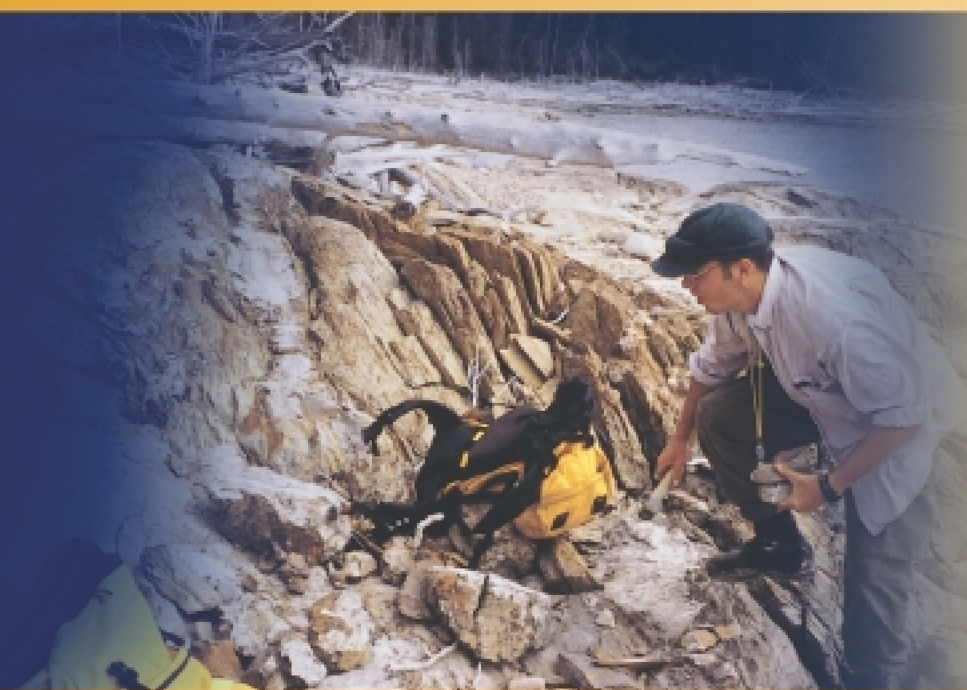
TAX CREDIT

THE REFUNDABLE TAX CREDIT:

NEW FISCAL SUPPORT TO STIMULATE MINING EXPLORATION IN QUÉBEC

With one of the most attractive mining fiscal regimes, the Government of Québec continues to innovate by offering to companies a new refundable tax credit for mineral exploration expenses incurred in Québec since March 30, 2001. This new incentive will provide increased financial support to mining companies by significantly reducing investment costs, i.e. the risk assumed by firms during exploration activities.



Jean Goutier

Québec

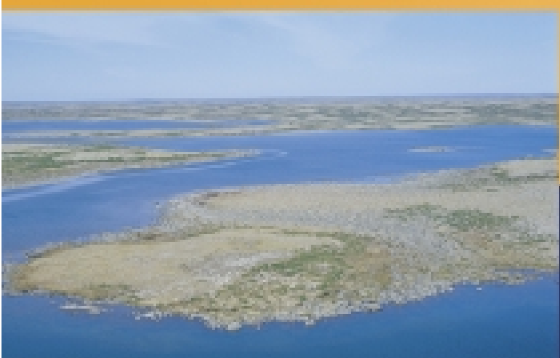
The new tax credit will also have the advantage of promoting foreign investment, in particular through strategic alliances between companies conducting exploration projects within Québec. This fiscal advantage is granted regardless of the source of the funds.

Thus, in accordance with the Taxation Act, this fiscal incentive corresponds to:

- *40% of eligible exploration expenses incurred by an exploration company within Québec or 45% if expenses are incurred in Québec's Near North and Far North;*
- *20% of eligible exploration expenses incurred by a producer within Québec or 25% if expenses are incurred in Québec's Near North and Far North.*

ELIGIBLE COMPANIES

Eligible companies must be subject to Québec's taxation, i.e. they must have an establishment in Québec and conduct business there. A company may claim the refundable tax credit by attaching the form prescribed by the ministère du Revenu to its tax return.



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ELIGIBLE EXPENSES

Eligible expenses include exploration expenses within Québec that have not been foregone under the flow-through share system. Exploration expenses that trigger entitlement to the refundable tax credit under the *Taxation Act* also enable a company to claim the credit on duties refundable for losses under the *Mining Duties Act*. However, the expenses claimed must have been paid out at the time the tax return is prepared.

CREDIT ON DUTIES REFUNDABLE FOR LOSSES

There are even more advantages to exploring and developing deposits in Québec due to the credit on duties refundable for losses provided under the *Mining Duties Act*. To this end, the Government of Québec assists the operator with its exploration, mineral deposit evaluation and mine development expenses by reimbursing part of the expenses incurred in the form of a credit on duties refundable for losses. Under the *Mining Duties Act*, this credit provides, throughout Québec, a reimbursement equivalent to 12% of the lesser of:

- *the annual loss;*
- *the exploration, mineral deposit evaluation and mine development expenses.*

The reimbursement increases to 15% if the expenses are incurred in Québec's Near North and Far North. The credit on duties refundable for losses is non-taxable and does not reduce the exploration expenses the mining company can claim under the *Mining Duties Act* and the *Taxation Act*. The credit must be claimed for within six months of the end of the fiscal year.

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Publication nº : 2001-5018

Ressources naturelles
Québec