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Stimulate Mining Investment

A New Mining Tax System Fair for All

Québec, May 6, 2013 — The Minister of Finance and the Economy, Nicolas Marceau, and the Minister of Natural Resources, Martine Ouellet, today unveiled Québec's new mining tax regime. "The government's ambition is to make Québec one of the most prosperous places in the world by relying as a priority on private investment. Such prosperity must benefit all Quebecers. It is in this context that we are unveiling Québec's new mining tax regime," Minister Marceau said.

Quebecers must benefit more extensively from mining operations

"Quebecers were justifiably dissatisfied with the Liberal regime because some mining corporations could continue developing natural resources over a long period without paying a penny in royalties. In addition, when large profits were earned because of a sudden rise in prices, the share of profits paid in royalties did not budge. We are introducing a royalties regime that is fair for Quebecers and ensures that mining investment projects will be carried out," the Minister of Finance said.

All mining corporations must pay royalties

The Ministers pointed out that the government is introducing two major initiatives in the mining tax regime. Henceforth, all mining operations will be required to pay a minimum mining tax, which was not the case previously.

From now on, all mine operators active in Québec will have to pay a mining tax applied to the value of the ore at the mine shaft head. To take the situation of smaller operations into account and make it easier to start a mining project, the royalty rate will be set at 1% for the first \$80 million of ore extracted. For the excess, the rate will be 4% of the value of ore extracted.

Quebecers will also benefit from high mining profits

Another major initiative is that, where a mining operation generates large profits, the new regime stipulates that the mining corporation will pay a greater mining tax.

Each year, mining corporations will be required to pay the greater of two amounts, i.e. the minimum mining tax or the mining tax on profits.

This new regime will come into force as of January 1, 2014. From now until 2020, the government expects revenue to rise by between \$73 and \$200 million per year, including \$50 million for fiscal 2015. The additional yield will vary depending on resource prices on world markets and mining operation profits. "We estimate that over twelve years, total additional revenues collected for the benefit of Quebecers will range between \$770 million and \$1.8 billion. This is a marked improvement compared to the status quo. Accordingly, had the new regime applied from 2000 to 2011, the government would have received \$559 million more in mining tax than what was collected during that period, i.e. 55% more," Minister Marceau noted.

More processing jobs

"The new mining tax regime stipulates a major additional incentive to increase processing in Québec. The existing processing allowance can reduce mining profit by granting a return on processing assets. This allowance acknowledges the value-added brought by processing. To further stimulate processing of ore in Québec, the government is enhancing this allowance," he stated.

When the mine operator carries out processing activities in Québec, the rate applicable on eligible assets in Québec will rise by seven percentage points, from 13% to 20%. In addition, the maximum processing allowance will rise from 55% to 75% of the annual earnings from the mine.

"Quebecers want more jobs in processing our mining resources. We have heard them. Accordingly, the Québec government is taking concrete steps to encourage corporations to process ore here, so as to create a maximum of well-paid jobs for Quebecers:

- there will be measures to create more processing jobs in the upcoming *Mining Act*;
- the 10-year tax holiday for large investment projects;
- the possibility that the government may take an equity stake in projects that involve processing, through the \$750-million Capital Mines Hydrocarbures fund;
- and Hydro-Québec's very competitive electricity rates.

We believe that with this basket of measures, more Québec ore will be processed here, both in terms of non-traditional metals, like lithium and rare earths, and traditional ore like iron and nickel.

What we want is a maximum of structuring and well-paid jobs to be created for Quebecers in every region,” Minister Martine Ouellet said.

More responsible development of mining resources

“The government wants Québec to develop its mining potential in a spirit of respect for the environment. It is ensuring that no mine site will be abandoned. The financial guarantee provided by mining corporations will cover 100% of the cost of restoring the mines that they operate. Moreover, a mining lease may not be issued unless the corporation has obtained the environmental authorizations,” Minister Martine Ouellet indicated.

Through the Fonds du développement nordique, \$10 million will be invested over five years for the Ministère du Développement durable, de l’Environnement, de la Faune et des Parcs to expeditiously and rigorously process environmental authorization applications for development projects.

A more transparent regime

Minister Martine Ouellet reiterated that it is essential that Quebecers be able to ascertain the benefits they derive from mining activities. She mentioned that the future Mining Act will include provisions concerning information disclosure. This will enable Quebecers to know how much each operator pays in royalties and have access to information on the tonnage extracted.

All these actions are designed to benefit the public as a whole and offer future generations excellent conditions for prosperity. “While, on the one hand, there will be very attractive jobs, it must be emphasized, on the other hand, that the new revenue collected under the mining tax regime will be allocated to debt repayment. That will reduce our debt load. The government, after analysis and consultation, has struck a balance: **a new mining tax regime fair for all**,” Minister Marceau concluded.

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