



Management Discussion and Analysis

as at September 30, 2018

Update on the Saint-Félicien Project

The Saint-Félicien carbon capture project is proceeding as expected. Construction of the capture unit on the site at the Resolute Forest Products pulp mill in Saint-Félicien, Québec by the Corporation's selected contractor Alco-TMI, from Alma, Quebec began in June 2018. The absorption and desorption columns have been assembled and the unit's modules are in place. Completion of the construction is expected by December 2018 and will be followed by a six-month period of commissioning and demonstration. Following the commissioning and demonstration period, the commercial operation, which consists in providing CO₂ to the adjacent greenhouse operated by Serres Toundra, will begin.

Update on the VCQ Project

The Corporation continues to lead the world's most comprehensive CO₂ capture and utilization demonstration project, Valorisation Carbone Québec. Launched in February 2017, the objectives of this project are to develop and demonstrate commercially viable end-to-end solutions to capture and utilize CO₂ in various applications while reducing greenhouse gas ("GHG") emissions. The CO₂ capture plant is operating on site on a 24/7 schedule. The first CO₂ conversion technology is expected to be deployed over the next quarter.

Since its launch, the VCQ project marked the following milestones:

- The creation of the management and scientific orientation committees responsible for overseeing the governance of the VCQ project were put in place. Membership of these committees is drawn from executives and scientists from industry (Suncor, Total, Hatch, CO₂ Solutions), academia (Université Laval, Polytechnique de Montréal) and the Quebec government.
- Total S.A. signed on as the VCQ project's first industrial partner (see below).
- Additional industrial CO₂ utilization technology and end-use partners have been identified and discussions are currently being pursued along multiple fronts to broaden even further industry's and academia's participation in the VCQ project (see below).
- An agreement was reached with Chimie Parachem (Parachem), a 51% subsidiary of Suncor Energy, for use of their industrial facilities in Montreal-East as the chosen VCQ demonstration site.
- A 10-tonne per day carbon capture plant utilizing CO₂ Solutions' enzymatic process in packed columns was successfully commissioned at the Parachem facilities.
- A 10-tonne per day rotating packed bed contactor has been ordered and is now slated for delivery at the VCQ demonstration site by the end of 2018 to be followed by an operational demonstration.
- Over 100 CO₂ utilization technologies from around the world have been evaluated for their potential to effectively participate in the VCQ project.
- Agreements were reached with providers of CO₂ utilization technologies converting CO₂ into methanol, dimethyl ether and protein for animals, such as those agreements that were announced with Kiverdi and Pioneer Energy.

