

First Nations “demand” a moratorium on rare earth mining in Quebec

✘ The Assembly of the First Nations of Quebec and Labrador (AFNQL – the political organization regrouping 43 Chiefs of the First Nations of Quebec and Labrador) has demanded a moratorium on rare earth elements in the mining sector in Quebec. This decision affects Matamec Explorations directly. Matamec Explorations Inc. proposes the construction, operation and decommissioning of mines rare open land treat 1.3 million tons of ore per year over an operating period of 15 years, about 40 kilometers east of the municipality Kipawa, in an area where First Nations Eagle Village and Wolf Lake exercising their aboriginal rights and aboriginal title. Matamec faces an uphill struggle, but not all is lost.

Matamec specializes on the development of heavy rare earths in the Canadian provinces of Quebec and Ontario but its main interest is the Kipawa project in Quebec. Matamec has a partnership with Toyotsu (a division of Toyota Motors) that has enabled the Company to move quickly through the various stages of development such that production was expected to start in 2016. Toyotsu had agreed to buy all metals produced at the Kipawa property. Matamec has already started metallurgical tests, including the construction of a pilot test facility and its property includes heavy rare earths (HREE) and some niobium (Nb). Niobium has a number of applications but in the automotive sector it is especially desired for its steel strengthening qualities and used to make the future ‘high strength low alloys’ to enable manufacturers to reduce weight and, therefore, lower fuel consumption. The partnership has enabled Matamec to overcome the financial hurdle of funding the FS and the construction of the production plant, which would have allowed Matamec to join

Lynas and Molycorp as one of the few companies outside China able to supply high-quality rare metals. As a further boost, last March, the Government of Quebec expressed the economic and technological importance of Kipawa, prompting Resources Quebec (RQ) to invest CAD\$ 1 million in equity capital and a minority equity of CAD\$ 3 million in the Project, which is part of a total CAD\$ 6 million project (in which Matamec will invest CAD\$ 2 million).

The partnerships with Toyota and the Government of Quebec encouraged Matamec to announce, just last September, that it was considering various business opportunities to develop the rare earth mining project located in Témiscamingue. However, RQ's investment was always going to have to pass the hurdle of due diligence, featuring a crucial negotiation with the local native communities represented by AFNQL. Sensing the difficulty of this 'negotiation' and the Natives' hostility toward the Project, Toyotsu through its Toyotsu Rare Earth division ('TRECAn') signed a 'termination and release' agreement between itself and Matamec, converting a 49% stake in Kipawa into a 10% net profits interest royalty, leaving Matamec as the sole owner of the HREE deposit. This was a move likely intended to reduce Toyota's exposure to the social battle that has been brewing with the local community.

Toyota, which presents itself in advertising as the Company behind the Prius, the poster child for 'green' motoring and icon for environmentalists and sandal wearers everywhere, could not afford to risk its reputation in a possible dispute with eco-social ramifications even if Matamec, once operational, would be employing at least 229 workers in a region that should have welcomed badly needed employment opportunities. Evidently, Matamec and the Government of Quebec (GoQ) failed to impress the leaders of the AFNQL, who have not even considered the employment opportunities. Indeed, on October 23, 2014, the leaders of the AFNQL adopted resolution No. 20/2014 supporting the position of the Algonquin First

Nations of Eagle Village and Wolf Lake for a moratorium on the extraction of rare earth elements (as part of the current moratorium on uranium mining in Quebec). The AFNQL's argument, directed at the GoQ and Canadian Prime Minister Harper himself, is that economic development is welcomed but that it must come as part of a program of responsible, sustainable resource development and protection of the territory and traditional ways of life in a context where the survival of their ancient culture is directly threatened. GoQ, says the AFNQL, has not fulfilled its duty to consult and accommodate two Algonquin First Nations in the exploration phase or stage of development of Matamec's proposed rare earth mine and the results of the cultural and socio-economic assessments by the two First Nations Algonquin already indicate that the rare earth project Matamec will have "an irreversible impact on their quality of life".

The government of Quebec is reviewing its (temporary) ban on uranium mining. On November 11, the Bureau for Public Hearings on the Environment (BAPE) will commence the final phase of public hearings on the issues of the uranium industry in Quebec. During this consultation, the permits for the start of the Strateco's Matoush project are suspended while another proposed uranium mine in Sept-Îles, has been idle for the past few years, opposed by 20 physicians in 2009, which had threatened to leave the city if the mine was built. Since then, the company behind the project, Terra Ventures, became a subsidiary of RioTinto. The GoQ, now in managed by a far more mining friendly Liberal Party, may be close to lifting its ban on uranium mining and this would give Matamec some legal leverage to challenge the AFNQL and save its Kipawa project. Alternatively, and more likely, Matamec will have to negotiate better terms with the local communities taking some lessons from such rivals as Ucore (TSXV: UCU | OTCQX: UURAF) and Avalon (TSX: AVL | NYSE MKT: AVL), to cite two, which have placed relations with the local communities among the top priorities of their projects, succeeding even to welcome some

of their leaders to join their Boards.