



BUDGET 2012-2013 PRESS RELEASE No. 3

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Over \$4 Billion in Mining Royalties Over the Next 10 Years

Québec, March 20, 2012 – “Québec is lucky to have abundant natural resources. We have mineral resources, forests and water and wind power, and we know that we have oil and gas potential. Like all peoples who possess such resources, Quebecers want to maximize their benefits,” the Minister of Finance, Raymond Bachand, said today in tabling the Québec government’s Budget 2012-2013.

Reaping the rewards of our action: record royalties

The Minister pointed out that the government has taken concrete steps in recent years to tap into the full potential of natural resource development, including by introducing a new mining duties regime and a new forest regime.

He announced that the gross royalties collected by the Québec government, including mining, forestry and water-power royalties, will reach \$1.2 billion in 2011-2012. In 2016-2017, they will stand at nearly \$1.5 billion, or twice the average amount of \$681 million collected from 2006-2007 to 2009-2010.

“During the 10 years that preceded the reform of the royalties regime, mining companies paid a total of \$289 million in royalties to Québec. Over the next 10 years, they will pay more than \$4 billion. That is 14 times more,” the Minister said.

Encouraging ore processing in Québec

“Drawing full benefit from our resources also means maximizing the economic spinoffs linked to developing these resources. The successive processing of ore occupies an important place in the Québec economy. To stimulate metal processing, the investment tax credit will henceforward apply as well to assets used to smelt or refine metals, and for hydrometallurgy,” the Minister announced.

A new hydrocarbon royalty regime

The Minister also stated the principles guiding the review of the royalty regimes for onshore and offshore hydrocarbon production. The rates of the new regime for land-based oil production will vary from 5% to 40% depending on the production volume and the price of oil.

He also announced a review of the regimes for exploration licences and production leases. As well, he explained that oil and gas exploration licences will be auctioned. "These regimes will enable Quebecers to get the most of the resource while helping to launch Québec's oil industry," the Minister stated.

Opening up the North

He remarked that the Plan Nord represents an exceptional potential development opportunity for the Côte-Nord region. "The government intends to stimulate the establishment of new projects in mineral resource processing, building on the availability of natural gas. With the support of the Québec government, Gaz Métro will study the feasibility of building a pipeline to supply natural gas to the Côte -Nord. If the project is shown to be feasible, we will support it," he said.

Furthermore, the Minister maintained that building a railway is vital to developing Québec's North. He announced that the CN and the Caisse de dépôt et placement du Québec are working together on a project for a rail link between the port in Sept-Îles and the mining projects in the Labrador Trough. It could cost several billion dollars to build the rail link. "This railway will be built and operated in keeping with sustainable development principles and in collaboration with local and Aboriginal communities, not only to minimize the project's environmental impact, but also to optimize the positive benefits for the communities," he explained.

The Minister also said that, despite the presence of hydroelectric generating stations in Northern Québec, they still do not supply electricity to northern communities. He announced that Hydro-Québec will undertake studies this year on the extension of the power transmission grid to Nunavik, from the Complexe La Grande facility. To that end, Hydro-Québec will invest up to \$10 million during 2012-2013.

By extending the power transmission grid to Nunavik, it will be possible to supply mining operations in the territory, connect communities to Hydro-Québec's main grid and integrate into the grid the power supplied by future hydroelectric facilities in Nunavik. "It goes without saying that mining companies will be called on to assume the costs of the planned power transmission infrastructure," the Minister explained.

\$1 billion for contaminated site rehabilitation

The Minister pointed out that some activities, such as mining, can result in contamination of the site where they are carried out. Aside from property damage, these sites, and all industrial sites, represent a potential risk to the environment. "The government will invest more than \$1 billion in the next 10 years in order to reduce by 50% the environmental liabilities it has had to assume. Remember that Bill 14

requires mining companies to provide a financial guarantee covering the cost of the mine site's restoration," 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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