

## budget 2011: extension of the super flow-through share program

Budget 2011 proposes to extend 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 extended for additional one-year periods in the 2007, 2008, 2009 and 2010 Budgets.

Canada’s flow-through and super flow-through share programs provide tax incentives to promote the exploration and development of mineral resources in Canada, particularly by encouraging new equity investment in junior mining companies.

Under Canada’s flow-through share program, a company is permitted to renounce or “flow-through” certain expenses associated with its Canadian exploration activities to investors. In turn, investors can generally deduct such expenses in calculating their own taxable income.

The super flow-through share program provides an additional benefit to those who invest in flow-through shares. Under this program, an investor may claim a 15% tax credit in respect of certain grassroots exploration expenses incurred by the issuer of the shares in Canada and renounced to the flow-through share investor. The tax credit may be applied to reduce certain federal income 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.

Budget 2011 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, 2012. Under a "look-back" rule, funds raised under the terms of the program in the first three months of 2012 may be used to support eligible exploration up to the end of 2013.

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#### [a cautionary note](#)

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