



Highland  
Copper



# Copperwood Project: Responsibly Produced Copper



# Key Building Blocks for Economic Development



## Necessity

Accelerates domestic supply of a critical mineral for emerging technologies



## Responsibility

Meets rigorous standards to ensure environmental quality



## Community

Creates 380 jobs in a struggling area

Pays average wages at double the current regional median wage

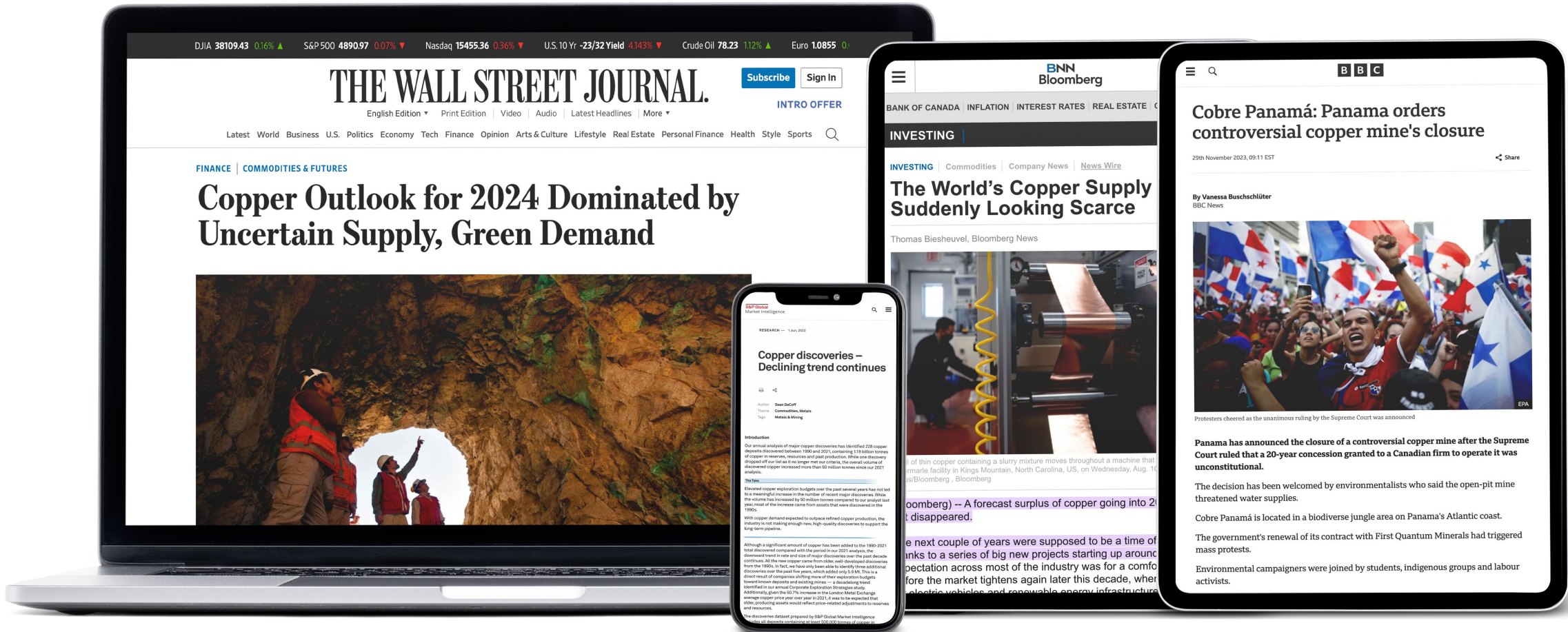
Directs tax revenues back into the community



## Transparency

Prioritizes transparency, community input, and responsiveness

# Why Copper?





# Community Focus in the Western UP



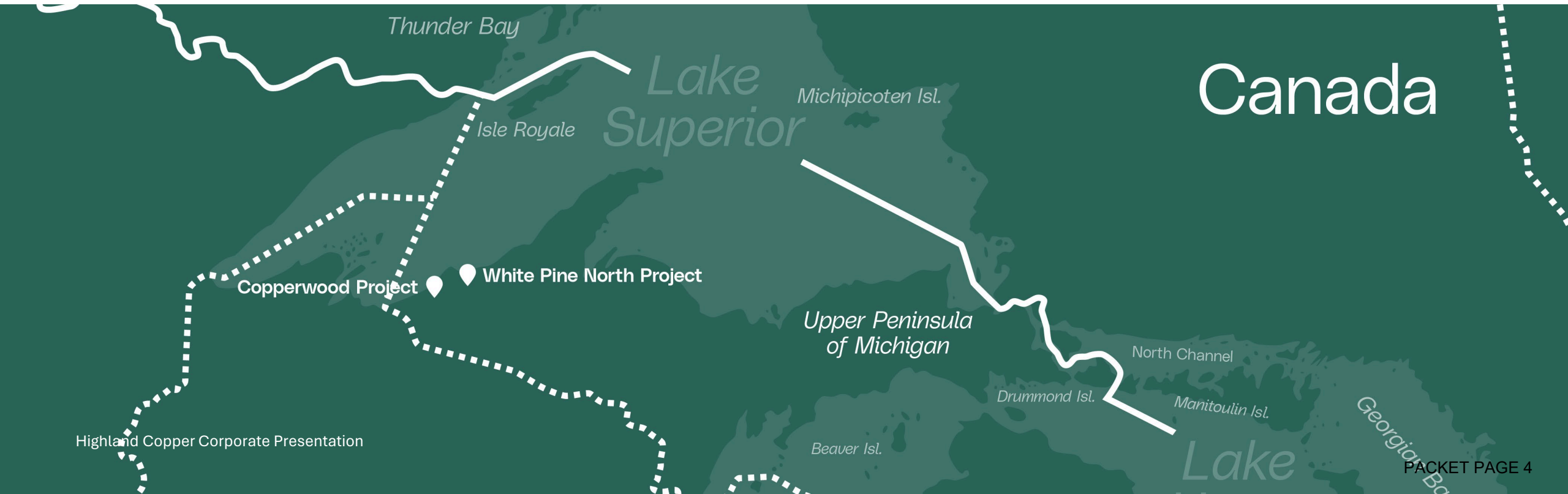
10 years committed to exploration and environmental permitting process



Respectful, thoughtful and responsive approach to community engagement



Overwhelming level of local support from residents and communities



# Responsible Project Design



## Key Environmental Considerations

- Underground mine with modest surface footprint
- Electing not to draw water from Lake Superior
- Wetland preservation area of 717 acres protected in perpetuity
- Rigorous water treatment and monitoring
- Enclosed processing plant to mitigate light and noise
- Not acid producing
- Bonding in place to ensure proper closure

## Community Impact

- Projected 300 jobs in construction and 380 jobs in operation
- Average wage of \$80,000 per year, offering a large diversity of jobs
- Considerable tax revenue for local communities



# Responsible Grant Design

- The Michigan Strategic Fund (MSF) proposed a \$50 million Strategic Site Readiness Program grant for the Copperwood project
- Safeguards protect Michigan's investment:
  - Reimbursable grant
  - Performance-based
  - Private investment required before public investment
- Eligible grant expenditures benefit the community:
  - Power grid fortification
  - Roads
  - Telecommunications
  - Water infrastructure



# Michigan's Investment



**Contributes to domestic copper supply as technology rapidly shifts**

**Signals stability, welcome, and license to operate in the state**

**Brings responsible investment to an economically disadvantaged region**





**Highland  
Copper**

Copperwood  
Project

# Questions



# COPPERWOOD RESOURCES INC.

## SOAR PERFORMANCE-BASED GRANTS

- **\$50M Strategic Site Readiness Program reimbursement-based grant with performance milestones including:**
  - **380 jobs** with average wage between \$80,000-\$120,000 – **double the regional median wage**
  - **\$425M** in private investment in Gogebic County
  - Pre-disbursement milestone requiring \$150M in financing in place before any reimbursements can be submitted

## KEY IMPACTS

- 300 additional construction jobs generated
  - Supported by the Michigan Building & Construction Trades Council
- Transportation, power & telecommunications infrastructure improvements will:
  - Increase access to improved roads, reliable energy, broadband and cellular service for surrounding communities and local businesses
- \$62.7M in tax revenue through Michigan Mining Severance Tax
  - Supporting significant local investments in additional economic development opportunities
  - Supporting rural investments statewide
- Strengthening domestic supply chains from ‘Mining to Mobility’
- \$6.5M in financial assurance to the State of Michigan already in place

## FAST FACTS

- Funds are not given all at once, or before performance milestones are met
- Disbursed funds all have financial and legal requirements that must be met, before and throughout terms of the contract
- MEDC compliance experts track metrics under the contract agreement terms for every project, and at every step in the process
- Each contract requires repayment of funds if contract terms are not met

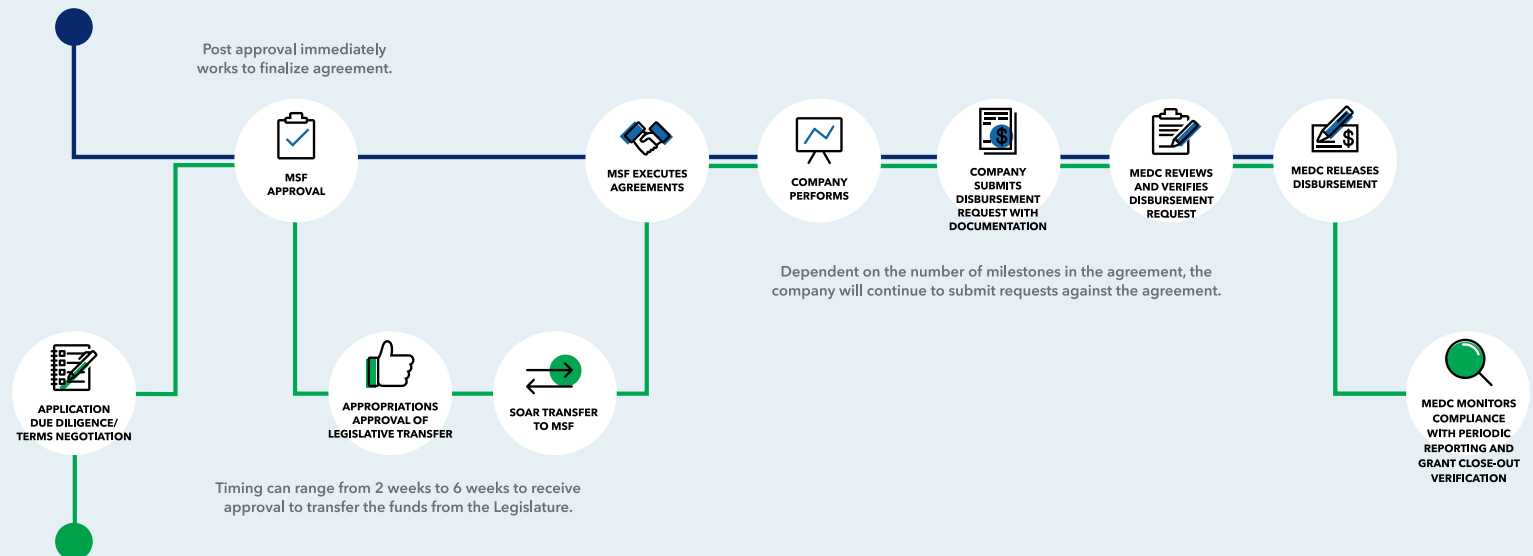
## The MSF Approval Process: Thorough, Measured and Accountable

The MEDC Compliance team monitors the flagship Business Development and Community Revitalization Programs. Each program has a process for ensuring compliance with the terms and conditions of their agreement. In addition to requirements that must be satisfied before funds can be disbursed, agreements include annual progress reports that allow MEDC staff to monitor compliance after or between disbursements. Funding is not disbursed in a lump sum and is delivered contingent on performance milestones.

- All MSF incentive agreements are performance-based. Funds cannot and do not move until the awardee can demonstrate that they have met MEDC's requirements for disbursement. The compliance process for each of these programs does not rely solely on awardee certification, meeting performance milestones, and compliance with the agreement. It also includes a robust audit and verification process under which the Compliance manager reviews supporting documentation to confirm performance.
- All agreements include an 'access to records' provision authorizing the MSF, MEDC, DTMB, the Chief Compliance Officer, and the Office of the Auditor General to access the awardee's books and records during the term of the agreement and for a period of at least three years after the expiration of the agreement. This ensures key stakeholders have access to monitor and ensure compliance of awards. This provision is in all MSF incentive agreements, including the CIP and SSRP agreements.
- The Compliance Team has instituted a similarly strong audit and verification process for projects awarded under the SOAR process. Both the CIP and SSRP awards are performance-based, and funds are only disbursed after the MEDC Compliance manager verifies that the awardee has satisfied the terms and conditions of the agreement for that particular disbursement. SOAR projects have an additional annual compliance certification that awardees must submit and these programs all must undergo additional program compliance through the Office of the Auditor General
- Contractual agreements protect the State of Michigan with claw back provisions that require the recipient to repay money to the state if there are unremedied breaches of contractual terms.

## MSF APPROVAL PROCESS

### Traditional

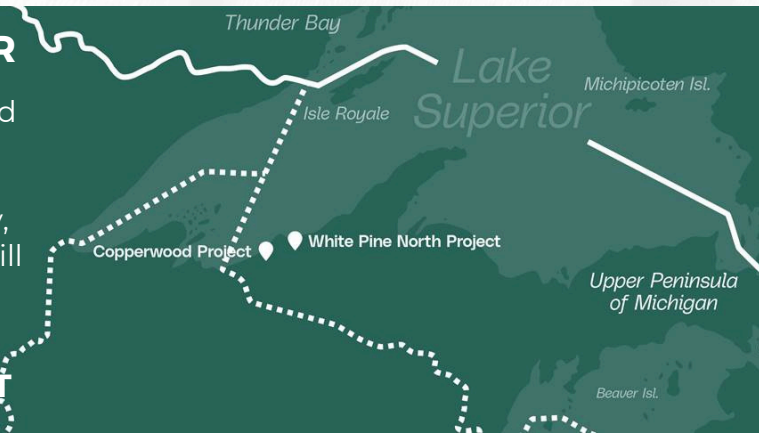




## RESPONSIBLY PRODUCED COPPER

Our plan is to construct and operate the Copperwood project with the utmost respect for every local community as well as for the environment. We are committed to the highest standards of responsibility, safety, and ethical conduct. Ultimately, the project will produce 675 million pounds of copper, a mineral critical to the clean energy transition.

**380 JOBS | \$425 MILLION INVESTMENT**



## RESPONSIBILITY

Copperwood has been designed with key environmental considerations in mind:

- Underground room-and-pillar method minimizes surface impact
- **No** Lake Superior water will be drawn
- EGLE study review confirmed ore is **non-acid generating**
- Project designed to minimize light and noise
- 717 acres of wetland preserved in perpetuity
- Bond in place to secure safe closure
- **EGLE has approved all necessary environmental permits**

## COMMUNITY

Our project will have a significant impact for the Western UP and the State of Michigan:

- **380 qualified jobs** paying an average annual salary of \$80,000-120,000 (regional median wage is \$41,000)
- Capital investment of \$425,000,000
- **\$121.7 million tax revenue generated** for the state
  - Includes \$62.7 million in Severance Tax specific to the mining industry
  - Mining Severance Tax is split between local units of government and the MI Rural Development Fund

## TRANSPARENCY

Transparency and accountability are the cornerstones of our company. Local communities and stakeholders support Project Copperwood:

- Baraga County
- Bergland Township
- Bessemer Township
- Carp Lake Township
- City of Bessemer
- City of Wakefield
- City of Ironwood
- Erwin Township
- Gogebic County
- Michigan Building Trades
- Michigan Manufacturers Association
- Houghton County
- Ironwood Township
- Iron County
- Marenisco Township
- Ontonagon County
- Ontonagon Township
- Village of Ontonagon
- Wakefield Township
- Watersmeet Township
- MichAuto

### STRATEGIC SITE READINESS PROGRAM

**\$50 MILLION PERFORMANCE-BASED GRANT**

- **Disbursement Safeguards:**
  - Highland Copper must demonstrate \$150 million in financing prior to first disbursement
  - Expenditures are limited to eligible activities, approved, and reimbursed
  - Clawbacks if jobs not generated
- **Eligible Expenditures:**
  - Roads
  - Power & telecommunications
  - Water infrastructure

Through open communication, community engagement, and a steadfast commitment to best practices, we endeavor to be a partner the state of Michigan can rely on now and into the future.

### BARRY O'SHEA

CEO, Highland Copper

barry.oshea@highlandcopper.com

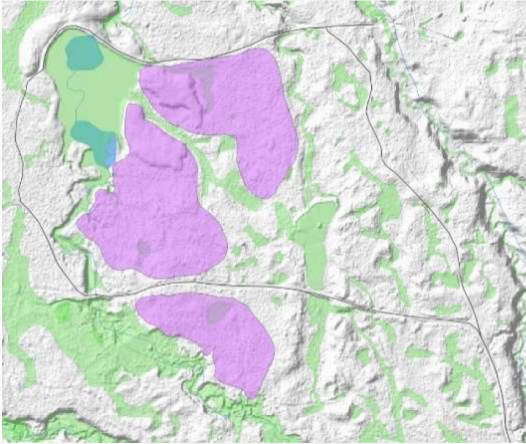
HighlandCopper.com

X: @highland\_copper Facebook:

@HighlandCopperCompany



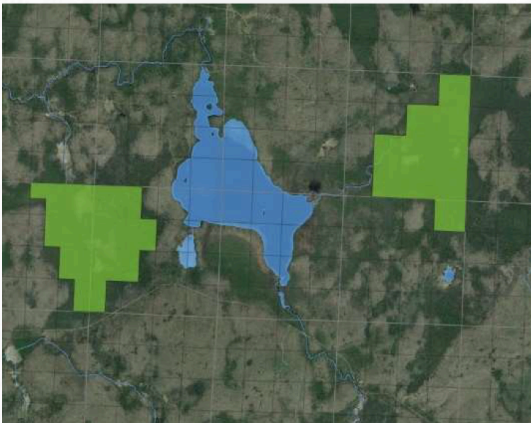
## WETLAND & STREAM MITIGATION



### GIPSY CREEK CREATED WETLAND PROJECT

The creation of three wetland cells (pink) at the project location, totaling over 14 acres of new and improved wetland habitat. Another 4 acres of created wetlands are located within the relocated Streams.

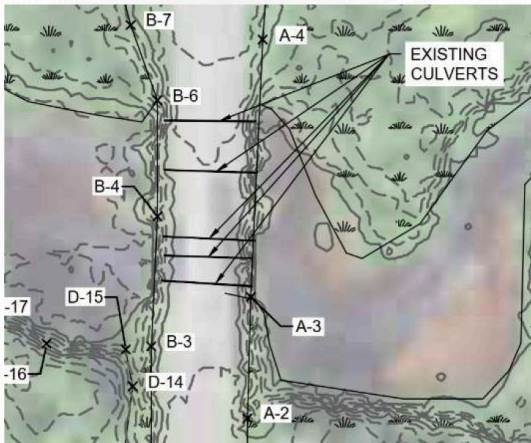
Developing the wetland cells is underway, and a conservation easement is being arranged to protect the wetlands in perpetuity.



### WETLAND PRESERVATION AREA

The off-site Wetland Preservation Area covering 717 acres of high-quality wetlands over two land parcels (green), within the Black River Watershed is approximately 19 miles from the project location. A conservation easement and stewardship agreement are being arranged to protect the area in perpetuity.

Regular monitoring of the area will assess any changes.



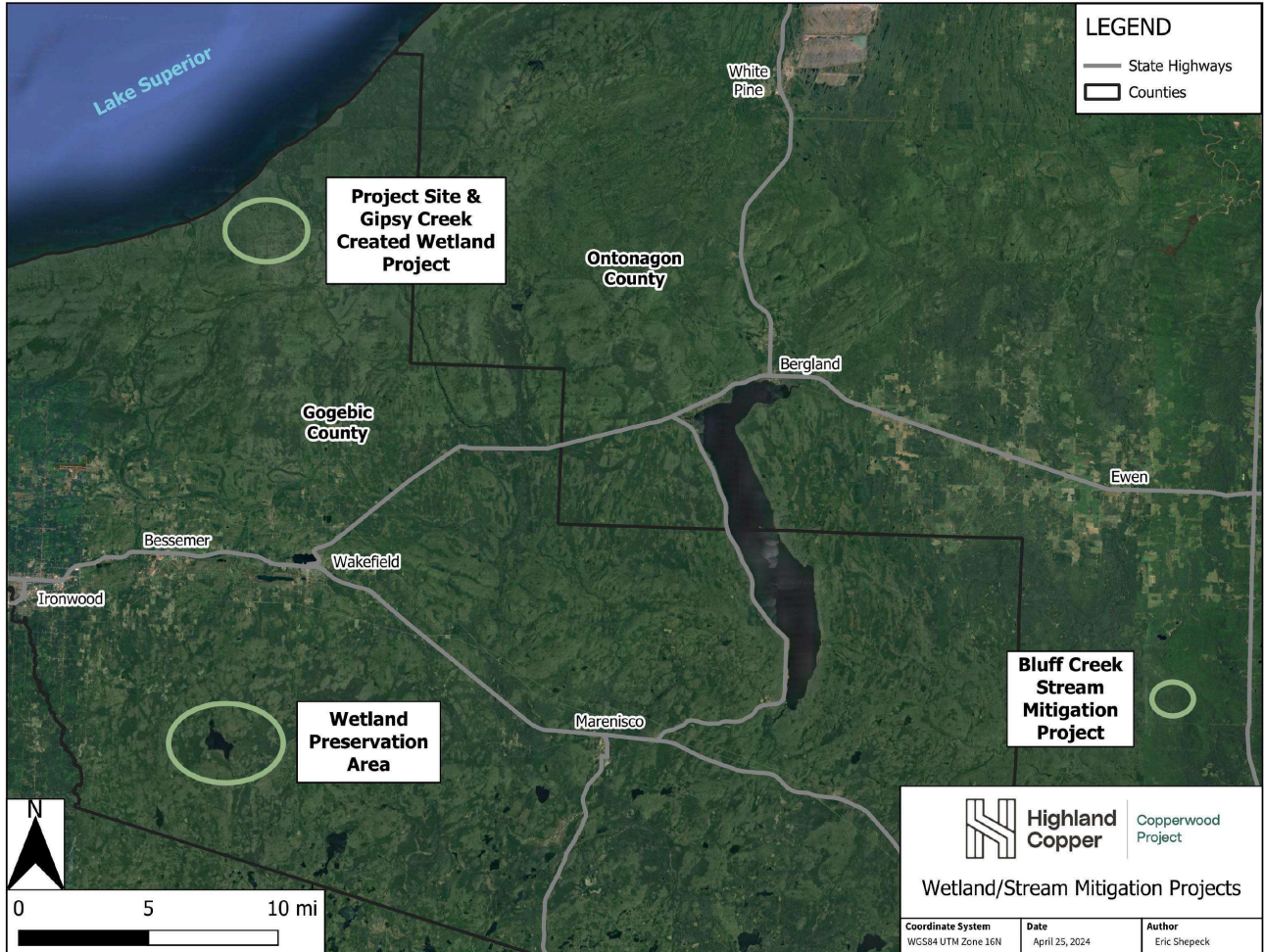
### BLUFF CREEK STREAM MITIGATION PROJECT

Upgrading a public road creek crossing in neighboring Ontonagon County will improve both its hydrology and traffic safety. Under-sized culverts have caused bank erosion up and downstream as well as an occasionally flooded roadway. Correctly sized culverts will be installed, and three areas of stream bank erosion will be rehabilitated in summer 2024 / 2025.



WETLAND & STREAM MITIGATION

PROJECT SITES





## COMMUNITY SUPPORTERS

### LOCAL RESOLUTIONS OF SUPPORT

Baraga County  
Gogebic County  
Houghton County  
Iron County  
Ontonagon County

Bergland Township  
Bessemer Township  
Carp Lake Township  
Erwin Township  
Ironwood Township  
Marenisco Township  
Ontonagon Township  
Wakefield Township  
Watersmeet Township

City of Bessemer  
City of Ironwood  
City of Wakefield

Village of Ontonagon

Gogebic County Road Commission  
Gogebic County Forestry and Parks  
Ontonagon County Road Commission  
Western Upper Peninsula Planning & Development Region Commission

### LOCAL, REGIONAL & STATEWIDE ORGANIZATIONAL SUPPORT

Michigan Technological University  
Northern Michigan University  
Gogebic Community College

Aspirus Ironwood Hospital and Clinics  
Aspirus Ontonagon Hospital  
Coleman Engineering  
Silvercreek Excavating and Trucking

Keweenaw Land Association  
Upper Peninsula Michigan Works!  
InvestUP

Michigan Manufacturers Association  
Michigan Building & Construction Trades Council  
MichAuto



## MICHIGAN SEVERANCE TAX

### ESTIMATED STATE AND LOCAL TAX IMPACT OF COPPERWOOD

Michigan levies a specific severance tax (MST) on nonferrous metallic minerals extracted in the state. It is a specific tax, meaning that it replaces all other state and local taxes once the mine enters the production stage.

The only business in Michigan paying this tax is Eagle Mine, located in Marquette County. Copperwood in Gogebic County would be the second.

Simply, the tax is levied on the value of the mineral shipped from the mine. The tax rate is set at 2.75% and applied to "taxable mineral value," which statute considers to be the daily average price of the mineral sold or transferred.

Unique to the MST is the distribution of the tax revenue. As the MST replaces ad valorem taxes, 65% of the MST is returned to schools and local taxing units to replace property taxes not collected. The statute requires that MST revenue is distributed to local taxing units on a basis of the anticipated distribution under an ad valorem calculation. Additionally, a "hold harmless" provision in the law requires the taxpayer to make up any difference to the local unit if the MST revenue to be distributed is calculated to be less than what would otherwise have been collected through ad valorem taxes.

Further, statute requires that the remaining 35% of MST revenue be placed in the Michigan Rural Development Fund (MDARD) which is used to make grants and loans to enterprises and economic development projects in underserved rural areas. The statute creating the fund requires MDARD to prioritize projects within the jurisdiction(s) of the tax generation. At present, Marquette County (Eagle Mine) is the priority recipient. It would stand to reason that MDARD would create a second priority zone in Gogebic County based on this precedent.

### MST MODEL FOR COPPERWOOD PRODUCTION

Copperwood retained Public Sector Consultants to model the economic and tax impact of the project. Based on production input numbers provided by Highland Copper, estimated revenue from the MST is as follows:

ESTIMATED ANNUAL MST*	\$5,707,500	LOCAL SHARE (65%)	\$3,709,875
		RURAL DEV. FUND (35%)	\$1,997,625
LIFE OF MINE MST (11YRS)	\$62,782,500	LOCAL SHARE	\$40,808,625
		RURAL DEV. FUND	\$21,973.875

The above is an estimated tax impact of the MST only. This does not include estimated tax revenue generated in the region due to Copperwood's overall capital investment, the creation new jobs and disposable income, and goods and services consumed through increased economic activity.

\*The estimate is based on production expectations and copper at \$4.00 which is currently above spot price. Copper price will fluctuate based on global demand which is predicted to increase. The inability to predict future mineral price/value makes this a variable estimate only.



## RESPONSIBLY PRODUCED COPPER: FAQs

### A BRIEF OVERVIEW

For nearly a decade, Highland Copper has been working to build a safe, responsible, and sustainable copper project in Michigan's UP. We are committed to public transparency, engagement, and education. The UP has a rich history of mining copper and iron from its abundant natural resources. We take pride in being a part of the next generation of mining in the region and are committed to conducting our operations safely, inclusively, and with the utmost environmental responsibility.

The company is developing the Copperwood Project in Gogebic County, north of Wakefield, and has received all required permits from the State of Michigan Department of Environment, Great Lakes, and Energy (EGLE). Site preparation is underway.

Copperwood will produce roughly 675 million pounds over its 11-year mine life, enough copper to support the production of more than 3.75 million electric vehicles. The copper will be extracted using a method called room-and-pillar mining. In this method, a horizontal plane is created across the deposit. The ore is extracted, leaving pillars of unexcavated material to support the roof.

Once conveyed to the surface, the ore is moved by conveyors to an on-site processing facility, where it will be milled and separated into fine copper concentrates. The concentrates will then be sent to an off-site plant for further refinement.

When mining ends, Highland will see restoration efforts implemented quickly and efficiently. As part of our commitment to the environment and community, we aim to see that any land disrupted during the mining process is returned to a natural state and will monitor the site for 20 years following closure.

### COMMON QUESTIONS

**Why Copper?** Copper is a vital part of our modern world, from plumbing, to wiring, to circuits. It is also crucial to emerging technologies and renewable energy systems, such as electric vehicles (EVs), battery storage, wind turbines, solar panels, hydropower generators, nuclear waste storage, etc. Current demand for copper exceeds the supply. While recycling copper is essential, we also need to develop new sources. Copperwood will help secure critical domestic supply safely and responsibly, complying with rigorous environmental and labor laws.

**What is the project's economic impact?** The site construction investment is \$425 million, directly supporting 300 construction jobs on-site, and another 114 jobs at Highland's vendor partners in the U.P. This is expected to generate over \$4.5 million in local, county, and state tax revenue annually during the three-year construction period.

Once operational, Highland Copper expects to employ 380 workers at Copperwood at an average wage of \$80,000-120,000 per year. Additionally, the mine's annual operations spending is projected to support another 313 jobs across the state annually. Over the life of the mine, \$1.3 billion in new personal income is expected, while state and local tax revenue is projected at over \$121.7 million.

**How much copper will the mine produce?** Copperwood will produce roughly 675 million pounds over its 11-year mine life. That is enough copper for 3.75 million EVs.





## RESPONSIBLY PRODUCED COPPER: FAQs

**What is the project's footprint?** 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. When Copperwood ends its operations, site closure activities will bring the property to a natural and revegetated state.

**How will the project manage water?** We will conserve water wherever possible, minimizing our freshwater requirements. The water required to start operations will be captured from natural precipitation and stored on-site. Groundwater will be continuously monitored in accordance with best practices. **The project will not use water from Lake Superior, inland lakes, or streams.**

All treated and discharged water from the site is regulated under the project's water discharge permit issued by EGLE. Our on-site water treatment plant (WTP) will include Reverse Osmosis (RO) as a main treatment method. All surface and underground water coming in contact with mining activities will be sent to the WTP for treatment before being recycled into the environment. Treated water will be continuously monitored to ensure it meets or exceeds Michigan's water quality standards.

**How will you manage rock waste?** Tailings are finely ground mineral waste produced from the milling process. The tailings from Copperwood will be pumped in a slurry form to a Tailings Disposal Facility (TDF). Water collected in the TDF will be returned to the mill or stored for future use. At closure, the TDF will remain on site permanently and is monitored for 20 years. The facility will be covered and revegetated with native plants.

**Will the mine create Acid Rock Drainage?** Thorough geochemical tests were performed on the Copperwood ore, and the results show that no acid generation is expected to occur at Copperwood due to the essentially non-reactive nature of the ore. A review of the study by EGLE concurred with this conclusion.

**Will mining impact the Porcupine Mountains?** The proposed mining area is a long distance from the central region of the Porcupine Mountains. No surface infrastructure will be constructed within the boundaries of the state park. Our underground mine is designed to be virtually undetectable from the surface. It will not harm the environment or the experience of visitors to the Porkies, North Country Trail or Presque Isle River.

**Will you control noise and light pollution?** We are taking measures to address noise, including processing ore in an enclosed building. We will minimize light pollution from surface operations by directing light downward and incorporating shielding as needed.

**Can we count on Highland Copper to responsibly close the mine?** Yes. However, the state of Michigan requires us to secure a bond to cover the cost of closure in the event of an unexpected interruption. This bond is on file with the state now.

**What is the status of grant funding for the project?** On March 26, the Michigan Strategic Fund voted unanimously to provide a \$50 million Strategic Site Readiness Program grant to the project, with eligible expenses limited to site readiness that benefit the public: roads, power, telecommunications, and water infrastructure. Highland Copper has agreed to demonstrate \$150 million in financing prior to grant disbursement. Clawback measures are in place if qualified job levels are not met.

Position Category	# of positions	H2 Y0	Construction Start				Operation Start									
			H1 Y1	H2 Y1	H1 Y2	H2 Y2	H1 Y3	H2 Y3	H1 Y4	H2 Y4	H1 Y5	H2 Y5	H1 Y6	H2 Y6	H1 Y7	H2 Y7
		6	205	304	434	528	517	384	386	385	391	390	396	405	411	412
General Management	2															
Construction Management	3															
Construction Planning	1															
Construction Supervision	7															
Construction G&A	43															
Construction Earthworks	65															
Construction CSA	57															
Construction Mechanical	65															
Construction Electrical	35															
Human Resources	5															
HSE Management	2															
Health & Safety	7															
Security	5															
Environment	2															
Information Technology	3															
Finance and Accounting	6															
Procurement	4															
Warehouse	6															
Surface	6															
Mill Management	1															
Metallurgy	5															
Mill Operators	22															
Control Room Operators	4															
Laboratory	7															
Mill Maintenance Mechanical	2															
Mill Maintenance Electrical	6															
Mill Maintenance Supervision	5															
Mill Maintenance Piping	6															
Mill Maintenance	1															
Assay Lab	11															
Mine Management	2															
Mine Supervision	15															
Mine Operators	177															
Mine Services	24															
Mine Maintenance	20															
Mine Engineer	2															
Mine Planning Engineer	3															
Geotech	3															
Mine Technical	4															
Surveyor	5															
Geology	12															
Mine Maintenance Mechanical	47															
Mine Maintenance Electrical	31															
Mine Maintenance Engineer	2															



STATE OF MICHIGAN  
STATE BUDGET OFFICE  
LANSING

GRETCHEN WHITMER  
GOVERNOR

JENNIFER L. FLOOD  
DIRECTOR

March 26, 2024

The Honorable Sarah Anthony, Chair  
Senate Appropriations Committee  
Michigan State Senate  
State Capitol  
Lansing, Michigan 48909

The Honorable Angela Witwer, Chair  
House Appropriations Committee  
Michigan House of Representatives  
State Capitol  
Lansing, Michigan 48909

Dear Legislators:

SUBJECT: Legislative Transfer Request 2024-6

I recommend the following fiscal year 2024 legislative transfer for your approval. This transfer is in accordance with section 393(2) of Act No. 431, P.A. 1984, as amended and is recommended for approval by the House and Senate Appropriations Committees.

The following information summarizes the transfer recommendation:

<u>Department</u>	<u>Transfer Amount</u>
Labor and Economic Opportunity	\$50,000,000
<b>Total</b>	<b>\$50,000,000</b>

If you have any questions regarding this request, please contact my office at (517) 335-3420.

Sincerely,

Kyle Guerrant  
Deputy State Budget Director

Attachment

cc: Winnie Brinks, Senate Majority Leader  
Joe Tate, Speaker of the House  
Aric Nesbitt, Senate Minority Leader  
Matt Hall, House Minority Leader  
Senate Appropriations Committee  
House Appropriations Committee  
Senate Fiscal Agency  
House Fiscal Agency

Departments  
JoAnne Huls, Chief of Staff  
Tricia Foster, Chief Operating Officer  
Zack Pohl, Deputy Chief of Staff  
Patti Tremblay, Director of Legislative Affairs  
Jennifer L. Flood, State Budget Director  
Heather Boyd, Office of Financial Management  
Internal State Budget Office

**Report ID:** BUD-TRNLET-0046

**SIGMA**

**Run Date:** 03/22/2024

**Transfer Letter Detail**

**Run Time:** 10:12:15 AM

**Legislative Transfer**

**Letter # 2024-6**

**Labor and Economic Opportunity**

**FROM: BOILERPLATE APPROPRIATIONS**

Contingency funds	B24000		(50,000,000)
State restricted contingency revenues 376	2015	STRS	(50,000,000)

**TO: STRATEGIC OUTREACH AND ATTRACTION RESERVE**

Michigan strategic site readiness program	54315		50,000,000
Strategic outreach and attraction reserve fund transfer to Michigan strategic fund	2658	STRS	50,000,000

This transfer provides \$50 million in state restricted contingency authorization to the Michigan Strategic Site Readiness Program (MSSRP) pursuant to Article 9, Sec. 301 of PA 119 of 2023. Funds are transferred into the Michigan Strategic Site Readiness Program to support a grant to Copperwood Resources Inc. for infrastructure improvements to open a copper mine in the Wakefield and Ironwood Townships, Gogebic County. The \$50 million state investment will support infrastructure improvements that directly benefit the site, including but not limited to, transportation access, water and wastewater, water quality analysis (groundwater) as well as projects that will result in increased power reliability and cellular and broadband access for the site and surrounding community. The mining operation, with a projected life of 11 years, is estimated to generate over \$121 million in tax revenue to the state including over \$62 million generated through the Michigan Severance Tax, which represents significant additional revenue to support local investments that create additional economic development in the region. This tax is specific to the mining industry and would not be realized by other types of business investments.

The Michigan Strategic Fund Board approved the performance-based incentives for this project on March 26, 2024. The project secures up to \$425 million in capital investment in Michigan by Copperwood Resources Inc. and creates up to 380 new jobs in Michigan with average wages from \$80,000 to \$120,000, which is twice the median regional wage of \$41,000. The project supports a vision for Michigan to be the leader and sole source of "Mining to Mobility." Copper is essential for renewable energy and electric vehicles, as it is used in wind turbines and solar panels, as well as in the batteries and wiring of electric vehicles. As the world moves towards cleaner energy sources, the demand for copper is expected to continue to grow.

Revenue to support this transfer is available from the Strategic Outreach and Attraction Reserve Fund (SOAR), in approved fiscal year 2023 work projects totaling \$551,100,000. This transfer is in compliance with the statutory requirements for the use and expenditure of the SOAR Fund in its enacting legislation. A separate SOAR transfer totaling \$97 million was requested on February 27, 2024, and is pending with the Legislature. If both transfers are approved, there would be \$404.1 million remaining in the SOAR fund to support future transfers.



**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”)

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**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.



GRETCHEN WHITMER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF LABOR AND ECONOMIC OPPORTUNITY  
LANSING

SUSAN CORBIN  
DIRECTOR

January 21, 2022

Ms. Katelyn Wilcox  
Board Relations Liaison  
Michigan Strategic Fund  
300 N. Washington Square  
Lansing, MI 48913

Re: Michigan Strategic Fund Board Meeting Designees

Dear Ms. Wilcox:

Pursuant to MCLA 16.51, I hereby confirm my designation of John Groen and Jonathan Smith as the persons authorized and empowered to act in my stead as a member of the Michigan Strategic Fund Board for scheduled meetings or portions thereof that I am unable to attend.

If you need anything additional, please contact Diane Burton at (517) 230-5454.  
Thank you.

Sincerely,

A handwritten signature in blue ink that reads "Susan R. Corbin".

Susan R. Corbin  
Director



STATE OF MICHIGAN  
DEPARTMENT OF TRANSPORTATION  
LANSING

GRETCHEN WHITMER  
GOVERNOR

BRADLEY C. WIEFERICH, P.E.  
ACTING DIRECTOR

January 3, 2023

Ms. Rhonda Bishop  
Board Relations Liaison  
Michigan Strategic Fund Office  
300 N. Washington Square  
Lansing, Michigan 48913

Dear Ms. Bishop:

I hereby confirm and ratify my designation of Michael B. Kapp, Administrator, Michigan Department of Transportation, as the person authorized and empowered to act in my stead for Michigan Strategic Fund meetings that I am unable to attend.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bradley C. Wieferich".

Bradley C. Wieferich, P.E.  
Acting Director

cc: M. Kapp  
Executive File

## Mining to Mobility: How Michigan's Abundant Natural Resources Should Drive Our Clean Technology Future

The International Energy Agency (IEA) projects that global demand for metals and minerals like nickel, lithium, and rare earth elements could rise by 600 percent over the next 30 years. These materials feed an array of green and digital technologies, from advanced batteries to semiconductors to solar panels, essential to our clean energy, high-tech future. For example, the world could need nearly *two billion* light-duty electric vehicles (EVs) on the road by 2050 to hit net-zero carbon emissions, according to the IEA's Net Zero by 2050 roadmap. Bolstering and expanding the grid to charge our electrified economy will require massive amounts of copper and aluminum. Critical minerals have become the foundation necessary to support both our climate and economic ambitions.

The Biden Administration is funneling billions of federal dollars to boost the supply of U.S.–produced minerals to feed this demand. The Infrastructure Investment and Jobs Act (IIJA) passed in November 2021 expands the list of projects eligible to receive a Department of Energy loan or loan guarantee to include those that increase the domestically produced supply of critical minerals. The Inflation Reduction Act (IRA) signed in August 2022 provides advanced manufacturing production credits for the domestic manufacture of certain critical minerals. In March 2022, the White House invoked Title III of the longstanding Defense Production Act (DPA), which supports supply chains critical to military readiness, to encourage “sustainable and responsible domestic mining” and mineral processing through hundreds of millions of dollars in purchase commitments and loan guarantees for these projects.

This is a generational opportunity for Michigan to capitalize on its extensive mining experience and sustainable mining practices to not only reduce U.S. dependence on foreign sources of minerals and mineral processing, but also spur the development of an end-to-end, advanced manufacturing supply chain based entirely in Michigan.

The state's mission is clear:

**“Michigan will lead the nation in developing a modern mining-to-mobility-to-sustainability strategy that leverages Michigan's abundant natural resources, commitment to environmental stewardship, and unparalleled advanced manufacturing capacity to achieve a circular economy that drives innovation in all corners of Michigan, strengthens supply chain security for Michigan manufacturers, and cements Michigan's leading role in developing the clean technologies of the present and future.”**

Michigan is uniquely positioned accomplish these goals:

- **Manufacturing presence and supply chains.** The birthplace of the auto industry still houses one-fifth of U.S. auto production and a growing list of suppliers eager to feed automaker demand for batteries and other vehicle components. Batteries and other high-tech materials cannot exist without nickel, copper, and rare earths—significant quantities of which are located right here in Michigan and, in the case of copper and iron ore, have been mined for generations. Michigan manufacturing has been at the forefront of innovation for more than a century because of its robust and multifaceted relationships with the private and public sectors, as well as academia. Proximity to a secure and reliable source of minerals has become more important to advanced manufacturers incentivized to

reduce reliance on suppliers in unfriendly countries and lower their carbon footprint, especially from transportation emissions. Further, the need for access to reliable sources of minerals and processing capacity has never been clearer as we recover from the disruptions to the global supply chain caused by the COVID-19 pandemic.

- **Abundant mineral resources and mining know-how.** Mining has been an important contributor to Michigan’s economy for more than 125 years. Production has totaled about \$50 billion since the mid-1990s. The National Mining Association reports that mining supports approximately 9,000 direct jobs in Michigan and 17,000 indirect and induced jobs. It contributes more than \$1 billion to the state’s GDP annually. Michigan is one of the only states that mines iron ore for the steel industry, and still the only state that produces nickel. Michigan also has large potash reserves that will almost certainly be mined in the future, especially as geopolitical concerns continue to plague potash producers in Eastern Europe. Mining takes place in all counties of the state and supplies essential material for manufacturing, construction, and other basic economic activity.
- **Sustainable mining practices.** Michigan has the playbook to foster sustainable mineral development, with minimal environmental impact and leading-edge conservation practices. Eagle Mine in the Upper Peninsula, currently the only nickel mine in the U.S., is a sustainable, “nature forward” mining success story. Despite reasonable initial concerns that the mine (which began production in 2014) would contaminate local groundwater, the mine owner worked with members of the local community to create a stringent monitoring program that has prevented pollution and generated economic growth. Michigan should apply these learnings—including best practices for public engagement that prioritize communication with Michigan’s Native American tribes—to other mining projects. Michigan should also become a leader in the growing Better in My Backyard movement to bring mining and other extractive industries back to well-regulated jurisdictions closer to end consumers—and reduce our morally questionable reliance on foreign sources with weak environmental, labor, and traceability standards (e.g., child labor risk in the Democratic Republic of Congo cobalt mines).
- **Circular economy for key minerals.** Michigan is already pursuing advanced research in mine waste recycling. Michigan Technological University and Eagle Mine are coreipients of \$8.1 million to prove new research technologies that develop sustainable processes to supply critical minerals for EV battery manufacturing. The university and company received an additional \$2.5 million from the U.S. Department of Energy Advanced Research Project Agency-Energy (ARPA-E) grant program to enable Michigan Tech to study carbon dioxide mineralization opportunities in Eagle Mine’s tailings facility. The ARPA-E funds will be used to develop new technologies that enable recycling of mine tailing minerals and, in turn, supply millions of additional pounds of nickel and cobalt.
- **Michigan has already begun this work.** [Michigan’s Mining Future Committee Report](#) issued in October 2021 made valuable and bipartisan recommendations to increase public and tribal engagement around Michigan’s mining potential, focus on workforce development, reevaluate Michigan’s mining tax structure, and streamline regulations, including the accommodation of responsible mining practices within Michigan water, wetland, and lake regulations. The recommendations should be reviewed, implemented, and expanded, especially considering rising demand and increased funding for domestic mining development since the report’s release.