

TAX BULLETIN

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BUDGET 2008: EXTENSION OF THE SUPER FLOW-THROUGH SHARE PROGRAM

In the 2008 Budget, the Conservative government has once again extended the super flow-through share program for an additional year. The super flow-through share program was initially introduced in October 2000 in response to a severe downturn in mineral exploration in Canada. The program had expired at the end of 2005 and was re-introduced in the 2006 Budget in respect of flow-through shares issued pursuant to agreements made after May 1, 2006 and on or before March 31, 2007. The program was further extended in the 2007 Budget in respect of flow-through share agreements made on or before March 31, 2008.

Canada's flow-through share and super flow-through share programs are tax incentives that are used to promote the exploration and development of mineral resources in Canada. Under the flow-through share program, a company may renounce, or "flow-through" to investors, tax expenses associated with the company's Canadian exploration activities. Investors can deduct these renounced expenses when calculating their own taxable income.

The super flow-through share program enhances the benefit to investors of owning flow-through shares. Under the terms of the super flow-through share program, an investor may claim a 15% tax credit in respect of certain grassroots exploration expenses incurred by the issuer of the share. The tax credit may be applied to reduce the federal taxes otherwise payable by the investor. Grassroots mining expenditures include expenses incurred in conducting certain mining exploration activities for the purpose of determining the existence, location, extent or quality of a mineral resource.

The 2008 Budget proposes to extend the super flow-through share program to apply in respect of flow-through share agreements entered into on or before March 31, 2009. Under a "look-back" rule, funds raised under the terms of the program in 2009 may be spent on eligible exploration expenses in 2009 or 2010.

The foregoing provides only an overview. Readers are cautioned against making any decisions based on this material alone. Rather, a qualified lawyer should be consulted.

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