

BUDGET 2012-2013
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Creation of Ressources Québec: \$1.2 Billion for Taking Equity Interests

Québec, le 20 mars 2012 – “Quebecers want to get their fair share out of their natural resources: consequently, we are going to take equity interests in promising mining projects. We’re creating Ressources Québec, a new subsidiary of Investissement Québec specialized in mining and hydrocarbons,” the Minister of Finance, Raymond Bachand, announced today in tabling the Québec government’s Budget 2012-2013.

He went on to say that in addition to investing on its own behalf, Ressources Québec will advise the government on the management of a new fund called Capital Mines Hydrocarbures. The fund will be dedicated to government investments in Québec’s subsurface resources. When fully implemented, Ressources Québec will manage an equity portfolio totalling \$1.2 billion, either on its own behalf or on that of the Capital Mines Hydrocarbures fund.

“These investments will enable us, as companies’ partners, to enjoy a larger share of the profits while taking on part of the associated risk,” the Minister said.

“The mining and hydrocarbon sectors pose special challenges, particularly due to the volatility of resource prices and the technical and geological aspects of natural resource projects,” he indicated. The government wants these specific challenges to be met by an entity specially mandated for that purpose. Ressources Québec will be mandated to consolidate and bolster the government’s equity interests in projects by mining and hydrocarbon companies.

Ressources Québec will consolidate all of Investissement Québec’s current equity interests in mines and hydrocarbons. SOQUEM and SOQUIP, subsidiaries of Investissement Québec, will become subsidiaries of Ressources Québec.

A four-pronged strategy

The Minister announced the implementation of a four-pronged equity participation strategy.

The first component of the strategy covers the allocation of \$500 million announced in Budget 2011-1012 for equity participation in projects promising a developmental effect in the territory covered by the Plan Nord. “The envelope available for investment in mining and hydrocarbon development projects is being raised from \$500 million to \$1 billion over five years. However, the additional \$500 million may be invested in projects throughout Québec in the mining and hydrocarbon sectors,” the Minister pointed out.

Second, the government will be able to negotiate equity options in all mining projects for which government support is requested, in particular for infrastructure and the establishment of electricity rates.

Third, without calling into question the reasons for the various tax incentives for exploration, the tax credit rates available to companies conducting exploration activities will be reduced by more than one quarter as of January 1, 2014. Furthermore, companies that carry out exploration in Québec’s subsurface may, at their discretion, take advantage of the enhanced exploration tax credits in exchange for an option on a government equity interest in the future development

Fourth, the government and Ressources Québec will allot up to \$100 million in the coming five years for investment in the exploration and development of promising mining sites, in partnership with private companies. These investments will be made by SOQUEM.

A policy respecting hydrocarbons

The Minister said that Ressources Québec will also be active in the hydrocarbon sector.

He announced the introduction of a policy for acquiring equity interests in oil and gas projects. “Ressources Québec will be mandated to develop the expertise needed to analyze the financial risks involved in oil and gas projects, foster the emergence of a service industry and make recommendations to the government regarding the acquisition of equity interests in worthwhile projects. Ressources Québec will rely on its subsidiary SOQUIP to manage equity acquisitions,” the Minister explained.

“The excitement created by the Plan Nord, coupled with the worldwide demand for Québec’s natural resources, is leading to a growing number of potential projects. Mining companies are seizing every opportunity available to them. The government must have the means necessary to ensure that all Quebecers benefit from the development of Québec’s resources,” the Minister concluded.

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Source: Office of the Minister of Finance, Minister of Revenue
and Minister responsible for the Montréal region
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