will be in alignment with the Global Integrated Standard on Tailings Management which establishes and updates best management practices for Tailings Facilities. The tailings dam required to support the mine life will be built up to a maximum height of approximately 128-feet above the natural ground level, with the south side dam being only approximately 50-feet. The construction of the facility is planned in three stages and be spread out over many years. The footprint will be gradually increased to accommodate material as the operation progresses. EGLE must approve the final design plans before any TDF construction can occur. At closure, the TDF will remain on site permanently. The closure includes draining and treating the water from the facility until essentially no more drainage is present. The facility will be covered with an impermeable layer and revegetated with native plants. The process leaves the facility looking similar to the surrounding landscapes. Monitoring of the facility will be done for 20 years following the site's closure.

Company Information

Copperwood Resources Inc. is a wholly owned subsidiary of Highland Copper Company Inc., which is a Canadian copper development company founded in 2006 with headquarters in Brossard, Quebec. The Company is focused on advancing sediment-hosted copper projects in the Copper Range District of the Western Upper Peninsula. The Copperwood Mine is a 100% owned asset of the Company located in Wakefield and Ironwood Townships, Gogebic County and a fully permitted greenfield copper mine for construction and operation. Copperwood Mine has a non-acid generating copper ore body with a predicted life of approximately 11 years. Copper was recently added as a critical material by the Department of Energy and is 100% recyclable. The background review process was completed for the Company in accordance with the MSF Background Review Policy on September 14, 2023, and the project may proceed for MSF consideration.

The Company plans to employ 300 people through the course of construction and create approximately 380 long-term jobs for the full duration of production paying wages in the range of \$80,000 to \$120,000 depending on skills and positions. Construction of the mine is slated to begin in 2024, with an expected start of production in 2026. The development of the mine facilities will consist of approximately 505 acres, less than a square mile, for the process plant, ore stockpile area, support facilities, and tailings disposal facility.

Recommendation

MEDC Staff recommends approval of an SSRP grant of up to \$50,000,000 to the Company, as outlined in the attached resolution and term sheet.

Funding

The SSRP Request will be funded through the SOAR Fund. Upon MSF Board approval of the recommendation for the SSRP grant, the process for legislative transfer of actual funds through the SOAR Fund will be initiated to the MSF to implement funding these incentives.

APPENDIX A – SSRP Programmatic Considerations

Key Statutory Criteria

Per section 88t of the MSF Act, to the extent reasonably applicable as reasonably determined by the MSF board to the type of project proposed, the MSF shall consider and document at least all of the following criteria for all SSRP awards before entering into a written agreement:

- **The importance of the project or Eligible Activities to the community in which is located and Michigan;**

The Project will have a transformational impact on Gogebic County and the Upper Peninsula. The project would result in the creation of up to 380 new jobs and a capital investment of up to \$425 million in Gogebic County. Over the years, the community has endured the closure of the White Pine Mine in 1995, closure of the Ontonagon Paper Mill in 2010 and then the Ojibway Correctional Facility in Marenisco in 2018. These large businesses provided family sustaining careers to residents of the Western Upper Peninsula, and they have yet to be replaced. Following these local government and business leaders developed a strategic economic plan to drive sustainable growth in the region, of which the Copperwood mine is an important part.

- **If the project will act as a catalyst for additional revitalization of the community where it is located and Michigan;**

The rural community is located in a Geographically Disadvantaged Area which has experienced economic and population decline. The project will result in significant job creation and capital investment revitalizing a blighted community. A return-on-investment analysis based on the anticipated, minimum 11-year life of the mine shows that the project will generate approximately \$1,337,790,512 in new personal income and \$121,731,408 in tax revenue to the state. In addition, the project will result in local and state revenue of approximately \$62,782,500 through the Michigan Severance Tax, which represents significant additional revenue to support local investments that create additional economic development in the region long after the mine is gone.

- **The amount of local community and financial support for the project;**

The local public support for this Project by residents and elected and appointed officials is significant. In a public opinion survey that was conducted as part of the Wakefield Township Master planning process, 91% of respondents expressed support for mining. The Wakefield Township Master Plan notes mining is one of the best opportunities for job creation in the region. The local community not only supports the Project. They have indicated it is core to their plans for long-term economic growth. Across the Upper Peninsula as a whole, a poll conducted by InvestUP showed 82% of residents support mining in this region. Local officials and trade organizations who have the greatest line of sight on what this investment, wages/job and new tax revenue would mean for these communities in the Upper Peninsula have expressed strong support for the Project. More than 60 additional resolutions and letters of support have been received and are included in the MSF packet.

- **The amount of any other economic assistance or support provided by Michigan for the project;**

Additional incentive support includes requested approval of a \$5,000,000 Michigan Department of Transportation (“MDOT”) Transportation Economic Development Fund grant.

- **The amount of any other economic assistance or support provided by the federal government for the project, including without limitation, federal appropriations or tax credits;**

At this time no economic assistance or support is being provided by the federal government, however, the Company may seek federal financial support in the future if such support becomes available for this type of Project.

- **The amount of any private funds or investments for the project, including the Eligible Applicant’s own investments in the project;**
 Private capital investment is estimated to reach \$425,000,000 and will support new construction, machinery and equipment and other personal property.
- **The Eligible Applicant’s financial need for a grant, loan, or other economic assistance under the SSRP;**
 In order to begin operations at the mine, the Company has identified investment required of \$425,000,000, which includes \$145,000,000 million in site preparation and infrastructure costs. The grant request will support a portion of the site readiness investment while securing job creation guarantees with the project. Incentive assistance will assist to offset the public infrastructure costs associated with the project. In addition, the MSF support for the Project will provide significant incentive for other entities to provide the investment and financing necessary to complete the Project.
- **The extent of reuse of vacant buildings, public or private, reuse of historic resources and redevelopment of blighted property;**
 There are no vacant buildings on the site.
- **Creation or retention of Qualified Jobs as a result of a technological shift in product or production at the project location and within Michigan;**
 Due to the new operation of a new facility, all new and retained jobs will be the result of a fundamental technological shift in production.
- **Whether and how the project is financially and economically sound;**
 A financial review of the Company was completed and confirmed the Company’s ability to finance the project. The Canadian-based company is publicly traded on the Toronto Stock Exchange and is considered to have an excellent balance sheet.
- **Whether and how the project converts abandoned public buildings to private use;**
 There are no abandoned public buildings on the site.
- **Whether and how the project promotes sustainable development;**
 Mining in Michigan is regulated by the Department of Environmental, Great Lakes and Energy (“EGLE”) and companies are required to adhere to strict environmental laws. The tailings dam design and construction will be in alignment with the Global Integrated Standard on Tailings Management which establishes and updates best management practices for Tailings Facilities. Additionally, local regulations will ensure that the copper extracted from the mine will have minimized negative environmental impacts. The project supports the transition to a lower carbon economy due to a reliance on copper to produce electric vehicles.
- **Whether and how the project involves the rehabilitation of a historic resource;**
 No historic resources are impacted by the Project. SHPO has conducted the S.106 review required by the Army Corp of Engineers and concurred with the determination that no historic properties are affected.
- **Whether and how the project addresses areawide redevelopment;**
 The Project will positively impact the entire Western Region of the Upper Peninsula. The labor market area is regional and will reach as far as the Central Upper Peninsula for employees. Partnerships with regional community colleges for training will build capacity for re-skilling the workforce. The impact of new taxes (Michigan Mining Severance Tax) will infuse revenue into local units of government, increasing services, reversing tax base decline, and provide resources to support other strategic economic development projects and business investments in the region.
- **Whether and how the project addresses underserved markets of commerce;**
 The Western Upper Peninsula is recognized as an underserved market of commerce and job opportunities and the Project is located in a Geographically Disadvantaged Area. The Project will help revitalize a region of the Upper Peninsula which is underperforming economically compared

to more developed areas of the State and of the Upper Peninsula. Currently tourism is the major economic industry in the region. The Project presents an opportunity to create additional economic industry in the region.

- **The level and extent of environmental contamination;**

An environmental assessment of the site has been completed and shows soil conditions are suitable for construction of the planned facility. EGLE confirms that the Project has all the key permits required for site construction and operation, including mining, wetlands and streams, air, water discharge, and dam safety permits. As part of the permitting process, the Project must provide a sum of money called a financial assurance to the State of Michigan before mining can start. These funds are a security for taxpayers and the community if the Company is not able to complete all required reclamation activities at closure. If that happens, the State will use the financial assurance funds to close the mine according to the approved plans. The amount of money held by the State will be reviewed and updated every three years to reflect changes in the cost of reclamation, remediation, or post-closure monitoring. The Company has a bond in place with the state of Michigan of approximately \$6.5 million for the Project. Additional bonding will be put in place as they progress through the different stages of construction. Every time the project plans to build further infrastructure, additional financial assurance must be put in place with EGLE to cover all costs of compliant closure by a third party. The amount of the financial assurance is approved by EGLE and reviewed every three years as a condition of the mining permit. The Company's operations will be monitored by EGLE. Monitoring of the site will continue a minimum of 20 years after the mine's closure and the site has been returned to its original state.

- **Whether and how the project will compete with or affect existing Michigan businesses within the same industry;**

The other critical material mine in the region is Eagle Mine, a high-grade nickel mining and copper mining project owned by Lundin Mining. When the project achieves production it will generally coincide with the end of mine life for Eagle Mine and Highland Copper will make every effort to work with Eagle Mine to retain the talent pool, construction, and logistics efficiencies existing in the area.

- **Whether and how the project's proximity to rail and utility will impact the performance of the project and will maximize energy and logistics needs in the community in which it is located, and in Michigan;**

Rail does not currently reach a location near the project site, so the final product, copper concentrate, must leave the facility on trucks. It will be transported to the nearest transload location to be transferred onto rail for shipment to the smelter. A transloading facility closer to the site would be economically beneficial to the project but would require significant improvements to currently unoperated rail lines to bring them back online. This is not economically feasible.

- **The risk of obsolescence that the project, products, and investments in the future;**

The project will produce a copper concentrate. There is a growing supply/demand imbalance for copper in the US and globally. Estimates from 2021 indicate that approximately 150 million tons of copper and 210 million tons of aluminum are in operation today in the electric grid (IEA, 2021b). With projected deployment of clean energy technologies, both distribution and transmission line expansions are expected to grow, leading to increased copper and aluminum demand. There is limited risk of product obsolescence.

- **The overall return on investment to Michigan;**

- A return-on-investment analysis based on the anticipated, minimum 11-year life of the mine shows that the project will generate approximately \$1,337,790,512 in new personal income and \$121,731,408 in tax revenue to the state. In addition, the project will result in local and state revenue of approximately \$62,782,500 through the Michigan Severance Tax, which represents significant

additional revenue to support local investments that create additional economic development in the region long after the mine is gone.

- **Whether the proposed Strategic Site is incorporated into a strategic plan of a political subdivision of Michigan;**

No, however, the Wakefield Township Master Plan does indicate that mining is one of the best opportunities for job creation in the region. This Strategic Site and Project aligns with that sentiment.

Additionally, under Section 88t of the MSF Act, since the end user of the Strategic Site is identified, the MSF Board shall also consider:

- **The strategic economic importance of the project to the community where it is located and Michigan;**

The proposed project will impact the regions around Gogebic County with immediate job growth and significant and continued investment. The project would result in the creation of up to 380 new jobs and a capital investment of up to \$425,000,000 in Gogebic County. Stakeholders in the Western Upper Peninsula have verbalized much support for the development of this project. Over the past 10 years, Highland Copper has held regular update meetings with local governments and community leaders and organizations. The reception of the project is overwhelmingly positive and the expected economic benefits for the project are seen as a key trigger to the economic revitalization of the area.

- **Whether the financial assistance is needed to secure the project in Michigan;**

In order to begin operations at the mine, the Company has identified investment required of \$425,000,000 which includes \$145,000,000 in site preparation and infrastructure costs. The grant request will support a portion of the site readiness investment while securing job creation guarantees with the project. Incentive assistance will assist to offset the public infrastructure costs associated with the project. In addition, the MSF support for the Project will provide significant incentive for other entities to provide the investment and financing necessary to complete the Project. This Project would not happen in Michigan if it does not have financial assistance from the State.

- **The degree to which the project is a priority for the local governmental unit or local economic development corporation in the jurisdiction of which the site is located;**

The economic decline of the region started with the closure of the White Pine Mine, followed by the closure of the Ontonagon Paper Mill and then the Ojibway Correctional Facility in Marenisco. These large businesses provided family sustaining careers to residents of the Western Upper Peninsula, and they have yet to be replaced. The absence of good jobs has contributed to the decrease in population and the increase in the average age of residents. The creation of long-term, family sustaining jobs in the area will provide an opportunity for younger people, from regional colleges and universities, to obtain gratifying long-term employment and remain in the Upper Peninsula. Spending from the mine project, as well as its commitment to prioritizing local procurement when feasible, will support the creation of local service and supply businesses, which can serve the mine locally, but also grow to cater to the national and international mining industry.

- **The level of creation or retention of Qualified Jobs as a result of a technological shift in product;**

Due to the new operation of a new facility, all new and retained jobs will be the result of a fundamental technological shift in production.

- **Whether the Qualified Jobs created or retained as a result of a technological shift in product or production equal or exceed the average wage for the county in which the project is located;**

The Direct jobs created by this Project are expected to have average wages from \$80,000-\$120,000. This is twice the median regional wage of \$41,000. These jobs present life-changing opportunities that would propel residents into the middle class.

- **The level of capital investment;**

The Project is anticipated to result in \$425,000,000 in capital investment.

- **The evidence of the End User's commitment to the site;**

The Company is committed to developing and leading the project responsibly through its full life cycle, from site preparation activities and early engagement with the communities, through responsibly mining its full life of mine to site closure and remediation activities to restore the site to a natural state. When the Project reaches the end of its mine life, the intent is for the mine to have supported the significant strengthening of the Western UP's economic situation and for the region's economy to be self-supporting without the input from the mine. The Company will reclaim the site and return it to a natural state. The project will leave behind over 13,000 lineal feet of streams and over 730 acres of wetlands preserved in conservation easements for perpetuity and a revegetated site available for re-use.

**MICHIGAN STRATEGIC FUND
RESOLUTION 2024-051**

**APPROVAL OF MICHIGAN STRATEGIC SITE READINESS PROGRAM
GRANT TO COPPERWOOD RESOURCES INC.**

WHEREAS, the Michigan Legislature enacted the Michigan Strategic Fund Act, MCL 125.2001 et. seq., (the “MSF Act”) to authorize the Michigan Strategic Fund (“MSF”) to provide incentives in the form of grants, loans, and other economic assistance for the development and improvement of Michigan’s economy;

WHEREAS, the Michigan Economic Development Corporation (“MEDC”) provides administrative services to the MSF;

WHEREAS, pursuant to Section 88t of the MSF Act, MCL 125.2088t, the MSF shall create and operate the Michigan strategic site readiness program to provide grants, loans, and other economic assistance for eligible applicants to conduct eligible activities for the purpose of creating investment-ready sites to attract and promote investment in this state for eligible activities on, or related to, strategic sites and mega-strategic sites (the “Strategic Site Readiness Program”);

WHEREAS, the Strategic Site Readiness Program will be funded through the Strategic Outreach and Attraction Reserve (“SOAR”) Fund created by Public Act 137 of 2021, upon transfer of SOAR funds to the MSF;

WHEREAS, on January 11, 2022, the MSF Board created the Strategic Site Readiness Program and approved the guidelines which have been updated from time to time for the implementation and operation of the Strategic Site Readiness Program (the “Strategic Site Readiness Program Guidelines”);

WHEREAS, Copperwood Resources Inc. (the “Company”) submitted an application on October 23, 2023 seeking a Strategic Site Readiness Program grant in the amount of \$50,000,000 and in accordance with the terms and conditions outlined in the term sheet attached as Exhibit A to this Resolution (the “Grant Request”);

WHEREAS, subject to transfer of SOAR funds to the MSF necessary to fund the Grant Request, the MEDC recommends the MSF approve the Grant Request; and

WHEREAS, subject to the transfer of SOAR funds to the MSF necessary to fund the Grant Request, the MSF Board wishes to approve the Grant Request.

NOW THEREFORE, BE IT RESOLVED, subject to the transfer of SOAR funds to the MSF necessary to fund the Grant Request, the MSF Board approves the Grant Request;

BE IT FURTHER RESOLVED, the MSF President and the MSF Financial Officer are authorized to take all actions necessary to request transfer of SOAR funds to the MSF to fund the Grant Request; and

BE IT FURTHER RESOLVED, the MSF Fund Manager is authorized to negotiate final terms and conditions of the Grant Request and to execute all documents necessary to effectuate the Grant Request.

Ayes: Britany L. Affolter-Caine, Wesley Eklund, Rachael Eubanks, John Groen (in lieu of Director Corbin), Dimitrius Hutcherson, Michael B. Kapp (in lieu of Director Wieferich), Quentin L. Messer, Jr., Dan Meyering, Leon Richardson, Charles P. Rothstein, Susan Tellier, Randy Thelen, Cindy Warner

Nays: None

Recused: None

Lansing, Michigan
March 26, 2024

Strategic Site Readiness Program Grant

Summary of Terms

This document summarizes the key terms and conditions of the potential Strategic Site Readiness Program (“SSRP”) Award for Copperwood Resources Inc. (the “Company”). The proposed terms and conditions herein will not be construed as binding upon either party until the mutual execution of a written grant agreement (the “Grant Agreement”). Any obligations that may be deemed to arise under this Term Sheet are contingent on the Company obtaining all necessary approvals, and the Michigan Economic Development Corporation (“MEDC”) obtaining all necessary Michigan Strategic Fund (“MSF”) Board and State of Michigan Legislature approvals.

SSRP Award: Up to \$50,000,000 to the Company for Eligible Activities to support the Company’s copper mining facility in Gogebic County, Michigan that will result in the creation of 380 new jobs and \$425,000,000 in capital investment. Eligible Activities, as defined below, are necessary to support the development of the new copper mining facility (collectively, the “Project”).

- **Grant Disbursement Milestone:** Due on or before December 31, 2025, which date can be extended up to 12 months if the Company provides sufficient evidence to the Fund Manager that it will be able to meet the Grant Disbursement Milestone within that time frame.
 - Demonstrate in the form of binding term sheets, executed agreements, or the equivalent thereof, to the satisfaction of the Fund Manager, that Company has obtained \$150,000,000 in financing which could include debt, asset finance, equity, additional local, state or federal assistance, or other form of project investment.

Failure to meet the Grant Disbursement Milestone may result in no Grant disbursements and termination of the Grant.

- **Grant Disbursements:** Upon verification that the Company has completed the Grant Disbursement Milestone, the Company may request disbursements on a reimbursement basis for 100% of expenses for Eligible Activities (defined below) up to \$50,000,000, in accordance with the terms of the Grant Agreement and after verification by the Compliance Unit of the MEDC. The Company shall submit one or more reimbursement requests, but no more frequently than quarterly, together with a certification of the Company’s compliance with the Grant Agreement. Company’s final reimbursement request must be submitted to the Grant Manager on or before March 31, 2029.
 - “Eligible Activities” includes the following activities related to the Project, for which costs are incurred after July 15, 2023 through December 31, 2028 in accordance with the Project budget, which shall be incorporated into the Grant Agreement: site preparation and improvement; infrastructure improvements, including without limitation transportation, infrastructure, water and wastewater infrastructure, and utilities necessary to service the site; demolition, construction, alteration, rehabilitation, or improvement of buildings on the site; environmental remediation; architectural, engineering, surveying, similar professional fees, and other predevelopment work required to commence construction on site improvements; and any activities outlined in the SSRP Guidelines, as amended, necessary to support the development of the Project. Eligible Activities do not include those activities related to the purchase or assembly of real property. The Company may reallocate expenditures between categories within the Budget of up to five percent

(5%) of the total SSRP Award without the prior written approval of the Grant Manager.

- **Project Completion Milestone:** On or before March 31, 2029, the Company shall submit those materials, records, and information reasonably necessary to demonstrate, to the satisfaction of the Grant Manager, the achievement of all of the following:
 - Creation of at least 380 Qualified Jobs at the Project site (“Qualified Jobs”).
 - A “Qualified Job” is defined as a job for the Company or a Specialized Employer at the Project, created on or after August 11, 2023, maintained for the previous six (6) months, and performed by either: (i) a Michigan resident whose state income taxes are withheld by the Company or a Specialized Employer, as applicable, or by an employee leasing company or professional employer organization on behalf of the qualified business; or (ii) a nonresident who is employed by the Company or a Specialized Employer at the Project, as determined and verified by the MSF.
 - A “Specialized Employer” is an organization providing workers with expertise in mining in an operational or training support capacity for and at the Project and listed in an Exhibit in the final agreement, with any changes subsequent to agreement execution subject to MSF Fund Manager approval.
 - Submittal of a final milestone certificate in the form determined by the MEDC, and attesting to the completion of all Eligible Activities outlined in the Budget;
 - Submittal of a spreadsheet describing and itemizing the actual expenditure of grant disbursements for all Eligible Activities completed during the Term. The spreadsheet shall include the corresponding reference category of the Budget, identify the name of the actual vendor or recipient of each expenditure, and be accompanied by supporting documentation of each expenditure and demonstrated verification that 100 percent of the funds disbursed have been expended for Eligible Activities; and
 - Documentation satisfactory to the grant manager that the Eligible Activities necessary to support the development of the copper mining facility have been completed.

Term of the Grant Agreement: From the effective date of the Grant Agreement through the earlier of: (i) June 30, 2029; (ii) the Grant Manager’s approval of the Project Completion Milestone; (iii) when the Parties otherwise agree in writing; or (iv) if terminated in accordance with the Grant Agreement.

Project Status Report: Means reports provided to the MEDC that may be required from time to time following the execution of the agreement and continuing until completion of the Project Completion Milestone. Project Status Reports shall include a narrative on the status of the Project and updates on the Eligible Activities.

Security Interest and Other Interests: Security interests and other interests in favor of the MSF must comply with the requirements of Section 88t(4) of the MSF Act, MCL 125.2088t(4), and

notwithstanding anything to contrary, may include, but is not limited to, real and/or personal property at Project, such as transfer and reconveyance rights, a mortgage, right of first offer, reverter rights, equipment, fixture, deposit account control, intangibles, inventory, or other personal property interests. Such interests will be used to secure repayment of any amounts owed to the MSF under the Grant Agreement and exercise other MSF rights through the end of the Term.

Suspension of Disbursements: The MSF may immediately suspend making disbursements of the SSRP Award upon the occurrence of: (i) an event of default, which shall be defined in the Grant Agreement, but shall include, without limitation, material noncompliance with the terms of the Grant Agreement, (ii) default in any other agreement with the State of Michigan, or (iii) the occurrence of an event which, with the giving notice or the passage of time, or both, would constitute an event of default.

Clawback Provisions: The Company shall repay all of the grant disbursements made under the SSRP Award upon the occurrence of one or more of events of default, which shall include without limitation: project abandonment, bankruptcy or insolvency (with any such proceedings against the Applicant not being set aside within sixty (60) calendar days from the date of institution thereof), material misrepresentation, misuse of funds, and material failure to comply with the terms of the Grant Agreement.

- Provided, however, in the event the Company fails to create the New Jobs as required by the Project Completion Milestone, the Company shall repay an amount calculated by dividing (A) the Peak Overall Jobs Attained by (B) the Required New Jobs (the “Jobs Performance Percentage”). The Company shall repay the difference between (A) the amount of grant funds received by the Company and (B) the amount of grant funds received by the Company multiplied by the Jobs Performance Percentage. “Peak Overall Jobs Attained” is the peak number of New Jobs created within one year prior to the date the Company submits the Project Completion Milestone.
- All amounts owed to the MSF must be paid within 90 days of written notification by the MSF. Any Repayment Amount not paid within 90 days is subject to a penalty of 1% per month, prorated on a daily basis.

Additional State Required Terms:

- **Amendments.** As required under Section 88t(8) of the MSF Act, MCL 125.2088t(8) (“Section 88t”), the MSF will provide written notice to the Legislature of any requests to modify the fully executed written Grant Agreement and will otherwise comply with requirements of Section 88t(8) prior to taking any action on such amendment request.
- **Assignment and Assumption.** The Company may not assign its rights or obligations under the Grant Agreement without the prior written consent of the MSF Board.
- **Annual Compliance Certificate.** During the Term, in addition to the Project Status Reports, the Company will be required to sign and submit an annual compliance certificate certifying that the Company is in compliance with the terms and conditions of the Grant Agreement.
- **Annual Progress Report.** During the Term, the Company will be required to submit annual progress reports. This information will be transmitted by the MSF to the Legislature as required under Section 9 of the MSF Act, MCL 125.2009.
- **Access to Records & Audit Rights.** During the Term, and for a period of three years after the expiration of the Term, and upon reasonable advance notice, the Company is required to permit the MSF, MEDC, the Office of the Auditor General, the Department of

Technology, Management and Budget, and the MSF Chief Compliance Officer to visit the Company, and any other location where books and records of the Company are normally kept, to inspect the books and records, including financial records and all other information and data relevant to the terms of the grant, all at times and locations mutually agreed upon by the parties.

- **Other provisions.** The Grant Agreement will include standard representations, covenants, and other provisions required by the MSF, including without limitation, non-discrimination and unfair labor practices, termination of funding, any other requirements of the SSRP Guidelines, as approved by the MSF, and any requirements of the Michigan Strategic Fund Act, including without limitation, cross default, and any other provisions of Section 88t.