

EDC PROJECT REVIEW SUMMARY:

Bloom Lake Phase II Expansion

Project Description	The Phase II expansion project aims to double the iron ore concentrate production of the existing Bloom Lake mining complex (Project).
Project Sponsors	Quebec Iron Ore (QIO) (Borrower and Exporter)
Country	Canada
Project Category	A
Canadian Exporter(s)	Quebec Iron Ore
Description of capital goods and/or services	Iron ore
EDC Product	Corporate Lending
Date of publication on EDC's website (dd/mm/yy)	19/10/2020
Date of Signing (dd/mm/yy)	23/12/2020

Project Categorization

The Bloom Lake mining complex operates an existing open pit iron ore mine located in the northeastern part of the province of Québec, Canada adjacent to the Newfoundland and Labrador border, in Normanville Township, Caniapiscou County. The nearest community is the municipality of Fermont, Quebec, located 13km east of the mine site. The Phase II expansion project aims to double the iron ore concentrate production of the Bloom Lake mining complex, increasing the existing nameplate capacity of 7.5 Mtpa (Phase I) to 15 Mtpa, with an estimated life of mine of 20 years. The Project was classified as Category A since it is large in scale and has the potential for significant adverse environmental and social impacts. Category definitions can be found [here](#).

Summary of EDC's Review

EDC reviewed the Project against host country requirements as required by EDC's Environmental and Social Review Directive (ESRD) and the Equator Principles (EP). Host country standards are considered to be comparable to or more rigorous than the IFC Performance Standards (IFC PS). Details on the Project's compliance with host country requirements are provided below. As required by the EP, in relation to First Nations rights and title, a review for alignment with the enhanced consultation requirements outlined under IFC Performance Standard 7 was undertaken. The Project is located entirely within the jurisdiction of the Province of Québec and while requiring some federal level permits it was not subject to an environmental assessment under the federal process (*Impact Assessment Act*).

EDC reviewed the Project Environmental and Social Impact Assessment, First Nation Impact Benefit Agreement, Bloom Lake’s Phase II Feasibility Study, Human Rights Risk Statement, and Quebec Iron Ore 2019 Sustainability Report. ESRM also reviewed the report completed by the Independent Environmental and Social Consultant (IESC). A site visit was not completed by ESRM given the ongoing travel restrictions caused by Covid-19.

At the time of EDC’s review, several material provincial and federal regulatory authorizations for the Project remained outstanding. EDC’s loan agreement with the Borrower will include covenants to ensure obtainment of the outstanding authorizations, as well as, the submission of annual environmental and social monitoring reports by QIO to EDC.

Summary of Key Environmental and Social Risks and Mitigants

EDC due diligence determined that QIO have demonstrated a strong capacity to manage their environmental and social risks and have suitably avoided and minimized impacts per the mitigation hierarchy. The following table summarizes key risks identified for the Project along with the most pertinent mitigations that were applied for each.

Key Risk	Key Mitigants
<p>Biodiversity - The Phase II expansion will result in the loss of approximately 1,210 hectares of natural terrestrial habitat; 155 hectares of aquatic fish habitat and 74.5 hectares of wetland habitat.</p>	<ul style="list-style-type: none"> • Project will apply standard best practices that are currently in use at the mine site, including communication systems, training for employees and contractors, field surveys, and construction work outside of key breeding periods. • Fish Habitat Compensation Plan (FHCP) has been developed by QIO in consultation with local First Nation and Non-First Nation community members. • <i>Compensation</i> in the form of restoration and creation works.
<p>Waste Rock and Tailings Storage (WRTS) – Phase II expansion will require additional fine and coarse tailings storage areas, as well as new dikes and new basins to contain water.</p>	<ul style="list-style-type: none"> • Fit for purpose management systems and technical oversight to manage infrastructure, including an emergency response plan, weekly and monthly inspections. • Retainment of independent technical experts to review and verify WRTS management and design. • Completion of a tailings risk assessment. • Benchmarking of Project facilities to the United Nations Environment Program Global Industry Standard on Tailings Management, which is best practice.
<p>Community Relations: Construction and operation of the project could result impacts to the surrounding communities (e.g. noise, health)</p>	<ul style="list-style-type: none"> • QIO has conducted public consultation with community members and has retained community liaison officers to create closer ties with residents.

	<ul style="list-style-type: none"> • QIO implements a grievance system to receive and resolve any community issues and reports annually on their commitments through a publicly available corporate sustainability report. • Employee and subcontractor commitments to comply with the QIO Code of Conduct which specifies the respect for life within the local community.
<p>First Nation: Project will affect the rights and title of First Nation communities as the existing mine and proposed expansion is situated on the traditional territory of the Innu Takuaihan Uashat Mak Mani-Utenam and Matimekush-Lac John peoples.</p>	<ul style="list-style-type: none"> • QIO has agreed to an Impact Benefit Agreement (IBA) for the Project, which includes a framework to receive and resolve grievances; training and employment opportunities; and relationship of the First Nations with the land and aquatic environments.
<p>Water Management: Project has the potential to effect local water resources (chemical and physical).</p>	<ul style="list-style-type: none"> • All contact water and seepage are managed through the Project's water management system and Project water treatment plant (WTP). • WTP and its upgrade, as part of the Phase II expansion, is designed to comply with applicable regulatory and permitting standards and has taken into account climate change in the design. • QIO monitors treated effluent and groundwater and submits monthly reports to the Quebec Ministry of Sustainable Development, Environment and Climate Change. Effluent discharge and groundwater has been in continuous compliance with the applicable regulations since 2013.

Documentation Reviewed:

The following is an illustrative list of key documentation that was reviewed as part of the current confirmation of the ESRD.

1. WSP, 2019a. Étude D'Impact sur L'Environnement – Mise à Jour, Mine de Fer du Lac Bloom, Augmentation de la Capacité D'Entreposage des Résidus et Stériles Miniers, prepared for Quebec Iron Ore dated August 2019.
2. Environmental Impact Study – Update Abstract Bloom Lake Iron Mine Increase of Residue Storage Capacity and Mining Sterile, Fermont Québec, Canada, prepared by WSP Canada, dated June 2020.
3. QIO, 2019a. Emergency Response Plan (translated).

4. QIO, 2019. Bloom Lake Phase 2 Feasibility Study Operating Cost Estimate Rev 2, prepared by BBA Inc, Soutex and WSP Canada, dated June 3, 2019.
5. Report on Verification Activities Establishments' 2019 Bloom Lake Iron Mine, prepared by Enviro-access Experts GES, dated July 7 2020.
6. QIO High-Level Statement of Human Rights Risks, prepared by QIO, dated November 3, 2020.
7. Lender's Group – Initial Status Report on Champion Iron Limited's Bloom Lake Phase II Expansion, Québec Canada, prepared by Roscoe Postle Associates Inc., dated September 30, 2020. Champion Iron Limited – Bloom Lake Phase II Expansion IESC Reports.
8. Project Bloom Lake Phase II Expansion draft Term Sheet and Amended and Restated Credit Agreement.
9. Conference calls with representatives from coordinating bank Societe Generale (multiple calls during September and October), Project sponsor (October 2, 15 and 26), and IESC (October 15 and 26).
10. Quebec Iron Ore 2019 Sustainability Report.
11. Project Bloom Lake Impact Benefit Agreement (extracts).
12. Reportable Disease Management Protocol (Covid-19) Quebec Iron Ore, dated 2020-05-04 (translated).
13. Collective Agreement Between Quebec Iron Ore Inc. & Metallic Union Local 9996, September 10 2017 to September 9 2020 (translated).