



# Exploration

A crucial link  
in the mining industry

# \$140 million for mining exploration

## ► Tax assistance of \$77 million

The government is introducing a refundable tax credit for businesses in the mining sector, equal to:

- 40% of exploration expenses in the case of non-producing companies (juniors);
- 20%, in the case of producing companies (seniors).

### NEW SYSTEM OF DIRECT ASSISTANCE FOR MINING EXPLORATION EXPENSES

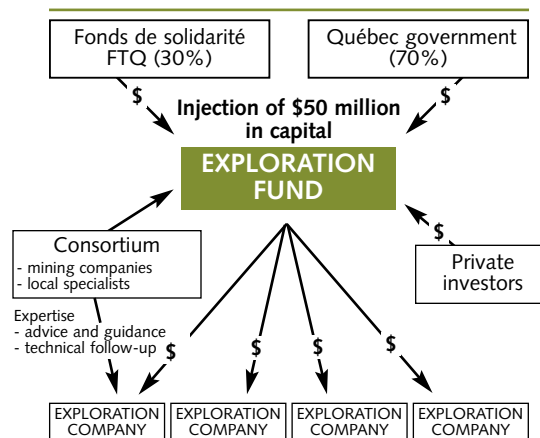
Eligible expenses	Examples of eligible expenses	Tax credit rate		
			General	Improved for the Near North and Far North
Exploration expenses	Prospecting costs	Non-producing company	40%	45%
	Cost of geological studies	Producing company	20%	25%
Expenses related to renewable energy and energy conservation	Costs related to the acquisition and installation of a wind turbine for test purposes		40%	

## ► Diversification fund of \$50 million

The Fonds de diversification de l'exploration minière is being created in partnership with the Fonds de solidarité FTQ.

- This fund is intended specifically for small mining exploration companies.
- The capital injected into the fund will come from the government (\$26 million over the next three years) and the Fonds de solidarité FTQ.
- The objective is to boost exploration and diversify Québec's minerals inventory.

### FONDS DE DIVERSIFICATION DE L'EXPLORATION MINIÈRE



## ► Additional initiatives of \$35 million

The government is taking a series of other initiatives for the mining industry, including:

- renewing and improving financial assistance measures for mining exploration;
- implementing a financial support program for mining development.

### ADDITIONAL INITIATIVES FOR THE MINING INDUSTRY (in millions of dollars)

Financial assistance for mining exploration	18
Financial support for mining development	9
Support for distressed junior exploration companies	5
Financial assistance for technical and economic studies and innovation	3
<b>Total</b>	<b>35</b>

# Objective: increase mining exploration expenditures to \$150 million per year

## Drop in exploration expenditures

The world mining industry is going through a difficult period, particularly because of falling metal prices and increased competition at the international level.

- Between 1987 and 2000, exploration expenditures declined by three quarters.
- Québec's resource regions are particularly affected by this situation.
- Objective: \$150 million in exploration expenditures per year to revitalize mining sites.

## Québec, one of the largest mining producers in the world

Québec is one of the 10 largest mining producers in the world, producing some 30 mineral substances.

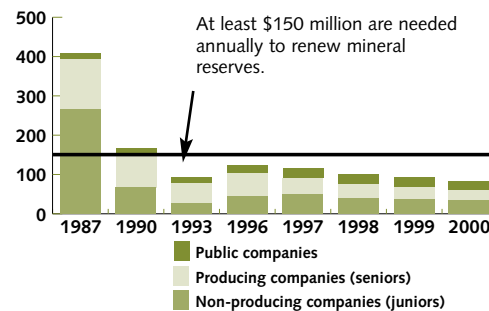
- Québec's annual shipments total around \$3.5 billion, and over three quarters of these shipments are from the resource regions.
- Mining activities account for 17 000 jobs, more than half of which are in the resource regions.

## Revitalize mining exploration to ensure future production

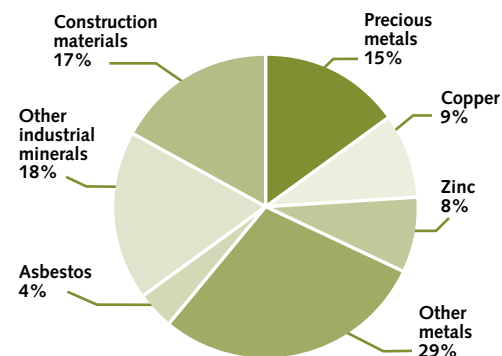
Exploration is essential to ensure a rapid recovery in activities following the trough of the current cycle.

- Several regions have strong exploration and mining potential.
- Developing these new sites would ensure a promising future for Québec's mining industry.

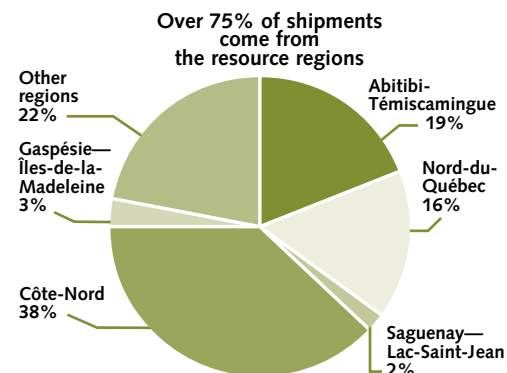
CHANGE IN EXPLORATION AND DEVELOPMENT EXPENDITURES IN THE MINING SECTOR BY TYPE OF COMPANY IN QUÉBEC<sup>1</sup>  
(in millions of dollars)



BREAKDOWN OF THE VALUE OF SHIPMENTS OF THE MAIN MINERAL SUBSTANCES IN QUÉBEC, 1999



BREAKDOWN OF MINERAL SHIPMENTS BY ADMINISTRATIVE REGION IN QUÉBEC, 1999



# New tax credit for mining exploration companies

## ► A new tax measure that is more generous than the old one

The new refundable tax credit will be paid directly to businesses.

- Québec's financial support for non-producing companies in northern zones will increase from 45% to 66% of expenditures.
  - The net cost of an exploration expenditure of \$100 will fall from \$21 to \$14.
- Québec's financial support for producing companies in northern zones will increase from 32% to 52% of expenditures.
  - The net cost of an exploration expenditure of \$100 will fall from \$40 to \$27.

The new tax credit is permanent.

It will fully replace the flow-through share system after December 31, 2001. Both systems will apply in 2001, but businesses will have to choose between the two.

**NET AFTER-TAX COST OF A MINING EXPLORATION EXPENDITURE OF \$100 IN A NORTHERN EXPLORATION ZONE IN QUÉBEC – 2001**  
(in dollars)

	Non-producing companies (juniors)	Producing companies (seniors)
<b>Exploration expenditures</b>	100	100
<b>QUÉBEC TAXATION SYSTEM:</b>		
-Value of the refundable tax credit	45	25
-Value of the basic deduction of 100% <sup>1</sup>	21	21
-Additional allowance of 50% <sup>2</sup>		6
Amount assumed by the Québec government	66	52
<b>FEDERAL TAXATION SYSTEM:</b>		
Amount assumed by the federal government	20	21
<b>AMOUNT ASSUMED BY BOTH LEVELS OF GOVERNMENT</b>	<b>86</b>	<b>73</b>
<b>Net cost</b>	<b>14</b>	<b>27</b>

1. At the corporate tax rate of 9.04%, plus a rate of 12% in respect of duties payable under the Mining Duties Act.

2. Under the Mining Duties Act.



## Forging strong links