

Conversion and Substitution



This document was prepared by
the Direction du développement minéral
of the ministère des Ressources naturelles
du Québec.

Distribution
Direction de la planification
et des communications
Ministère des Ressources naturelles
5700, 4^e Avenue Ouest, B302
Charlesbourg (Québec)
G1H 6R1

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TABLE OF CONTENTS

FOREWORD	5
CONVERSION AND SUBSTITUTION	6
Conversion of staked claims	6
Conversion of exploration licences for surface mineral substances (SMS)	6
Substitution of map designated claims	6
Application for conversion and substitution	6
Processing of applications for conversion and substitution	6
Conversion and substitution prohibited	7
TERRITORY RESERVED FOR MAP DESIGNATION	7
New division of the territory	7
Two types of division	7
TERRITORY RESERVED FOR STAKING	8
Buffer zone	8
REAL AND IMMOVABLE RIGHTS	8
AGREEMENT BETWEEN HOLDERS	9
Limit of the lands	9
Scope of the agreement	9
Conversion without an agreement	9
SUPERIMPOSING OF MINING TITLES	10
EXPANSION OF THE SURFACE AREA	11
DETERMINING THE EXPIRY DATE	12
NUMBER OF TERMS	13
DISTRIBUTION OF EXCESS WORK	14
CALCULATION OF WORK REQUIREMENTS	15
FORMS	15

FOREWORD

The *Mining Act* deals with the management of mineral resources and the granting of mineral substances prospecting rights during the exploration phase. It also stipulates the rights of use pertaining to these substances during the mining phase. Finally, the act establishes the privileges and obligations of mining rights holders to ensure maximum development of Québec's mineral resources.

To simplify interactions between the industry and the Government, major amendments have been made to the *Mining Act*. A new version of this act, passed in 1998, came into force in fall, 2000. The ministère des Ressources naturelles has made it its priority to publicize the content of this new legislation as well as the procedures that must be followed to comply with it.

One of the main components of this information policy involves producing four information documents dealing with:

- claim;
- mining leases and mining concessions;
- exploration and mining of surface mineral substances;
- conversion and substitution.

Each document must ensure that mining stakeholders know their rights and obligations with respect to the various topics covered.

This document deals with conversion. It presents the various measures permitting a progressive replacement of the staked claim and the exploration licence for surface mineral substances by the map designated claim, which will become the only valid exploration title for all mineral substances of the public domain.

This document also deals with substitution. Claims designated on map before November 22nd, 2000 could be substituted by new map designated claims that harmonize with the new territorial division. Moreover, when an application for substitution will have been made before November 22nd, 2002, the claim issued will be considered as a newly acquired claim.

IMPORTANT NOTICE

Please note that this document has no legal value and that the *Mining Act* prevails at all times.

The rates presented in this document will be indexed periodically.

CONVERSION AND SUBSTITUTION

The conversion of mining titles into map designated claims allows the holders of claims or exploration licences for surface mineral substances (SMS) to benefit from the advantages of the new act. Indeed, the claims converted cannot be contested and give their holder the right to prospect for surface mineral substances. This conversion takes place on a voluntary basis and in strict keeping of acquired rights.

The conversion differs depending on whether the application concerns staked claims or exploration licences for SMS.

Conversion of staked claims

Converted claims are different depending on whether they are situated on surveyed or unsurveyed territory.

On surveyed territory

- the number of converted claims is equal to the number of staked claims to be converted;
- the registration and expiry dates of the map designated claim remain the same as those of the claim to be converted;
- the terms, the excess work, the required work and the real and immovable rights are transferred to the new map designated claim.

On unsurveyed territory and on Îles-de-la-Madeleine

- the number of claims resulting from the conversion varies;
- the registration date of the new designated claim becomes the date of conversion;
- the expiry date of the new claims corresponds to the average expiry dates of the claims to be converted;
- the total amount of required work is divided among new map designated claims in proportion to their respective surface area;
- the total work credits are divided among new map designated claims in proportion to their respective surface area or according to the real location of the work;
- the number of terms of the new designated claims corresponds to the average terms of the claims to be converted;
- the real and immovable rights already registered against the claim will be registered once again upon request by taking into account the conversion.

Conversion of exploration licences for surface mineral substances (SMS)

The conversion of exploration licences for surface mineral substances (SMS) follows the same rules as those applied for the conversion of claims on unsurveyed territory, regardless of the territory on which they are situated. However, when the exploration licences for SMS cover a claim or a mining exploration licence (PEM), the conversion has the following characteristics:

- at the time of his application for conversion, the holder must relinquish his right on the portion of his exploration licence for SMS covered by the claim or the PEM;

- when the holder is at the same time holder of the claims and holder of the PEM, he can apply to his claims or to his PEM part or all of the excess work that was carried out on the exploration licence for SMS;

- the exclusive right to prospect of the holder of the new converted claim extends to all mineral substances of the public domain.

Substitution of map designated claims

Substitution allows holders to replace map designated claims entered in the register of mining rights before November 22nd, 2000 by claims whose lands correspond to the new division determined by the Ministry.

Substitution follows the same rules as those applied for the conversion of claims on unsurveyed territory, except the calculation of terms.

If the application for substitution is presented before November 22nd, 2002, the claim obtained by substitution will be considered as being in its first term. For applications received after that date, the terms will be calculated in the same manner as at the time of the conversion of staked claims on unsurveyed territory.

Application for conversion and substitution

The conversion and substitution process starts with a holder's application which is sent to the office of the registrar or to a regional office. The application for conversion and substitution as well as all the other subsequent steps are free of charge.

The tabling of an application for conversion protects the titles to be converted from an eventual objection by third parties. However, the application for conversion and the application for substitution do not suspend the term and do not release the holder from his obligation towards his titles.

Processing of applications for conversion and substitution

First, the Ministry determines the conformity of the applications by basing itself on the rules and obligations governing such applications. Next, when the applications are deemed complete and in conformity, the Ministry initiates either the process to convert mining titles into map designated claims or the substitution process.

In those cases where the application is complete:

- the application is analyzed and the result is presented to the holder in the form of a proposal;
- the holder is asked to choose the claims that he wishes to keep among the proposed claims, to discuss the proposal or to submit his comments within a stipulated time period. If the holder accepts the proposal, the conversion or substitution takes place, and the certificates of registration of the new claims are issued.

When the application is incomplete:

- a notice granting an extension to provide the missing information is sent to the holder;
- if the information requested is not provided before the expiry of the extension granted, the application will be considered non-compliant and will be returned to the applicant;
- the titles referred to in the non-compliant application for conversion are no longer protected from an eventual dispute.

Conversion and substitution prohibited

There can be no conversion or substitution when:

- the claim is subject to a decision that suspends its term or to an order of cessation of work;
- the claim or the exploration licence for SMS is subject to:
 - a decision refusing its renewal;
 - a suspension or revocation;
 - a seizure entered in the Public register of real and immovable mining rights;
 - a dispute (applies only to a conversion).

TERRITORY RESERVED FOR MAP DESIGNATION

New division of the territory

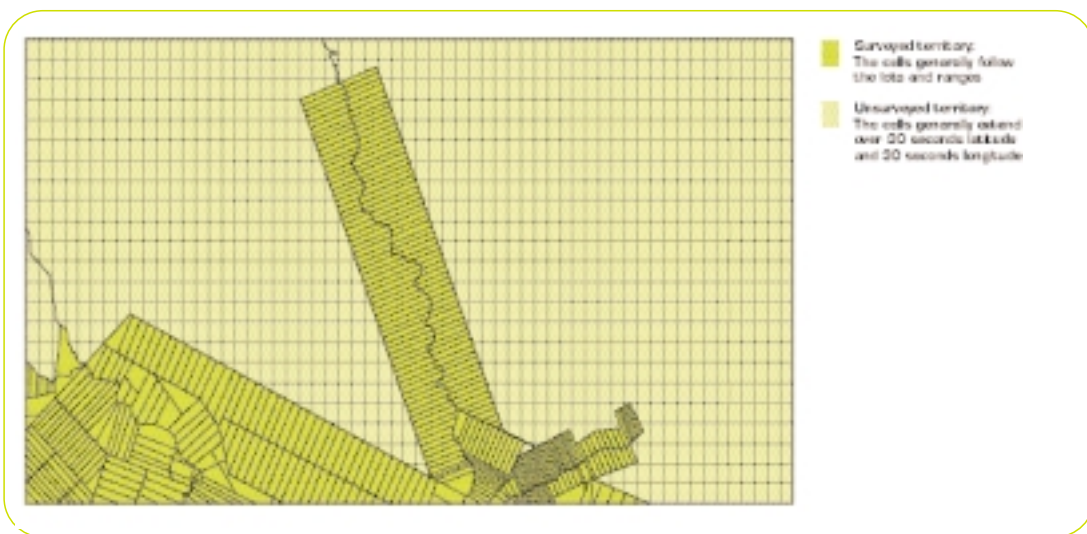
The new division takes effect on November 22nd, 2000 and covers Québec's entire territory, with the exception of territories reserved for staking. The limits entered on the new mining title maps are determined by the ministère des Ressources naturelles.

The division will be modified as and when the claims or exploration licences for surface mineral substances will be converted into map designated claims, will be substituted or when these same titles will be relinquished, not renewed or revoked.

Two types of division

On **unsurveyed territory**, the territory is made up of cells, which generally extend over 30 seconds latitude and 30 seconds longitude. The surface area of the cells generally varies between 40 and 61 hectares depending on the latitude.

On **surveyed territory**, the cells generally follow the lots, ranges or mining blocks. The territory can be made up of cells of 30 seconds latitude and 30 seconds longitude in some zones.

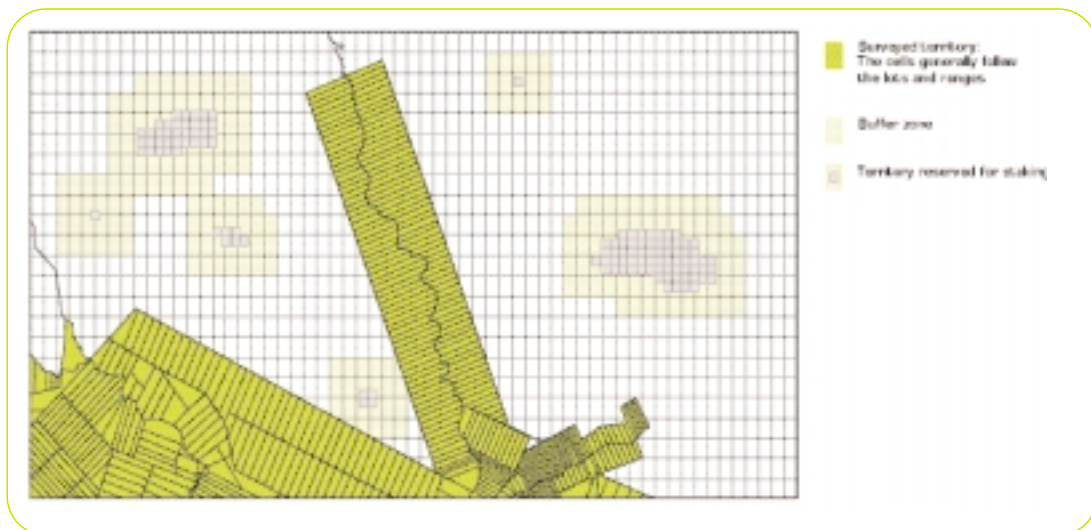


TERRITORY RESERVED FOR STAKING

Staking parks are situated on unsurveyed territory and on Îles-de-la-Madeleine. The limits determined by the ministère des Ressources naturelles are indicated on the new mining title maps.

Buffer zone

The buffer zone surrounds all staked claims on unsurveyed territories. It therefore protects claims located approximately on mining title maps.



REAL AND IMMOVABLE RIGHTS

The deeds conferring real and immovable rights to titles to be converted or substituted, entered in the Public register of real and immovable mining rights can be affected at the time of conversion or substitution, depending on whether the title is situated on surveyed or unsurveyed territory.

On surveyed territory, the deed that has already been registered is automatically registered again in the Public register of real and immovable mining rights with reference to titles converted into map designated claims.

On unsurveyed territory:

- the deed already registered in the Public register of real and immovable mining rights is registered again at the holder's request;

- the creditor must consent to the conversion or the substitution of the mining title against which a real or immovable right is registered;
- the conversion or substitution of a mining right extinguishes all real or immovable rights registered against the property;
- the only effect of the disappearance of the right registered against the mining title referred to in the conversion or substitution is to make it not enforceable against the State;
- even if the right registered against a mining title is extinguished following a conversion or a substitution and is not entered in the register, the creditor retains the right to bring an action for damages against the holder;
- the modified deed is registered at no charge by taking into account the status of the new claim.

AGREEMENT BETWEEN HOLDERS

An agreement between holders is necessary to convert the titles situated on unsurveyed territory and, where applicable, on surveyed territory, in order to take into account the substitution of claims.

On unsurveyed territory, the agreement between holders is required when the lands referred to in the application are adjacent or situated less than 400 metres from another land held by a third party.

On surveyed territory, the agreement between holders is required when the claim referred to in the application for substitution is adjacent to other claims held by a third party.

This agreement must include the geographical coordinates (latitude, longitude) NAD 83 establishing the limit dividing the contiguous lands. The agreement must make it possible to locate the limits of titles that are subject to an application for conversion or substitution and ideally, the limits of contiguous titles or those situated less than 400 metres away.

Limit of the lands

The limit of the lands can be determined by an agreement between holders to the best of their knowledge and located, without it being necessary to do research on the land. However, the limit must reflect reality and cannot be set arbitrarily.

Scope of the agreement

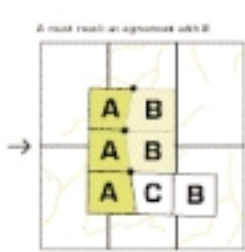
The limit determined by agreement becomes the real limit of the lands. The Ministry enters or modifies this limit on the mining title maps.

Conversion without an agreement

A conversion or substitution may take place without an agreement when the application includes a survey plan situating the limit of the lands or when the location of the titles to be converted or substituted will not cause a dispute between the holders.

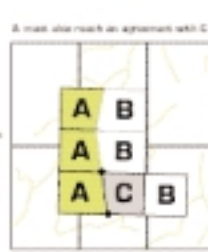
CASE ILLUSTRATING THE CONVERSION OF CLAIMS

Location on claims map
A requests the conversion of his 2 claims.



Location in the field

A must provide the Ministry with the geographical coordinates of the common limit established by the agreement (black dot).



CASE ILLUSTRATING THE CONVERSION OF AN EXPLORATION LICENCE FOR SMS

Location on claims map
A requests the conversion of his exploration licence for SMS.



Location in the field

A must provide the Ministry with the geographical coordinates, making it possible to establish the position of the claims in relation to reference markers for SMS (black dot).



SUPERIMPOSING OF MINING TITLES

The claim and the exploration licence for surface mineral substances (SMS), whose property is also subject to another mining right, can be converted into map designated claims under certain conditions.

When the conversion of a claim on which is superimposed an exploration licence for SMS or a lease to mine SMS, the rights conferred by either of these titles are excluded from the new map designated claim at the time of its registration. This measure could also apply at the time of substitution.

However, at the time of the conversion of an exploration licence for SMS on which a claim or a mining exploration licence (PEM) is superimposed:

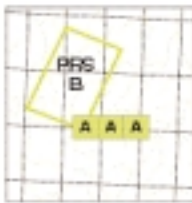
- an exploration licence for SMS cannot be converted if it concerns a land that is also subject to a claim or a PEM but

the holder of the exploration licence for SMS can relinquish his right on the portion of the territory that is also subject to a claim or a PEM, and request the conversion of the remaining territory;

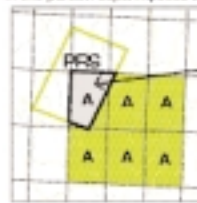
- the holder of the exploration licence for SMS who is also the holder of the claim or the PEM can request that the amount disbursed in excess for work or a portion thereof be applicable to the claim renewal periods or be carried over to subsequent validity years of the PEM;
- on the territory of the exploration licence for SMS which is subject to more than one claim or more than one PEM, the amount disbursed in excess for work or the portion part of this excess is distributed between the claims or the PEMs according to their surface area.

CASE ILLUSTRATING THE CONVERSION OF CLAIMS

Claims for which conversion is requested



Surface mineral substances are excluded from the claims converted in the portion superimposed by the exploration licence for SMS



CASE ILLUSTRATING THE CONVERSION OF A EXPLORATION LICENCE FOR SMS

Exploration licence for SMS for which conversion is requested



Remaining portion that can be converted



The holder of the exploration licence for SMS must relinquish his right on the portion of the territory covered by the claims



Portion to be relinquished

EXPANSION OF THE SURFACE AREA

The surface area and the form of a map designated claim are predetermined by the Ministry. A claim obtained by designation, conversion or substitution must extend over the total surface area of the land when the remaining portion can be designated.

At the time of conversion or substitution, the territory will be expanded if the titles to be converted or to be substituted cover a few or several cells and if the remaining portion can be designated on the map. However, if the remaining portion is situated on a land requiring a prior authorization from the Minister, it will be subject to a special study.

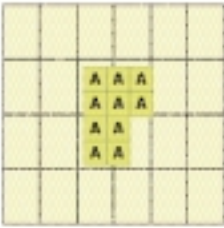
The expansion of the surface area does not affect the amount that must be spent for work done on the claim or on the exploration licence for SMS during the current term.

The surface area cannot be designated when the remaining portion of the cell is:

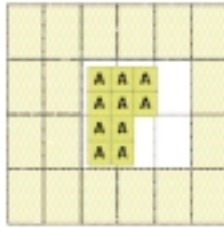
- situated on territory reserved for staking;
- occupied by a non-converted title, the real location of which is unknown;
- occupied by a claim already designated on map;
- occupied by an expired title, whose registration rights have not ended;
- situated on a territory exempted from staking and map designation;
- not contiguous to the title to be converted.

CASE ILLUSTRATING THE CONVERSION OF CLAIMS

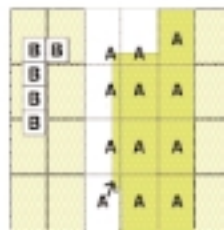
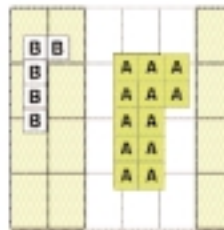
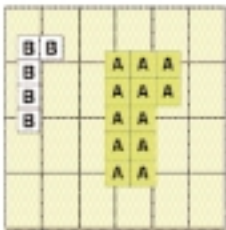
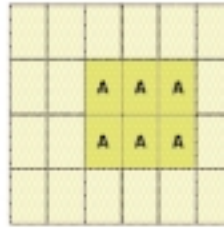
Claims for which conversion is requested



Cells overlapped by the perimeter of the claims to be converted



Potential expansion at the time of the conversion

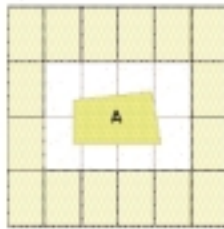


CASE ILLUSTRATING THE CONVERSION OF AN EXPLORATION LICENCE FOR SMS

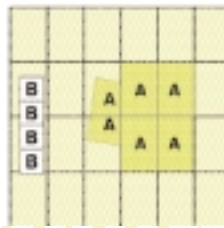
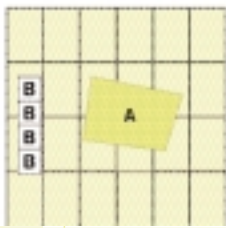
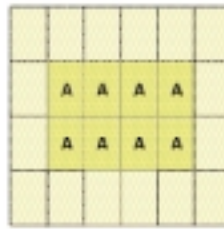
Exploration licence for SMS for which conversion is requested



Cells overlapped by the perimeter of the exploration licence for SMS to be converted



Potential expansion at the time of the conversion



DETERMINING THE EXPIRY DATE

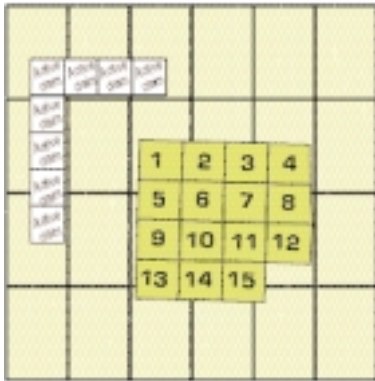
A new expiry date is attributed to converted or substituted claims. This date is determined on the basis of the average expiry date of the claims to be converted.

The determination of the expiry date of converted or substituted claims applies to all titles forming a single perimeter, on the claims situated on unsurveyed lands only. Because the application for conversion cannot include both the staked claim and the exploration licence for SMS, the determination of the expiry date cannot include both titles.

The expiry date of substituted claims is determined according to the same rules as those applied for the conversion of titles situated on unsurveyed territory.

However, it is important to note that the harmonization of expiry dates is a different process which allows the holder to choose to his liking a date for the expiry of his claims. This process takes place upon request, independently of the conversion or the substitution, and entails certain expenses.

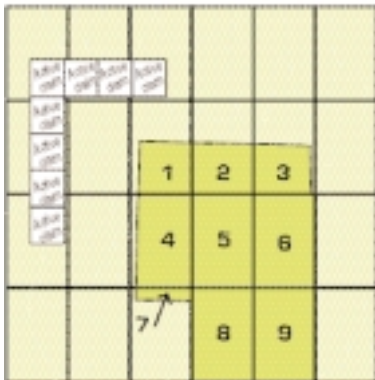
BLOCK OF CLAIMS TO BE CONVERTED



Number of remaining days between the date of conversion and the date of expiration of each of the claims to be converted

Claim	Conversion	Expiry	Remaining days
1	2000-12-05	2002-02-21	444
2	2000-12-05	2002-02-21	444
3	2000-12-05	2002-02-21	444
4	2000-12-05	2002-03-26	477
5	2000-12-05	2002-03-26	477
6	2000-12-05	2002-03-26	477
7	2000-12-05	2001-01-08	35
8	2000-12-05	2001-01-08	35
9	2000-12-05	2001-01-08	35
10	2000-12-05	2001-12-20	381
11	2000-12-05	2001-12-20	381
12	2000-12-05	2001-12-20	381
13	2000-12-05	2001-07-06	214
14	2000-12-05	2001-07-06	214
15	2000-12-05	2001-07-06	214
Total			4,653

CLAIMS DESIGNATED AFTER CONVERSION



Total number of remaining days = 4,653 days

$$\frac{4,653 \text{ days}}{15 \text{ claims}} = 310.2 = 311 \text{ days}$$

New expiry date: 2000-12-05 + 311 days = 2001-10-11

Claim	Expiry
1	2001-10-11
2	2001-10-11
3	2001-10-11
4	2001-10-11
5	2001-10-11
6	2001-10-11
7	2001-10-11
8	2001-10-11
9	2001-10-11

NUMBER OF TERMS

The number of terms is determined to establish the minimum cost of work required to renew new map designated claims resulting from conversion.

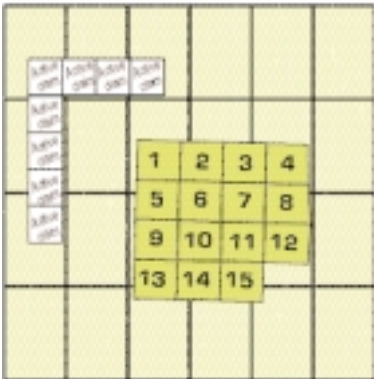
The number of terms of the converted claims corresponds to the average term of the claims or of the exploration licences for SMS to be converted. It excludes the periods during which the claims or the exploration licences for SMS have been suspended.

The number of terms is determined for a serie of contiguous titles forming a single perimeter, the exploration licences for SMS and

the claims situated on unsurveyed territory. Because the application for conversion cannot include both the staked claim and the exploration licence for SMS, the calculation of the number of terms cannot include both titles.

The number of terms of the substituted claims is determined according to the same rules as those applied for the conversion of titles situated on unsurveyed territory. However, in those cases where the application for substitution is presented before November 22nd, 2002, the new claim obtained will beconsidered as being in its first term.

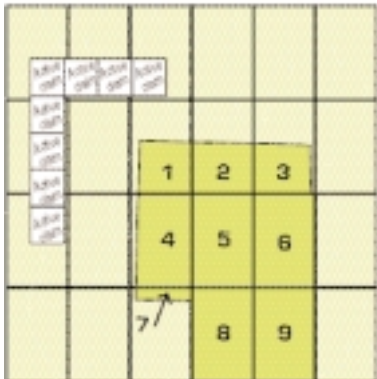
BLOCK OF CLAIMS TO BE CONVERTED



Number of days elapsed between the date of registration and the date of conversion of each of the claims to be converted

Claim	Registration	Conversion	Days elapsed
1	1990-02-22	2000-12-05	3,939
2	1990-02-22	2000-12-05	3,939
3	1990-02-22	2000-12-05	3,939
4	1994-03-27	2000-12-05	2,445
5	1994-03-27	2000-12-05	2,445
6	1994-03-27	2000-12-05	2,445
7	1999-01-09	2000-12-05	696
8	1999-01-09	2000-12-05	696
9	1999-01-09	2000-12-05	696
10	1989-12-21	2000-12-05	4,002
11	1989-12-21	2000-12-05	4,002
12	1989-12-21	2000-12-05	4,002
13	1991-07-07	2000-12-05	3,439
14	1991-07-07	2000-12-05	3,439
15	1991-07-07	2000-12-05	3,439
Total			43,563

CLAIMS DESIGNATED AFTER CONVERSION



Total number of days elapsed = 43,563 days

$$\frac{43,563 \text{ days}}{15 \text{ claims}} = 2,904.2 \quad \frac{2,904.20}{730.5} = 3.98 = 4$$

Claim	Term
1	4
2	4
3	4
4	4
5	4
6	4
7	4
8	4
9	4

DISTRIBUTION OF EXCESS WORK

The amount disbursed in excess for work carried out is apportioned among all the converted or substituted titles, in proportion to their surface area.

However, the holder may require that the apportionment be established on the basis of the real location where the work was performed.

The distribution of excess work applies to a title or to a serie of contiguous titles forming a single perimeter, to the claims to be converted situated on unsurveyed land, to the claims to be substituted, and to the exploration licences for SMS. Because the application for conversion cannot include both the staked claim and the exploration licence for SMS, the distribution of excess work cannot include both titles.

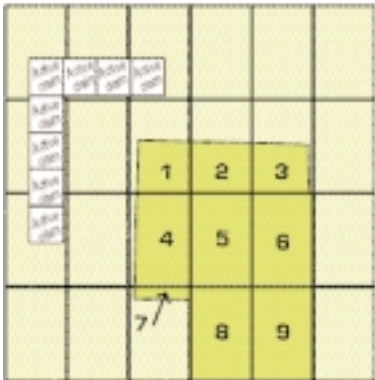
BLOCK OF CLAIMS TO BE CONVERTED



Work credits on each of the claims to be converted

Claim	Work credit (\$)
1	4,000
2	3,925
3	3,885
4	3,025
5	3,435
6	3,500
7	3,000
8	2,825
9	2,800
10	3,545
11	4,000
12	3,525
13	3,975
14	3,900
15	3,275
Total	52,615

CLAIMS DESIGNATED AFTER CONVERSION



Total work credits = \$52,615

Total surface area of converted claims = 351.7 hectares

Surface area of claim 1 = 23.7 hectares

$$\text{Credit} = \frac{52,615 \times 23.7 \text{ ha}}{351.7 \text{ ha}} = 3,545.57$$

Claim	Surface area (ha)	Credit distributed (\$)
1	23.7	3,545.57
2	30.1	4,503.02
3	27	4,039.25
4	44	6,582.49
5	55.3	8,272.99
6	55.3	8,272.99
7	5.7	852.73
8	55.3	8,272.99
9	55.3	8,272.99
Total	351.7	52,615

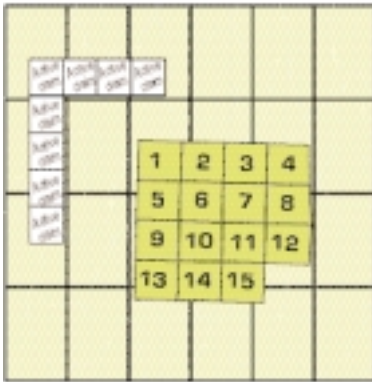
CALCULATION OF WORK REQUIREMENTS

The minimum cost of work required to renew titles to be converted or substituted for the current term is applicable to new claims and must be respected at the time of the first renewal following conversion or substitution. An increase or a reduction of the surface area does not affect the work required for the current term.

This calculation is made by redistributing the minimum cost of work to be done on the titles to be converted or substituted, in proportion to the surface area of the new converted claims.

The calculation of this cost applies to a title or to a serie of contiguous titles forming a single perimeter, to the claims to be converted situated on unsurveyed territory, to the claims to be substituted, and to the exploration licences for SMS. Because the application for conversion cannot include both the staked claim and the exploration licence for SMS, the calculation of the required work cannot include both titles.

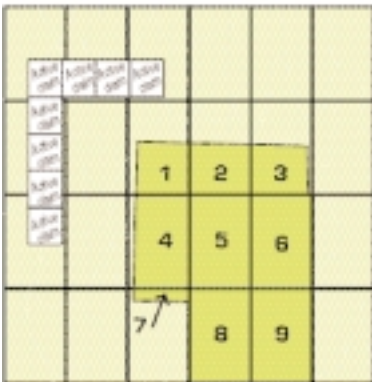
BLOCK OF CLAIMS TO BE CONVERTED



Amount of work required for the renewal of each claim to be converted

Claim	Term	Work required (\$)
1	5	750
2	5	750
3	5	750
4	3	500
5	3	500
6	3	500
7	1	500
8	1	500
9	1	500
10	5	750
11	5	750
12	5	750
13	3	500
14	3	500
15	3	500
Total		9,000

CLAIMS DESIGNATED AFTER CONVERSION



Total amount of work required = \$9,000

Total surface area of converted claims = 351.7 hectares

Surface area of claim 1 = 23.7 hectares

$$\text{Requirement for claim 1} = \frac{9,000 \times 23.7 \text{ ha}}{351.7 \text{ ha}} = \$606.48$$

Claim	Surface area (ha)	Amount distributed (\$)
1	23.7	606.48
2	30.1	770.26
3	27	690.93
4	44	1,125.96
5	55.3	1,415.13
6	55.3	1,415.13
7	5.7	145.86
8	55.3	1,415.13
9	55.3	1,415.13
Total	351.7	9,000

FORMS

Here is the list of forms available regarding applications for conversion and substitution:

- Application for conversion of mining rights into map designated claims
- Application for substitution of designated claims

- Agreement between holders of mining rights on the limits of titles to be converted or substituted
- Real and immovable rights registered against mining rights to be converted or substituted.

These forms are available at the office of the registrar, at the regional offices of the ministère des Ressources naturelles or on the Ministry's web site at the following address:

www.mrn.gouv.qc.ca

Regional offices

Bas-Saint-Laurent–Gaspésie–Les îles

124, 1^{re} Avenue Ouest
C.P. 697
Sainte-Anne-des-Monts (Québec)
G0E 2G0
Telephone: (418) 763-3622
Fax: (418) 763-2958
serge.lachance@mrn.gouv.qc.ca

Chibougamau

375, 3^e Rue, bureau 2
Chibougamau (Québec)
G8P 1N4
Telephone: (418) 748-2663
Fax: (418) 748-6061
patrick.houle@mrn.gouv.qc.ca

Côte-Nord et Nouveau-Québec

456, rue Arnaud, bureau 1.04
Sept-Îles (Québec)
G4R 3B1
Telephone: (418) 964-8300
Fax: (418) 964-8506
abdelali.moukhsil@mrn.gouv.qc.ca

Montréal-Laurentides

Complexe FTQ
545, boul. Crémazie Est, 11^e étage
Montréal (Québec)
H2M 2V1
Telephone: (514) 873-8814
Fax: (514) 873-8983
serge.perreault@mrn.gouv.qc.ca

Rouyn-Noranda

82, boul. Québec
Rouyn-Noranda (Québec)
J9X 6R1
Telephone: (819) 763-3748
Fax: (819) 763-3798
pierre.doucet@mrn.gouv.qc.ca

Val-d'Or

400, boul. Lamaque, bureau 1.02
Val-d'Or (Québec)
J9P 3L4
Telephone: (819) 354-4735
Fax: (819) 354-4558
james.moorheadt@mrn.gouv.qc.ca

Main office

Direction du développement minéral
5700, 4^e Avenue Ouest, C408
Charlesbourg (Québec)
G1H 6R1
Telephone: (418) 627-6274
Toll free: 1-800-363-7233
Fax: (418) 643-9297
drtm_site@mrn.gouv.qc.ca