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NSBA says stable mining royalties are crucial for province's economic development

Saskatoon, SK, March 10, 2011 – The NSBA (North Saskatoon Business Association) is asking provincial politicians to lower the rhetoric regarding Saskatchewan's mining royalties to a more appropriate time. A pre-election campaign, whether real or inferred, is not the time or place to debate something that has such a profound effect on the province's economic well-being for the next several decades.

"Whatever side of the political spectrum you happen to fall upon, there is consensus that we all want the same thing when it comes to our resources industry," says Clay Dowling, President of the NSBA. "We want rational, sustained development of our resources, with a fair return for Saskatchewan residents."

"It would be unfortunate if this logical discussion on mining royalties becomes a political football," he adds. "The issue is far too complex and important with long-term implications for it to be used as an eight-second sound byte for political posturing."

With the global marketplace becoming ever more competitive, a stable, competitive royalty structure in Saskatchewan is imperative for investment attraction and resource extraction. For instance Saskatchewan already has among the highest potash royalty and production taxes in the world, at 22 per cent of net revenue. Comparatively, jurisdictions including Israel, USA, UK, Brazil, Chile, China, Russia, Spain and Germany all have potash royalties less than five per cent of net revenue. With such a drastic difference, there is little room in the investment community for an even greater discrepancy.

Furthermore, the recent reports on the minimal amounts of royalties collected in Saskatchewan in comparison to the profits generated by companies such as PotashCorp are being taken out of context. Capital expansions at many of the province's potash mines are contributing significantly to this short-term reduction in royalties. These capital projects, approximately \$2 billion in 2010, are deductible against the provincial resource tax. The importance of this exemption cannot be emphasized enough.

"It's no coincidence that Saskatchewan, although not entirely isolated from the downfall of the world's economic slowdown, was considerably better off than many other jurisdictions," says Keith Moen, Executive Director of the NSBA. "When other jurisdictions were experiencing unprecedented layoffs and recessions, Saskatchewan was employing more people than it ever had. A large factor in this is the fact that our mining companies were undergoing their most significant expansions since the development of the sector in the 1960s, which was the result of a good, stable taxation and royalty regime."

"We are now in a competitive global environment and the facts are, when companies invest in exploration and development, they are going to put their investment dollars where it makes the most sense economically," Moen adds. "All we have to do is to look to our neighbours to the West to see how quickly industry responds to royalty changes it views as non-competitive. It wasn't as if oil companies stopped spending money when the Stelmach government changed royalty rates, they just stopped spending it in Alberta."

About the NSBA: The NSBA is a member-driven and focused organization that serves, promotes and protects business throughout Saskatoon and beyond. Though our origins and roots are in Saskatoon's north end, today we encompass far more than that. We have developed our mandate and reputation by being a relevant, topical and effective organization that interacts with all levels of government and industry on a variety of issues for the betterment of our local economy.

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