

July 31, 2007

Ms. MaryAnn Mihychuk
Director of Regulatory Affairs
Prospectors & Developers Association of Canada
kmacdonald@pdac.ca

Dear Ms. Mihychuk:

Thank you for your correspondence of March 7, 2007 concerning the Mineral Exploration Tax Credit for flow-through share investors. Please excuse the delay in replying.

We understand the importance of the mining industry to the Canadian economy and local communities. Budget 2007 provides significant additional support for mineral exploration in Canada by extending the Mineral Exploration Tax Credit for flow-through share investors for an additional year until March 31, 2008. Under the “look-back” rule, funds raised with the benefit of the Credit in 2008, for example, can be spent on eligible exploration up to the end of 2009. This extension will help the industry solidify recent exploration gains and establish a strong base from which to move forward.

The international competitiveness of Canada’s mining sector will also be improved as a result of important tax reductions introduced in Budget 2006 and the Tax Fairness Plan. The corporate surtax will be eliminated in 2008 and the general corporate income tax rate will be reduced to 18.5 percent by 2011.

Budget 2007 also commits to a number of improvements to the federal regulatory system for large resource projects, including those in the mining sector. A Major Projects Management Office will be established to provide industry with “single window” access and spearhead the development of longer-term legislative improvements to the federal regulatory process. Budget 2007 also provides new capacity funding for federal regulatory departments and agencies. Taken together, these initiatives are expected to cut in half the average regulatory review period.

Thank you for communicating your concerns.

Sincerely,

James M. Flaherty