

**FEDERAL BUDGET 2006**

**RESURRECTION OF THE SUPER FLOW-THROUGH SHARE PROGRAM**

*May 2006*

On May 2, 2006, the new Conservative government delivered its first budget. The Budget proposes to enact many of the tax-related proposals made by the Conservatives during the recent election campaign, including a limited reintroduction of the "super flow-through share" program.

**FLOW-THROUGH SHARES/SUPER FLOW-THROUGH SHARES**

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 super flow-through share program an investor may claim, in addition to the deductions associated with flow-through shares, a 15% tax credit in connection with certain grassroots exploration activities of 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 2006 Budget proposes to reintroduce the super flow-through share program for flow-through shares issued after May 2, 2006 and on or before March 31, 2007. Under a "look-back" rule, funds raised under the terms of the program in a year (e.g. 2007) may be spent on eligible exploration expenses in the year or the following year (e.g. 2007 or 2008). The super flow-through share program was initially introduced in October 2000 in response to a severe down turn in mineral exploration in Canada. The program had expired at the end of 2005 and had not been renewed by the former Liberal government.

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*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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