

FOR RELEASE
January 24, 2006

#06-016

YUKON MINERAL EXPLORATION TAX CREDIT CONTINUES

WHITEHORSE – The Yukon government is continuing the Yukon Mineral Tax Credit (YMETC) program to March 31, 2007.

“Yukon’s mineral exploration tax credit has proven to be very successful”. Energy, Mines and Resources Minister Archie Lang said. “It has helped pave the way for upcoming mine developments in the territory and to rejuvenate our mining sector. Government will continue to offer it with a limit on the refundable amount a company is eligible to receive.”

The Yukon Mineral Exploration Tax Credit is a refundable corporate and personal income tax credit of 25 per cent of eligible exploration expenses for off-mine site exploration. It was introduced in 1999 to stimulate exploration during the last mining downturn. The Yukon government committed to examine the YMETC if market conditions improved and exploration spending exceeded \$30 million.

“Now that we’ve reached that threshold and anticipate exploration spending to be in the \$50 million range in 2005 we have begun a full assessment of the program,” Lang said. “The success of our mineral tax credit program, combined with the rebound in exploration, lead to us putting a cap of \$300,000 on the amount a company will be able to receive for work undertaken in the upcoming year.”

Generally, Yukon’s overall tax regime is competitive with the rest of the country. However, as a number of mineral projects move from exploration to the production and development phase, the Yukon government is looking at new options for mining tax policies and incentives to support mining at those stages.

More information on the tax credit is available at yukonmining.com.

- 30 -

Attachment: Yukon Mineral Exploration Tax Credit – Questions and Answers

Contact:

Peter Carr
Cabinet Communications Advisor
(867) 667-8688
peter.carr@gov.yk.ca

Laurie Sthamann
Energy, Mines and Resources
(867) 667-3163
laurie.sthamann@gov.yk.ca

Yukon Mineral Exploration Tax Credit NEWS BULLETIN

A. What is the Yukon Mineral Exploration Tax Credit (YMETC)?

The Yukon Mineral Exploration Tax Credit is a refundable corporate and personal income tax credit of 25 per cent of eligible mineral exploration expenses, incurred by eligible individuals and corporations conducting off-mine site exploration in the territory between April 1, 2001 and March 31, 2007.

There is a per company refundable limit of \$300,000 for work undertaken between April 1, 2006 and March 31, 2007.

B. Who is eligible?

Individuals must be resident in the Yukon on the last day of the taxation year for which the credit is being claimed to be eligible to apply for the YMETC. Corporations must have maintained a permanent establishment in the Yukon at any time during the taxation year for which the credit is being claimed in order to be eligible to apply for the YMETC.

Corporations exempt from tax payable under section 7 of the Yukon *Income Tax Act* or that are controlled by one or more persons who are exempt from tax payable under section 7 of the Yukon *Income Tax Act* are not eligible to apply for the YMETC.

C. Eligible mineral exploration expenditures

Eligible mineral exploration expenses are expenses incurred by the taxpayer for the purpose of determining the existence, location, extent or quality of a mineral resource in the Yukon.

Eligible mineral exploration expenses will include expenses incurred in the course of:

- prospecting,
- carrying out geological, geophysical or geochemical surveys,
- drilling by rotary, diamond, percussion or other methods, or
- trenching, digging test pits and preliminary sampling.

Claims for the YMETC will be reduced by any government assistance such as grants, subsidies, rebates and forgivable loans in respect of the same exploration expenses.

D. Ineligible expenditures

The YMETC is targeted at individuals and corporations who undertake to determine the existence, location, extent or quality of a mineral resource in the Yukon. Expenses not eligible for the YMETC include but are not limited to:

- Oil and gas exploration expenses,
- Canadian development expenses,
- Expenses related to producing mines,
- Expenses made to bring a mine into production,
- Canadian exploration and development overhead expenses, and
- Expenses for certain seismic data

E. Location of expenditures

Exploration expenses must be made in relation to projects located within the Yukon to be eligible for the YMETC.

F. The YMETC and the federal "flow-through share" provision

Eligible corporations who finance exploration activity with flow-through shares may claim the YMETC for eligible expenses, even if those expenses are flowed through to investors. The investors who claim renounced expenditures in respect of those flow-through shares are not eligible for the YMETC. The YMETC will be considered to be "assistance" under the federal definition of Canadian Exploration Expense.

G. Corporations and the permanent establishment requirement

Corporations must be subject to Yukon income tax for the taxation year in which the YMETC is claimed. This requires that a corporation maintained a permanent establishment in the Yukon at some time during the taxation year to be eligible to apply for the YMETC. Further information regarding the definition of permanent establishment may be found in Interpretation Bulletin IT-177R2 (consolidated) available from any Canada Revenue Agency office.

H. Claiming the credit

Eligible taxpayers may claim the credit by completing a prescribed form and filing it with their T-1 Individual or T-2 Corporate Income Tax Return at CRA office.

More information and the claim forms for Yukon Mineral Exploration Tax Credit are available at:

- Canada Revenue Agency Offices
- Online at www.cra-adrc.gc.ca, and www.yukonmining.com

The YMETC must be claimed no later than 12 months after the taxation year in which the expenses were incurred. A duplicate copy must also be filed with Yukon Government, Department of Finance.

The YMETC is refundable to the extent it exceeds a taxpayer's income tax payable. The credit will be first applied against tax payable to Yukon and then against tax payable to Canada. Refunds will be made in the form of a cheque and will be paid upon assessment of the taxpayer's income tax return.

Disclaimer

Readers are advised that the bulletin is not intended to replace the need to consult the relevant legislation. In the event of a conflict between the legislation and this bulletin, the legislation shall prevail.

For More Information

Government of Yukon, Department of Finance Revenue Services (B-1)
P.O. Box 2703, Whitehorse, YT Y1A 2C6
Phone: (867) 667-3074 Fax: (867) 393-6217
E-mail: ymetc@gov.yk.ca website: www.yukonmining.com