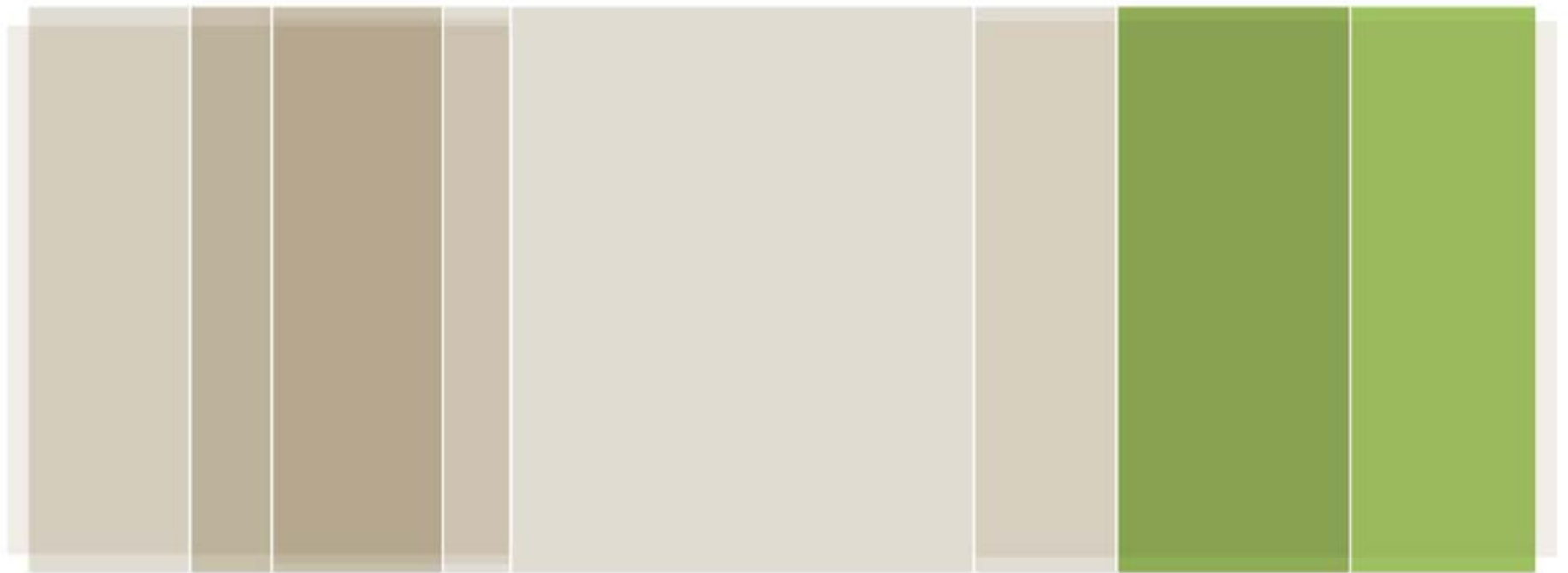

Profit from the Mining Sector's Strength



Profit from the Mining Sector's Strength

- A major tool for economic development
- Large and diversified mining potential
- Profit from the mining sector's strength to develop Québec's territory
- A new royalty regime that maximizes financial and economic spin-offs (jobs, investments)

Portrait of Québec's Mining Sector

The Mining Sector is Highly Structuring

- A sector that is important for the development of our territory:
 - A driving force for employment in the regions and throughout Québec
 - Many villages, cities and regions have grown thanks to the mining sector
- Québec has developed leading expertise (equipment makers, engineering, etc.)
 - Recognized Québec know-how
- Has a ripple effect on processing operations

Almost 35 000 jobs including 18 000 direct jobs

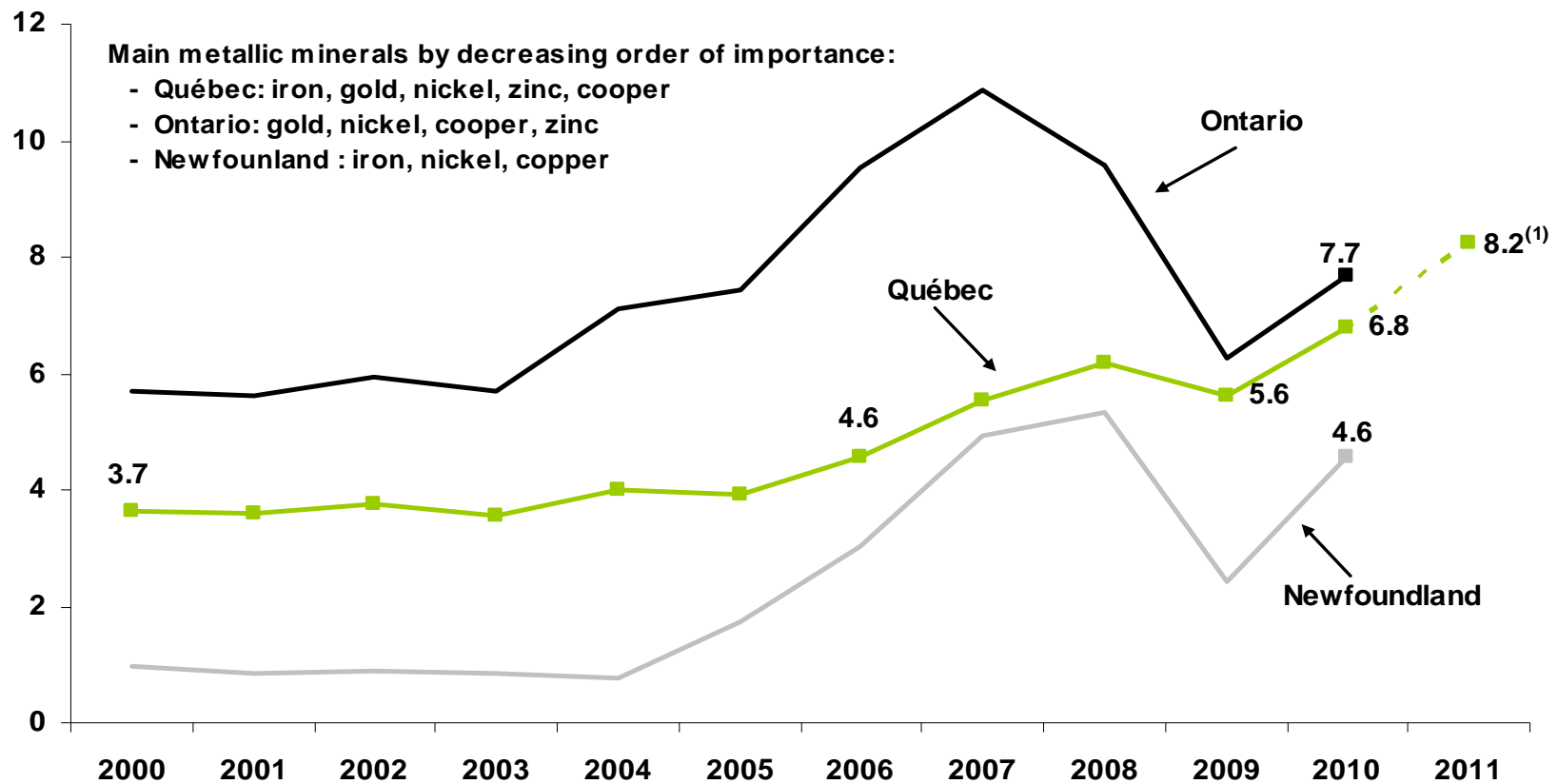
Significant Mineral Potential

- Significant and recognized mineral potential
 - iron, gold, zinc, nickel, copper, diamonds and rare earths
- The mineral resources potential of Northern Québec is still little-known
 - To date, less than half the mining potential has been inventoried

Production up 78% since 2006

Mineral production¹

(billions of dollars)



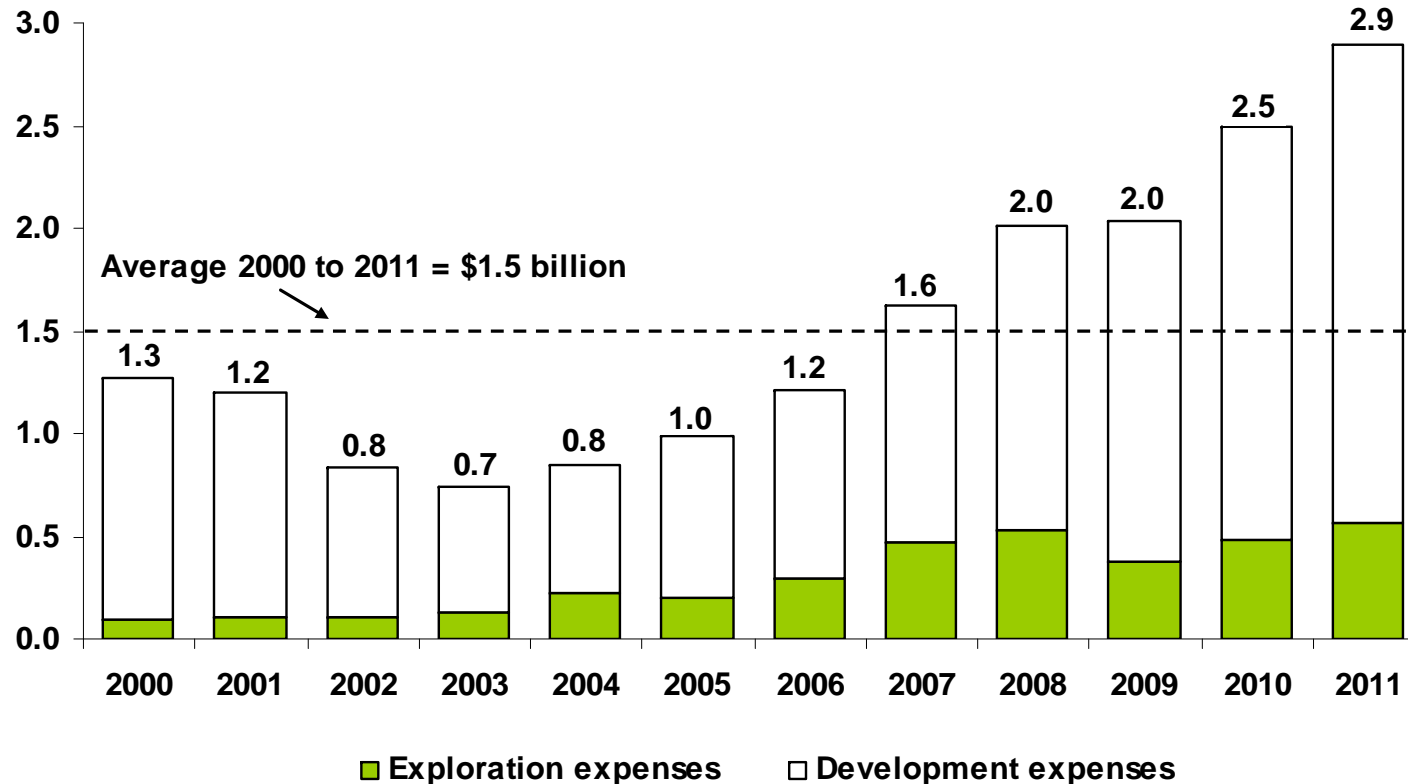
¹ 2011: forecast of the Institut de la statistique du Québec.

Sources: Natural Resources Canada and Institut de la statistique du Québec.

Mining Investments Up Sharply

Investments in Québec

(billions of dollars)



Plan Nord: 11 new projects totalling \$8 billion of investment

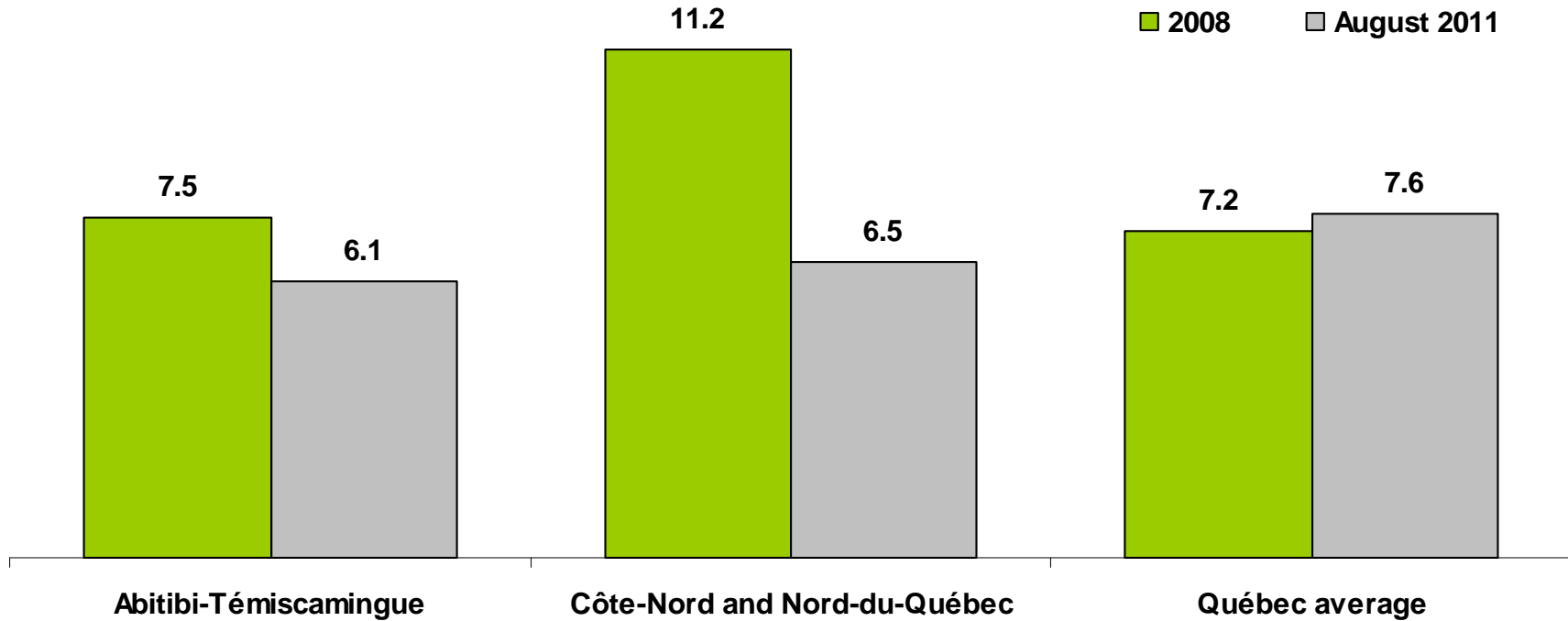
Source: Institut de la statistique du Québec

A Major Impact on Québec's Economy

- Investments made and growth in production will have a significant impact on Québec's economy
- By 2015:
 - An additional contribution equivalent to 1.3% of Québec's GDP
 - 10% of annual economic growth

The Mining Sector: An Major Employer in the Regions

Unemployment rate – 2008 and August 2011



Source: Statistics Canada

Mining Sector Development: Strengths and Challenges

- Many strengths:
 - Skilled labour, world-class expertise, economic and political stability, excellent mineral potential, clean, renewable energy competitive priced
- Challenges:
 - Geographically remote, higher production and transportation costs, difficult access to resources (underground mines)

The New Mining Regime: Maximize Spin-offs

New Mining Regime

- Built bearing in mind:
 - conditions in Québec
 - the Canadian context
 - the global framework
- Maximize mining royalties
- Maximize economic spin-offs for Québec

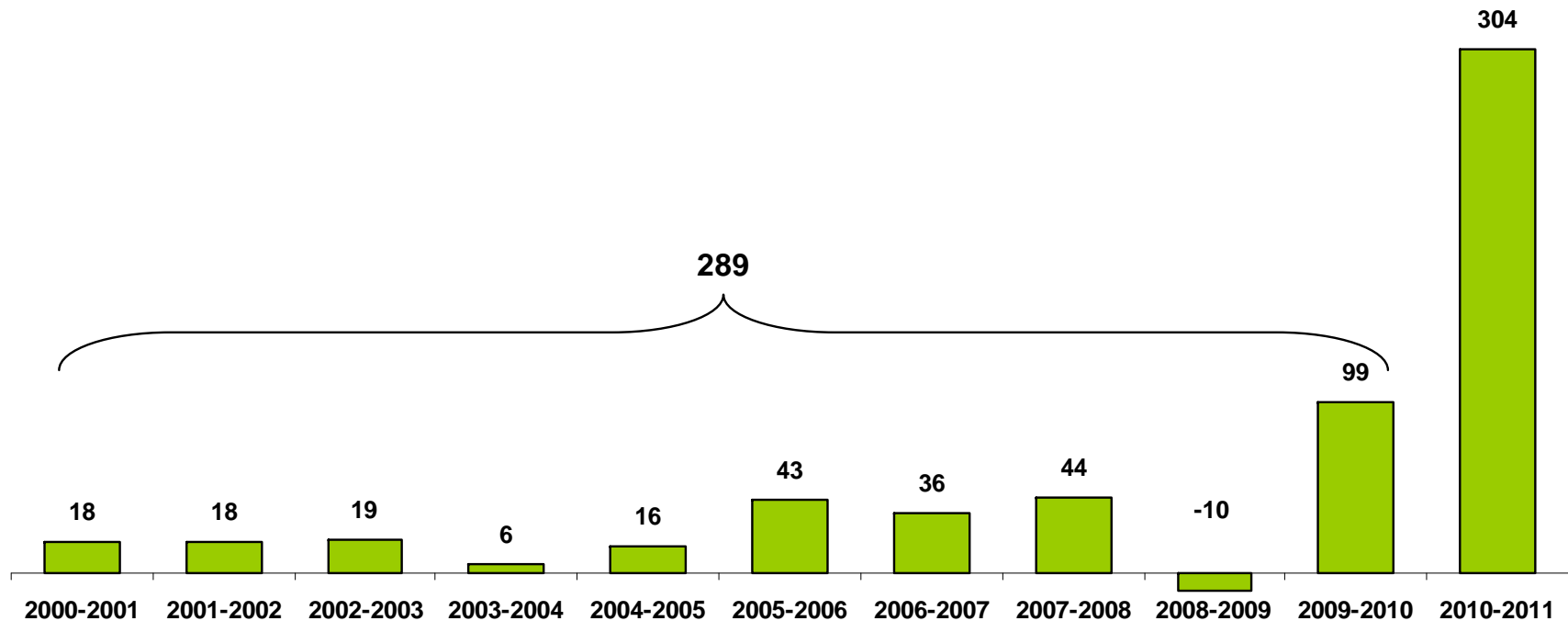
A More Demanding Regime ...

- Now applies on a mine-by-mine basis
 - Losses of one mine can no longer be applied against the profits of another mine
- Incentives and deductions eliminated or reduced
- The rate rises gradually from 12% to 16% as of January 1, 2012

...That Is Producing Results: \$304 Million in 2010-2011, more than the Total of the Last 10 Years

Mining Royalties in Québec

(millions of dollars)



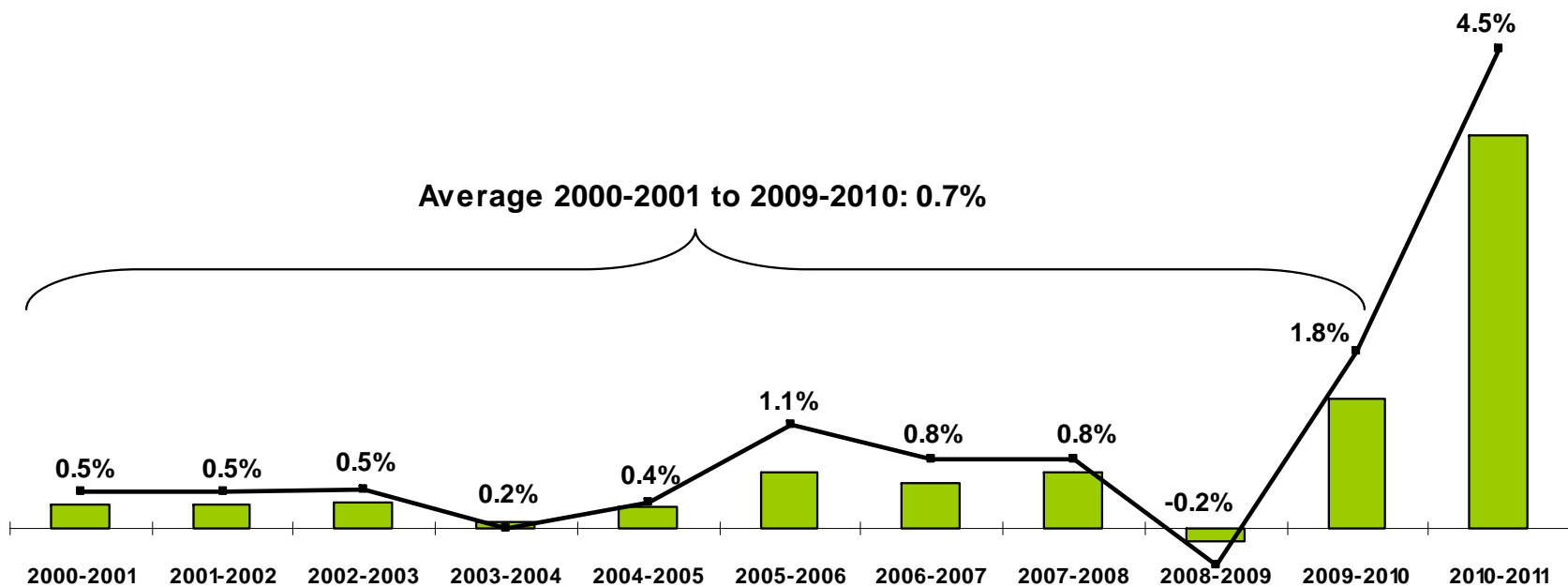
Sources: Québec Public Accounts and Ministère des Finances.

...the Equivalent of an Average of 4.5% of the Gross Value of Production

Mining Royalties in Québec

(as a percentage of the gross value of production)

Before reform

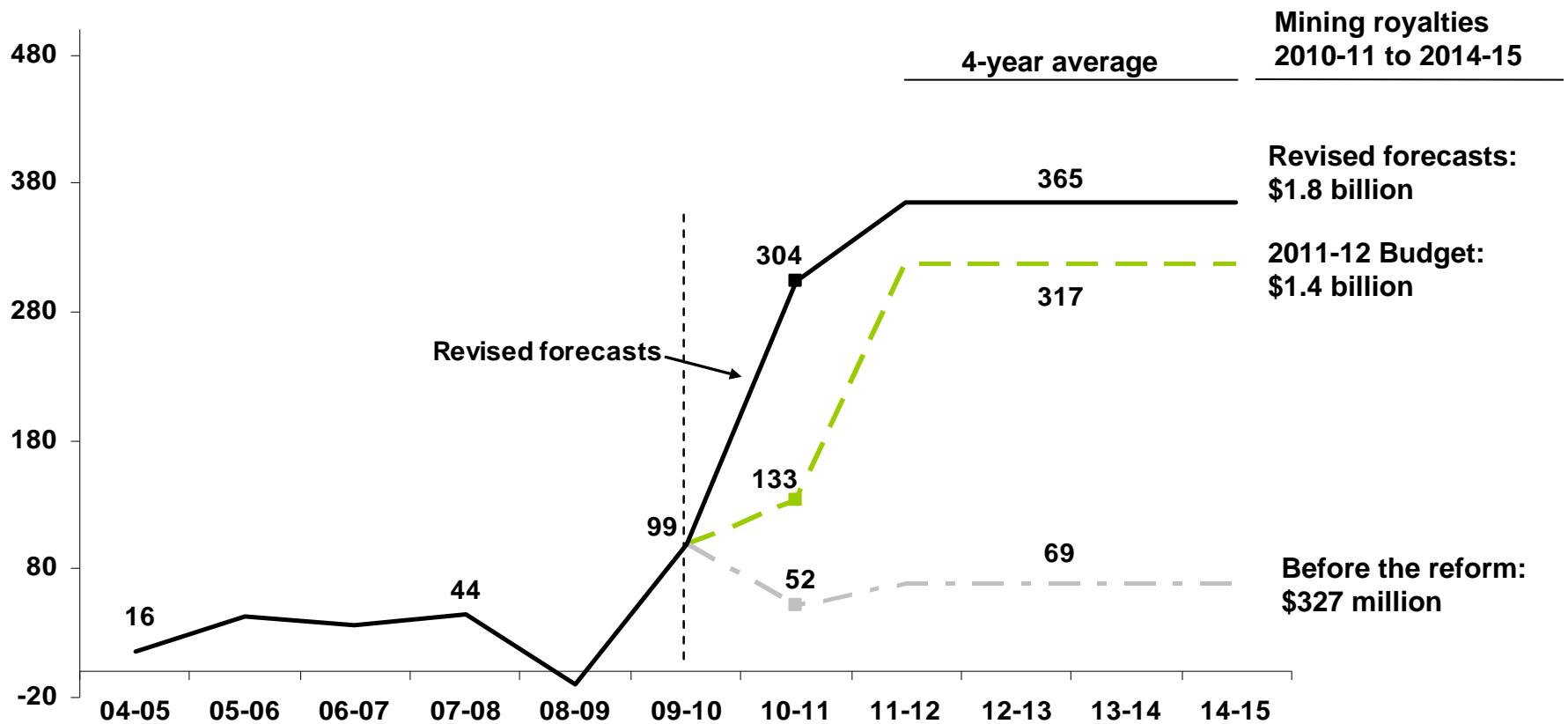


Sources : Québec Public Accounts and Ministère des Finances.

Mining Royalties: \$327 Million to \$1.8 Billion from 2010-2011 to 2014-2015

Mining Royalties in Québec

(millions of dollars)



The Mining Sector: Beyond Royalties

- In 2008, 34 021 jobs and almost \$3.9 billion in GDP
- In 2010, total estimated tax revenues (from the sector and its suppliers) of \$617 million

Tax revenues from mining activities in Québec

(millions of dollars)

	2010	2010 to 2014
Mining royalties	304	1 764
Tax revenues		
Direct	303	1 960
Indirect	151	1 027
<i>Subtotal</i>	<i>453</i>	<i>2 987</i>
Subtotal - Tax revenues and mining royalties	757	4 751
Tax assistance for exploration ¹	-140	-535
Total	617	4 216

¹ Excluding the cost of measures relating to flow-through shares for individuals (\$25 million in 2010).

Note: Figures may not add up to the totals shown because of rounding.

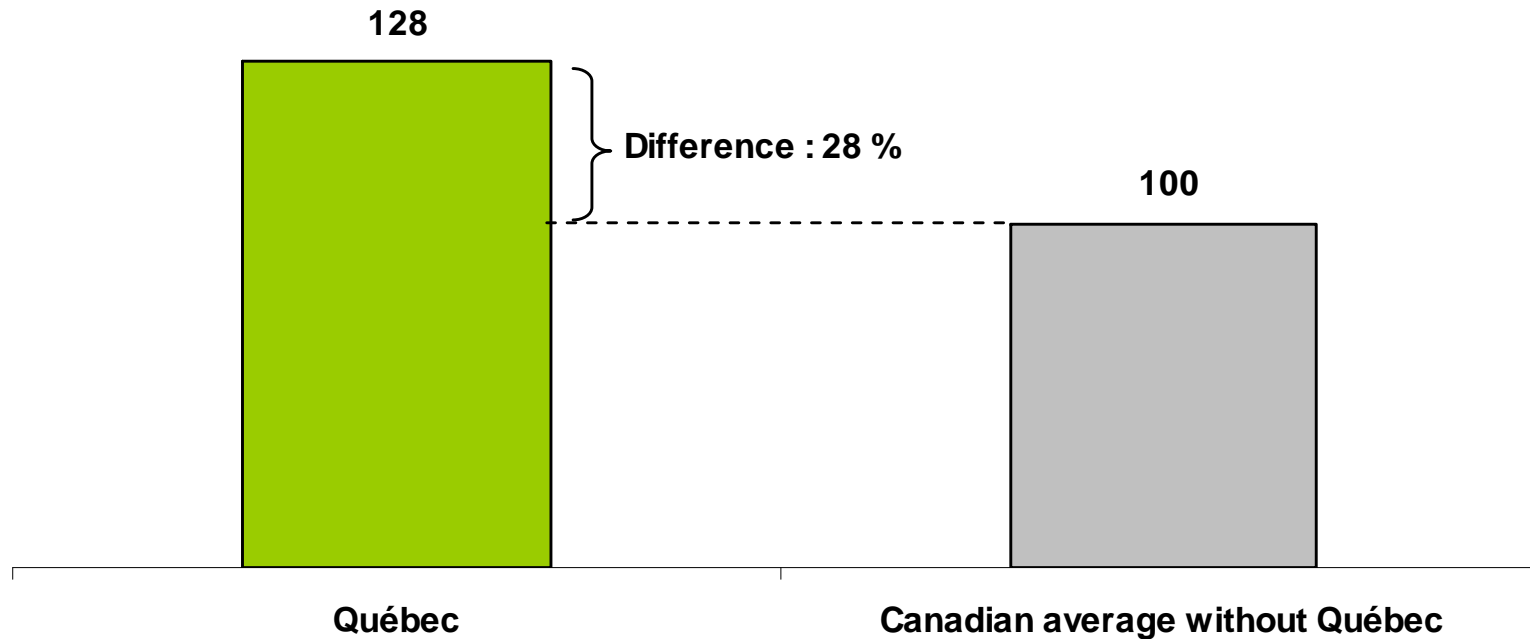
Independent Studies Confirm That Québec is Obtaining Its Fair Share

- PricewaterhouseCoopers (PwC), April 2011
- Natural Resources Canada (NRC), June 2011

Study by Natural Resources Canada: Royalties 28% Higher¹ than the Canadian Average

Comparison of mining royalties – Québec and Canadian average, 2011

(Canadian average without Québec = 100)

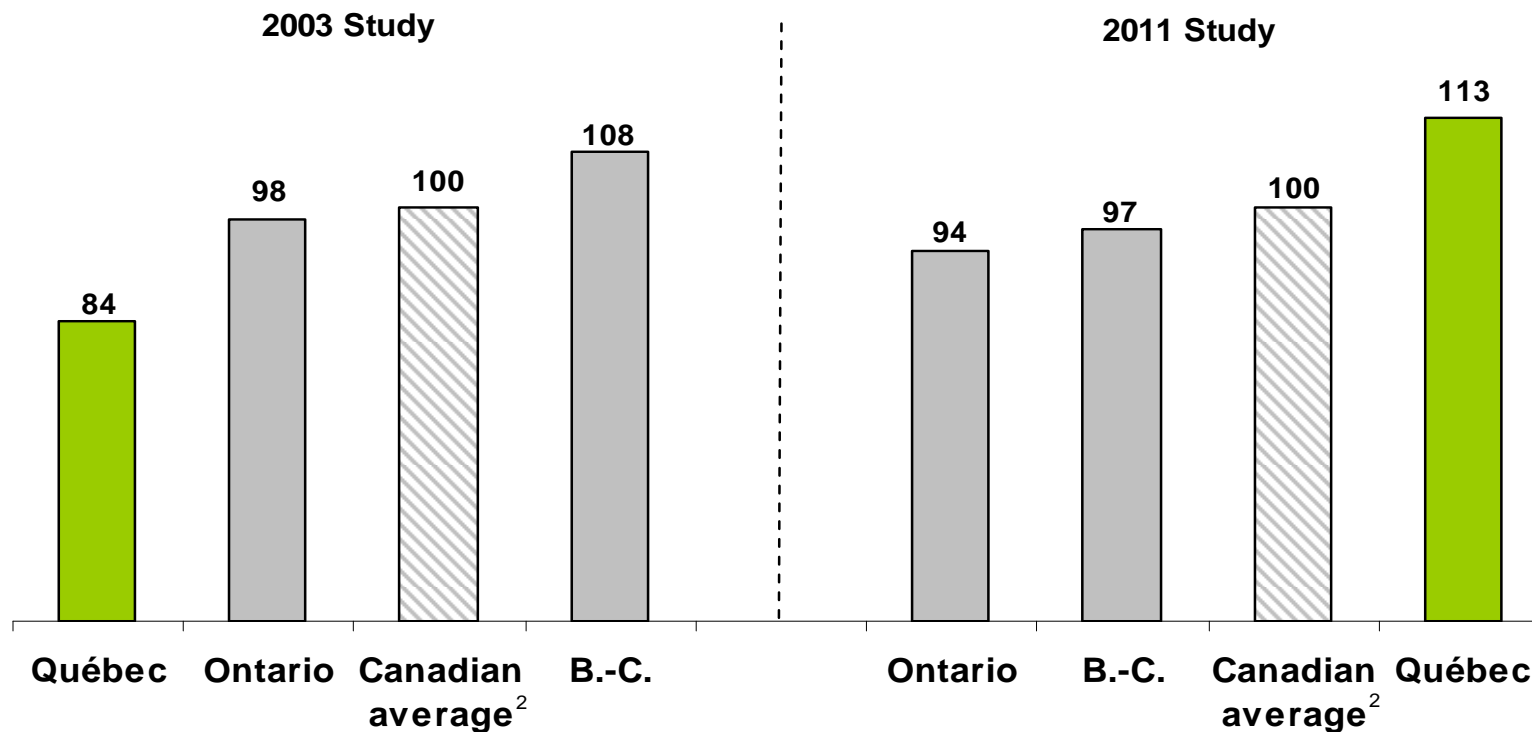


(1) Mining royalties payable for a typical project.
Source: Natural Resources Canada.

Study by Natural Resources Canada: Tax Burden* Higher than the Canadian Average

Index of mining tax competitiveness¹

(Canadian average without Québec = 100)



1 The competitiveness index reflects provincial and federal tax and mining royalties payable for a typical mining project.

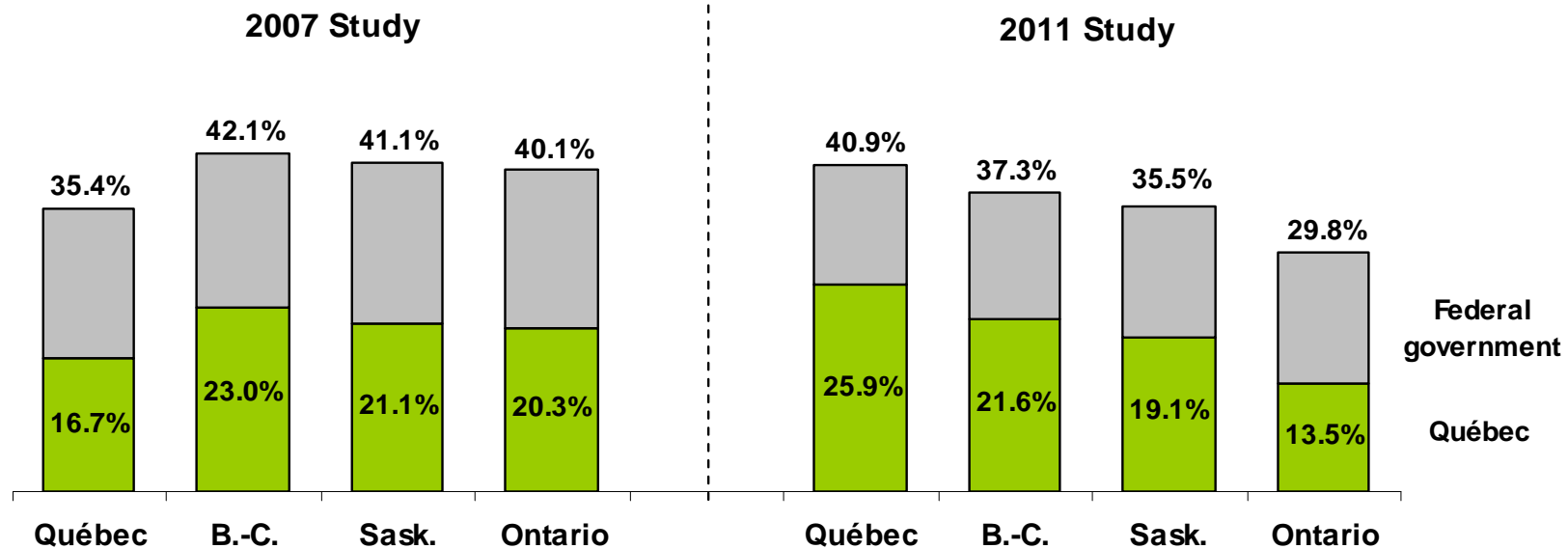
2 The Canadian average excludes Québec.

Source : Compilation by the MFQ based on data from Natural Resources Canada.

* The tax burden includes federal and provincial income tax and mining royalties payable for a typical project.

Study by PwC: In Québec, 40.9% of Profits Collected by Governments

Tax burden on an investment in a typical gold mine
(as a percentage of profits)



The highest mining tax burden of the major producing provinces

Royalty Rates: Since 2003, Only Québec Has Raised Its Rate

Mining royalty rates, Canadian provinces – 2003 and 2012

	Mining royalty rates		<i>Difference between Québec and other provinces</i>
	2003	2012	
Québec	12%	16%	-
Manitoba	18%	10-17%	-1%
Newfoundland and Labrador ¹	16%	16%	0%
British Columbia	13%	13%	+3%
Northwest Territories	13%	13%	+3%
Nunavut	13%	13%	+3%
Yukon	13%	12%	+4%
Ontario	12%	10%	+6%

¹ The 16% rate for Newfoundland and Labrador is an effective rate. The applicable rates are 15% on 80% of taxable income and 20% on the remaining taxable income.

Source: Natural Resources Canada information bulletin, June 2011.

Our Real Competitors: Ontario and Labrador

Mineral production - 2010

(millions of dollars)

Ore	Québec	Ontario	Newfoundland and Labrador
Gold	1 019	2 028	7
Nickel	633	1 143	910
Zinc	452	185	42
Copper	184	1 147	357
Iron and other ores	4 482	3 189	3 268
Total	6 770	7 692	4 584

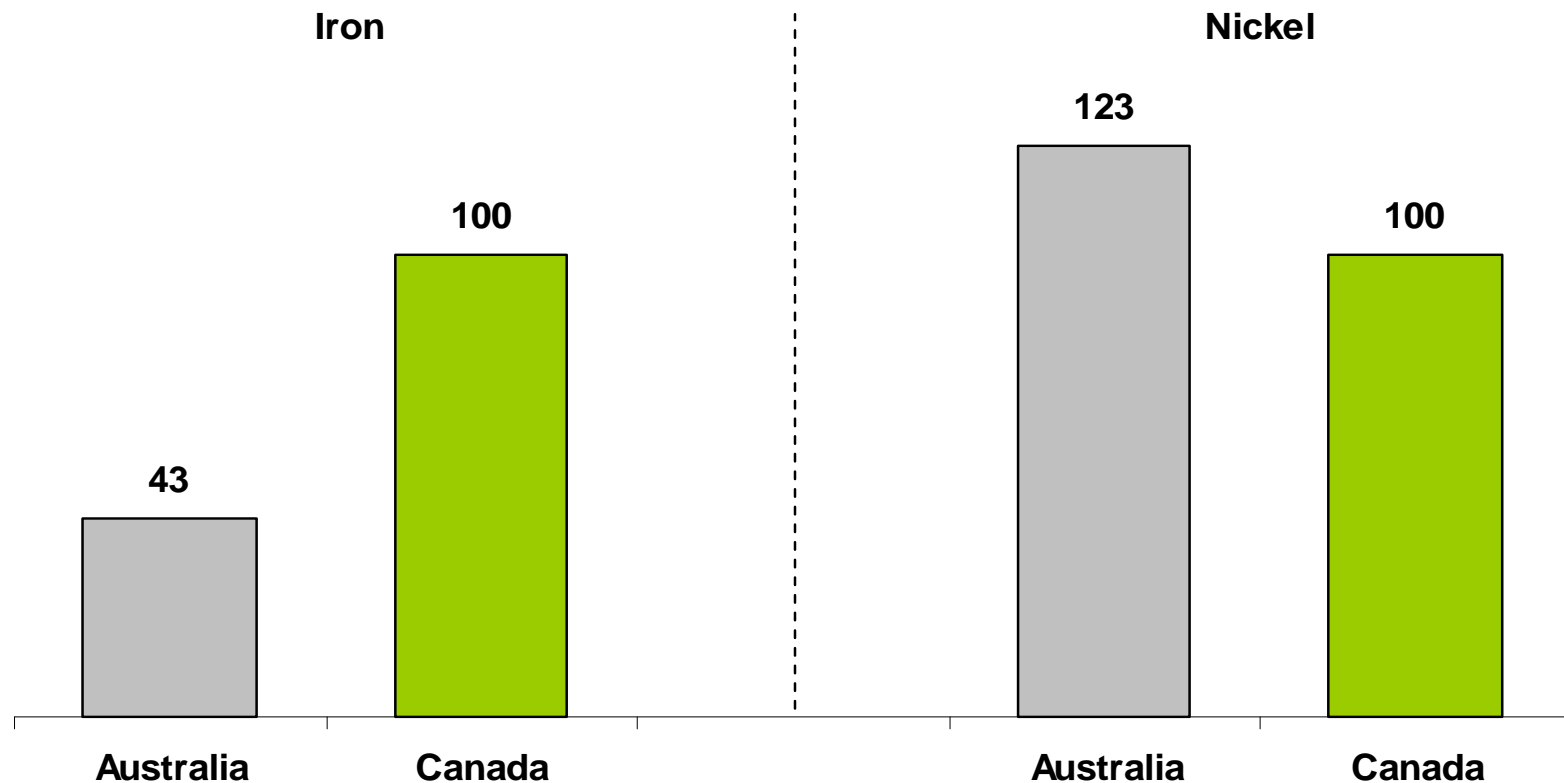
Source: Natural Resources Canada

A Regime Based on Profits or on the Value of Production?

Each Country Is Different. Each Ore Is Different.

Comparison of production costs – 2009

(Canada = 100)

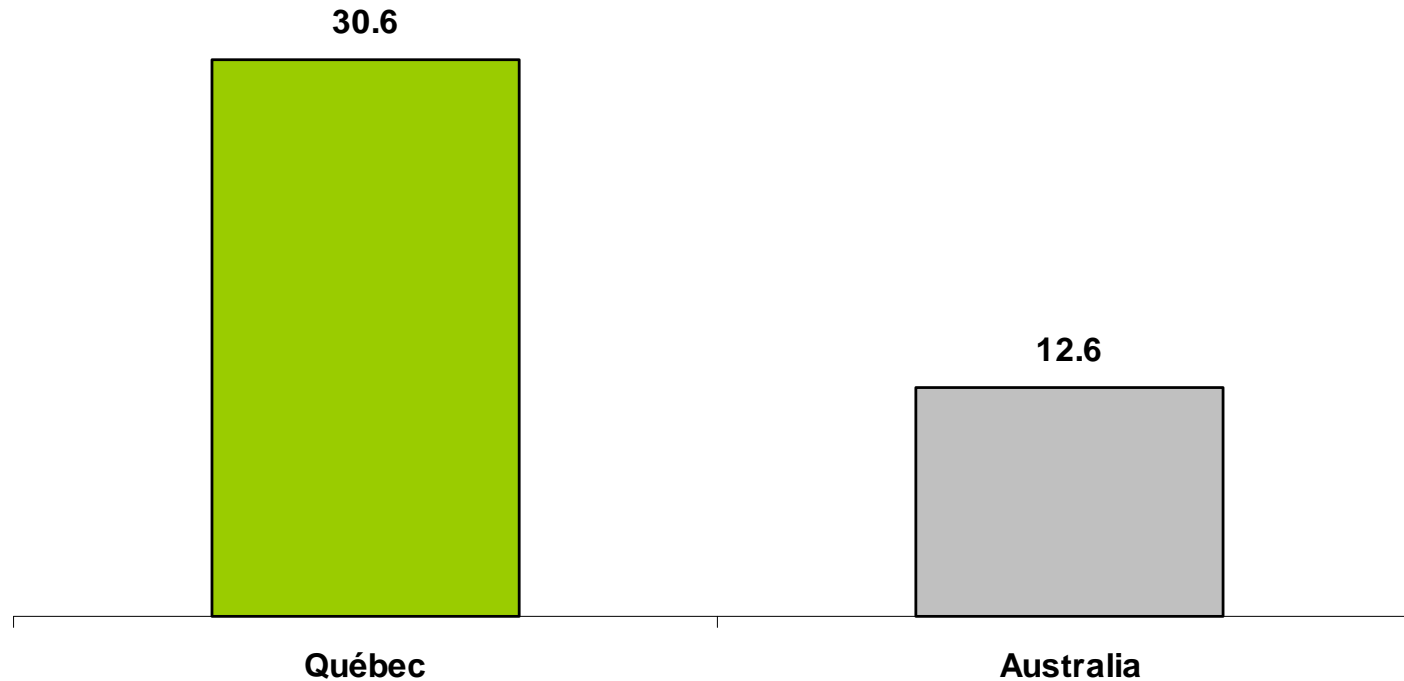


Source : The AME Group.

Transportation Costs in Québec are 2.5 Times Higher than in Australia

Cost of transporting one tonne of iron to China – 2009

(in \$US per ton)



Source : The AME Group

Australia: A Proposed Federal Regime on Profits

- New proposed federal royalties regime **based on profits** (Mineral Resource Rent Tax)
 - **Effective mining royalties rate of 22.5% (30% - 7.5%)**
 - Deduction of royalties levied by states and territories
 - Imposed on the basis of the corporation rather than on a mine-by-mine basis
 - Only on profits in excess of \$50 million
 - Rate rises gradually for profits between \$50 million and \$100 million
 - Iron and coal only

According to the World Bank¹

- A regime based on profits rather than on gross value of production:
 - Is better able to capture rises in the price of resources
 - Can adapt to costs incurred and development cycles
 - Takes the specific features of each project into account
 - Increases royalties on the basis of rises in prices or volumes extracted

¹ World Bank, Otto and coll. *Mining Royalties, A Global Study of Their Impact on Investors, Government, and Civil Society*, 2006

Conclusion

A Regime That Has Positive Impact on Employment and Revenue

- Revenues from mining development are rising
 - Part of the revenues will be paid into the Generations Fund to repay the debt
- The international situation is favourable for the mining sector
 - Québec is in a good position to attract investments
 - Investment and production intentions are high
- Let us capitalize on the sector to accelerate the development of Québec and its regions
 - In keeping with the principles of sustainable development

Profit from the Mining Sector's Strength

