

Response to Minister of Natural Resources, Nathalie Normandeau **QUEBEC IS STILL AT THE BOTTOM OF THE HEAP**

Quebec, Wednesday May 18, 2011 – Quebec still ranks near the bottom of the heap in the collection mineral royalties, according to an analysis (see Tables 1 and 2) released today by the coalition *Québec meilleure mine!* and MiningWatch Canada. Despite changes to the royalty regime in 2010, Quebec still lags behind other Canadian jurisdictions with only 2% of the gross value of mineral production retained in royalties. That's two to three times less than those provinces that lead the country. Quebec's has been behind the other provinces for the last eight years, and has been missing out on \$1-billion to \$4-billion dollars a year relative to the higher royalty rates in other parts of the country. "These low returns are unacceptable, especially in light of the recently launched Plan Nord with its strong emphasis on opening the north to more mining and the unprecedented mining boom currently underway in Quebec." stated Ugo Lapointe from the coalition *Québec meilleure mine!*

The results of this analysis refutes recent statements from various government of Quebec representatives including Minister of Natural Resources Nathalie Normandeau who suggested that Quebec now has "the toughest royalties in the country"¹. MiningWatch Canada's Ramsey Hart responded that "this is simply not true, even with the modest improvements made in 2010".

According to Christian Simard of Nature Quebec "It's disturbing that Quebec is still getting so little for the exploitation of its non-renewable resources." In the fiscal year 2009/2010. Quebec was only paid \$114-million on revenues of over \$5.6-billion. In comparison, British Columbia obtained two and a half times this amount on a similar level of production. Relative to the value of minerals that were mined, Newfoundland and Labrador and the Northwest Territories obtained three times more royalties than Quebec in the same year. "Quebec urgently needs to re-examine our royalty system and have a frank debate about the financial model the industry operates under" insisted Henri Jacob of Action Boreale Abitibi Temiscamingue.

Over the last eight years, Quebec has, on average, retained five times less royalties than the major mining regions of the country, with the one exception of Ontario, which falls to the bottom of the class. The eight provinces and territories considered in the groups' analysis account for 90% of the mineral production in the country. The data were taken from reports by Natural Resources Canada and from the ENTRANS Policy Research Group, which compiles an annual report on financial statistics for the industry.

For more than two years *Québec meilleure mine!* has been insisting that Quebec implement a royalty system based on the gross value of production, rather than one based on profits. "Profits are easy to manipulate and can be reduced or even brought to zero thanks to the numerous deductions mining companies can apply to their balance sheets. This is what Quebec's Auditor General criticized the government for in 2009 and the recent changes have done nothing to change this. Royalties are still only applied to profits" explained Christian Simard.

Royalties on production are already in place elsewhere in Canada, notably British Columbia, New Brunswick, and Newfoundland and Labrador. They are also in place in Australia, China, India, Michigan and Arizona. Royalties on production would ensure that Quebec is compensated for the extraction of its non-renewable resources.

All the major mining states in Australia use royalties on mineral production, not profit, with rates between 3% and 8%. These royalties are combined with a second tax on profits of up to 30% for iron ore and coal. "If these royalty rates were applied in Quebec, we'd guarantee two to three times more revenues than the government will be getting in the years ahead" commented Ugo Lapointe.

Royalties on gross production are commonly used within the mining industry when a company sells a project to another company. For example, when the Quebec-based company Virginia Mines sold the Eleonore project to Canadian mega-miner Goldcorp for more than \$450-million. In addition to the selling price, Virginia will get a royalty of up to 3.5% of the gross production in the coming years. *Québec meilleure mine!* has estimated that this agreement is worth close to \$300-million assuming a gold price of only \$1,000 an ounce.

Beyond the question of royalties, *Québec meilleure mine* is anticipating an open debate on the broader financial framework that mining operated under and on new models that could be implemented. “Royalties, tax breaks, subsidies, corporate investments, secondary or tertiary transformation and value added processing, these are among the questions relevant to the public interest that deserve to be examined - especially in light of the Plan Nord” added Henri Jacob.

“This debate is needed, not only to ensure the state takes full advantage of the revenues that come from exploiting our non-renewable resources, but also to better control the rhythm of exploitation and to avoid the negative effects of mining’s boom and bust cycles. In the end, the state must fulfil its role as steward of Quebec’s resources and ensure a better redistribution of our collective wealth between current and future generations” concluded Christian Simard.

¹ Maisonneuve en direct, Radio-Canada, May 10 2011.

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The coalition *Québec meilleure mine!* Was founded in the spring of 2008 and today is made up of more than a dozen organizations, representing many thousands of members across Quebec. The coalition’s mandate is to redefine how the Quebec mining sector operates by promoting better social and environmental practices. Coalition members believe that a constructive dialogue with various stakeholders, the government, and affected communities and citizens is essential to this process.

The following organisations are currently members of the Coalition: Action boréale Abitibi-Témiscamingue (ABAT) ▪ Association de protection de l’environnement des Hautes-Laurentides (APEHL) ▪ Coalition de l’ouest du Québec contre l’exploitation de l’uranium (COQEU) ▪ Comité vigilance Malartic (projet minier Osisko) ▪ Conseil central de la Confédération des syndicats nationaux (CSN) en Abitibi-Témiscamingue et Nord-du-Québec ▪ Écojustice ▪ Forum de l’Institut des sciences de l’environnement de l’UQAM ▪ MiningWatch Canada ▪ Mouvement Vert Mauricie ▪ Nature Québec ▪ Professionnels de la santé pour la survie mondiale ▪ Regroupement pour la surveillance du nucléaire ▪ Réseau québécois des groupes écologistes (RQGE) ▪ Sept-Îles sans uranium

Table 1: Mineral Royalties received by Canadian provinces and territories (2009/10)

PROVINCES AND TERRITOIRES	PRODUCTION (2009) ¹	ROYALTIES (2009/10) ²	
	(MILLIONS)	(MILLIONS)	EFFECTIV RATE
N.W.T. / NUNAVUT	\$1, 510	\$90	6.0%
NEWFOUNDLAND AND LABRADOR	\$2, 410	\$139	5.8%
BRITISH COLUMBIA	\$5, 620	\$292	5.2%
NEW BRUNSWICK	\$1,100	\$44	4.0%
SASKATCHEWAN	\$3,980	\$86	2.2%
QUEBEC	\$5,630	\$114	2.0%
MANITOBA	\$1,350	\$10	0.7%
ONTARIO	\$6,270	\$25	0.4%
AVERAGE (WITHOUT QUEBEC)	-	-	3.5%
QUEBEC IN 2009/2010	\$6 770	\$133³	2.0%

Table 2 : Mineral royalties received by Canadian provinces and territories (2002/03 - 2009/10)

PROVINCES AND TERRITOIRES	PRODUCTION (2002 -2009) ¹	ROYALTIES (2002/03 -2009/10) ²	
	MILLIONS	MILLIONS	EFFECTIVE RATE
SASKATCHEWAN	\$33,380	\$4312	12.9%
NEW BR	\$8,760	\$443	5.1%
MANITOBA	\$11, 800	\$510	4.3%
COLOMBIE-BRITANNIQUE	\$39,500	\$1,674	4.2%
TERRE-NEUVE	\$19,940	\$840	4.2%
T.-N.-O. ET NUNAVUT	\$13,970	\$538	3.8%
QUÉBEC	\$37,150	\$427	1.1%
ONTARIO	\$62, 400	\$627	1.0%
AVERAGE (WITHOUT QUEBEC)	-	-	5.1%

Data Sources:

(1) Ressources naturelles du Canada, Statistiques annuelles de production minérale du Canada, par province et territoire -

<http://mmsd.mms.nrcan.gc.ca/stat-stat/prod-prod/ann-ann-fra.aspx>;

(2) ENTRANS Policy Research Group, « Table 1: Royalties and Similar Payments by Mineral Sector to Governments (2002/03-2009/10)»,

http://www.mining.ca/www/media_lib/MAC_Documents/Publications/2010/Revenues_to_Governments_2010_edition_Final_July_19.pdf;

(3) Budget 2011-2012 du Québec, « Tableau 5 : Prévion de revenus de droits miniers », <http://www.budget.finances.gouv.qc.ca/Budget/2011-2012/fr/documents/PlanBudgetaire.pdf>.