

Guidelines for Determining the Tax Treatment of Certain Exploration Expenses

Note: This table has been prepared to provide the guidelines that the Canada Revenue Agency (CRA) will follow in determining whether environmental study expenses, community consultation expenses and feasibility study expenses that are incurred by mining companies at the exploration stage (i.e. for the purpose of determining the existence, location, extent or quality of a mineral resource in Canada, hereinafter referred to as the “purpose test”) will qualify as Canadian exploration expenses (“CEE”). The table is intended as a guide only. The actual treatment of a particular expense incurred by a taxpayer will depend on the facts relevant to the particular situation and, therefore, may differ from that outlined in this table.

Issue	Description of Expense	Guideline
Environmental studies	Environmental assessments undertaken to meet a legal or informal requirement to obtain a permit.	Not CEE as it is part of the cost of a Canadian Resource Property (CRP) which is Canadian Development Expense (CDE)
	Environmental assessments undertaken to meet a legal or informal obligation under the terms of the permit.	CEE where related to the permit providing for the exploration process (not part of the cost of a CRP)
	Other environmental assessments conducted at the discretion of the taxpayer:	
	<ul style="list-style-type: none"> <li data-bbox="571 1430 1097 1514">- environmental sampling/monitoring in relation to an exploration activity; <li data-bbox="571 1514 1097 1682">- targeted environmental assessments (e.g., vegetation, fisheries and water assessments) conducted in conjunction with a specific exploration activity; <li data-bbox="571 1682 1097 1898">- general baseline environmental assessments undertaken prior to carrying out a specific exploration activity. 	<p data-bbox="1097 1430 1502 1493">CEE</p> <p data-bbox="1097 1493 1502 1556">CEE</p> <p data-bbox="1097 1556 1502 1898">Not CEE (does not meet purpose test)</p>

Issue	Description of Expense	Guideline
<p>Community consultation</p>	<p>Consultation to assess community attitudes/community information program, undertaken prior to a decision to explore.</p> <p>Consultation undertaken to meet a legal or informal requirement to obtain a permit.</p> <p>Consultation undertaken to meet a legal or informal obligation under the terms of the permit.</p> <p>Negotiation to secure surface access for exploration purposes (beyond the requirements for/of the permit).</p> <p>Negotiation with local community to secure certainty with respect to exploration operations (additional to requirement for/of a permit and where other party does not hold surface rights).</p> <p>Other consultation undertaken at the taxpayer's discretion in respect of the:</p> <ul style="list-style-type: none"> - exploration process only; - exploration and mining process; 	<p>Not CEE (does not meet purpose test)</p> <p>CDE (part of the cost of a CRP)</p> <p>CEE where related to the permit providing for the exploration process (not part of the cost of a CRP)</p> <p>CEE (where incurred in relation to the exploration process and not a broader purpose).</p> <p>CEE (not part of the cost of a CRP)</p> <p>CEE</p> <p>CEE to the extent the expense meets purpose test</p>

Issue	Description of Expense	Guideline
Feasibility studies	<p>Preliminary planning for a potential exploration activity undertaken prior to a decision to explore.</p> <p>Planning for, and studies relating to, the conduct of an exploration activity or some part thereof.</p> <p>Physical and chemical assessments related to a deposit, with the objective of informing a decision whether to undertake more advanced exploration at the site.</p> <p>Assessments of the physical and chemical characteristics of the deposit to assess its potential as a commercial deposit.</p> <p>Assessments of mine development options and/or profitability of developing the deposit into a mine.</p>	<p>Not CEE (does not meet purpose test)</p> <p>CEE</p> <p>CEE</p> <p>CEE</p> <p>Not CEE (does not meet purpose test).</p>