

Flow-Through Shares

CANADA'S
LITTLE-KNOWN
TAX
DEDUCTION

There haven't been too many opportunities for Canadians to reduce their taxable incomes - until now, that is...

Here's the chance for taxpayers to familiarize themselves with the deductions that are available from investing in the "flow-through" shares of junior Canadian resource companies, or ventures that qualify for the Canadian Exploration Expense (CEE).



*For additional copies, please contact your financial advisor,
or contact Mavrix Fund Management Inc. directly.*

Head Office:

Mavrix Fund Management Inc.

36 Lombard St., Suite 400

Toronto, ON M5C 2X3

T: (416) 362-3077 **F:** (416) 365-4080

Toll Free: 1-888-964-3533

clientservices@mavrixfunds.com

www.mavrixfunds.com

Vancouver, British Columbia Office:

Suite 1500 - 701 West Georgia St.

Vancouver, BC V7Y 1C6

T: (604) 684-8930 **F:** (604) 801-5911

Calgary, Alberta Office:

Regus Bankers Hall

888, 3rd Street West, 10th Floor

Calgary, AB T2P 5C5

T: (403) 444-6906 **F:** (403) 668-6001

Winnipeg, Manitoba Office:

179 McDermot Avenue, Suite 101

Winnipeg, MB R3B 0S1

T: (204) 947-9649 **F:** (204) 956-5705

Montreal, Quebec Office:

1253 McGill College Ave., Suite 690

Montreal, QC H3B 2Y5

T: (514) 227-0666 **F:** (416) 365-4080

Halifax, Nova Scotia Office:

1657 Barrington St., Suite 310

Halifax, NS B3J 2A1

T: (902) 423-9987 **F:** (902) 423-6115

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Following is a brief summary of the operation of a flow-through share limited partnership, and the income tax consequences to the limited partner of the ultimate transfer of the partnership's assets to a mutual fund corporation and the dissolution of the partnership.

How Flow-Through Share Limited Partnerships Work

For purposes of this illustration, assume that a limited partner invests \$10,000 in a limited partnership, and that the partnership uses the funds to purchase flow-through shares of resource companies. For simplicity, this assumption ignores the expenses of operating the partnership. The resource companies would “renounce” \$10,000 of exploration expenses to the partnership. In essence, the partnership is considered to have incurred these expenses. These expenses are allocated to the limited partner who then claims a deduction for \$10,000 of resource expenditures on his or her personal tax return. After these transactions have occurred, the shares of the resource companies owned by the partnership have a nil cost base, and the limited partner's cost base of his partnership interest is also nil. The partnership might decide to sell certain of its shareholdings in due course and, if it does, a capital gain will be realized in an amount equal to the proceeds. Should these proceeds be reinvested in another flow-through share, the partnership will be able to allocate out to its limited partners a capital gain, of which only 50% is taxable, and resource expenses, which are fully deductible.

Most flow-through limited partnerships anticipate that they will transfer their flow-through share investments, which we will assume still to be worth \$10,000, to a mutual fund corporation in exchange for \$10,000 worth of shares of that corporation, and will pass these out to their partners. The purpose of this transaction is to give liquidity to the partners. Since the flow-through shares have a nil cost base to the partnership, this transaction would normally give rise to a

How Flow-Through Share Limited Partnerships Work

\$10,000 capital gain to the partnership which would have to be allocated to the partners. To avoid this result, the partnership and the mutual fund corporation will file an election, for tax purposes, that the transaction takes place at the partnership's nil cost base, notwithstanding that full value has been paid.

Thereafter the mutual fund corporation shares will be passed out to the partners and the partnership wound up. The end result is that the partners end up with \$10,000 worth of shares of the mutual fund corporation which have a nil cost base, and the mutual fund corporation ends up with \$10,000 of flow-through shares which have a nil cost base.

When the partner sells or redeems his or her mutual fund corporation shares for \$10,000 (to continue the example), a capital gain of \$10,000 will result and tax will be payable. Likewise, the mutual fund corporation will have a \$10,000 capital gain when it sells the flow-through shares. However, a mutual fund corporation may recover its capital gains tax upon the payment of capital gains dividends to its shareholders or through share redemptions. Accordingly, "double taxation" of the \$10,000 gain, once in the partner's hands and again in the mutual fund corporation, is essentially avoided.

Excerpted from 'Resources Rock: Profiting From the Next Global Boom in Natural Resources' *

Flow-Through Shares

Tax Bite

Unfortunately, not too many taxpayers are familiar with the deductions that are available from investing in the "flow-through" shares of junior Canadian resource companies, or ventures that qualify for the Canadian Exploration Expense (CEE).

"Certainty? In this world, nothing is certain but death and taxes," said American scientist Benjamin Franklin over two hundred years ago. The only difference these days is that while death is still final, taxes can be deferred or reduced.

Canadians didn't always have to worry about taxes. Income tax was introduced as a temporary measure (sounds like the GST saga) to help cover the country's military expenses during World War I. By 1948, the wars were over, but the government decided to not surrender. Instead, the Income War Tax Act became the Income Tax Act.

Since then, Canadians have had to declare income from all sources, including capital gains on the sale of investments or property. We're allowed to deduct some expenses and there are a few tax credits, but by and large, there aren't too many opportunities for us to reduce our taxable income.

Taxes are steep and vary greatly depending on where you live. At the time of writing, the top marginal tax rates (combining both federal and provincial tax rates) from highest to lowest are:

Newfoundland	48.64%
Quebec	48.22%
Prince Edward Island	47.37%
Nova Scotia	47.34%
New Brunswick	46.84%
Ontario	46.41%
Manitoba	46.40%
Saskatchewan	44.50%
British Columbia	43.70%
Yukon	42.40%
Northwest Territories	42.05%
Nunavut	40.50%
Alberta	39.00%

Available Tax Deductions

A Brief Introduction to These Tax-Deductible Investments

Government Generosity

How Exploration Companies Give Up Tax Deductions and Pass Them On To You

But that's not all. You pay tax on everything you earn as well as on everything you buy. Take the price of gas, for example. In the summer of 2003, it was pumped up to 90 cents a liter in some provinces and more than one-third of the price was taxes: provincial sales tax, GST, and something called the *Federal Excise Tax*. It hurts even more if you consider that you're paying for the gas taxes with after-tax dollars. *Ouch*.

One of the best means of minimizing the pain is to take advantage of all the tax deductions that you can. Standard ones include childcare expenses, family support payments, moving and medical costs, and of course, RRSP contributions.

Unfortunately, not too many taxpayers are familiar with the deductions that are available from investing in the "flow-through" shares of junior Canadian resource companies, or ventures that qualify for the Canadian Exploration Expense (CEE).

You should consult your tax advisor for precise information on the benefits of these deductions for your portfolio, but in the meantime, here's a brief introduction to these tax-deductible investments.

Buried deep in the Income Tax Act (Section 66 (1) to be exact) there's a clause that says:

"A principal-business corporation may deduct, in computing its income for a taxation year, the lesser of (a) the total of such of its Canadian exploration and development expenses as were incurred by it before the end of the taxation year..." The Section goes on ad nauseam, but only tax accountants need to get into that level of detail.

What you do need to know from the clause is that most junior energy and mining companies spend all of their money on exploration programs and usually have little or no revenue. Because they have virtually zero income, they're not able to use all the tax deductions that they're entitled to as a

resource exploration company. Mining companies are allowed to deduct prospecting, drilling, geological or geophysical expenses, but if they don't have any revenue, then these deductions remain unclaimed or "wasted". In a rare moment of generosity, the government decided to allow exploration companies to give up those tax deductions and pass them on to people who can use them. Companies can bundle the tax deductions with their shares, then sell them to investors and use the proceeds from the sale of these shares to finance their exploration projects. The ventures don't mind selling off their unused deductions. If they can't afford to keep digging or drilling, they'll be out of business anyway. These deductions, sold as shares, are called "flow-through shares" because they transfer the tax deductions from the company to the investor. In other words, the government allows a tax deduction that would usually only be granted to an exploration venture to be passed on, or "flow-through," to their investors. It's a win-win situation as the company gets the money to finance their exploration work while investors can claim up to 100% of their investment as a tax deduction. The government created this program as a means of encouraging people to invest in resource exploration companies. That's nice of them, but given our incredibly high tax rates, it's a good idea to understand how investing in exploration—either in flow-through shares, or in shares of a limited partnership that owns a portfolio of flow-through shares—can help you lower your taxable income.

What are Limited Partnerships?

Investors can buy flow-through shares directly from a company, or own them indirectly by purchasing units in a limited partnership specially created to buy shares in a portfolio of several junior exploration companies. Buying units in a limited partnership can be beneficial for individual investors because it gives them the tax deduction from the flow-through shares, in addition to reducing their investment risk.

Tax Credits

How Good Are Flow-Through Shares As A Tax Deduction? Are They Worth It?

More Good News

The Investment Tax Credit For Exploration (ITCE)

A limited partnership can usually buy a much greater variety of flow-through shares than an individual investor could afford to purchase on their own. Therefore, investors in a limited partnership end up owning shares in a basket of startups, rather than just in one venture.

Given that a lot of exploration companies could go bankrupt or walk away from their projects, buying shares in several of them minimizes the risk that you could lose your entire investment.

The answer varies from one investor to another, but as long as the exploration company—or companies if they're in a portfolio owned by a limited partnership—spends all the money they raised from selling flow-through shares on eligible exploration expenses, then almost the entire amount invested in the shares can be deducted. A word of caution: don't let the tax appeal of flow-through shares affect your decision-making skills as an investor. Remember that even though the tax deductions alone are beneficial, you're still investing in the riskiest side of the resource industry. It is possible for you to lose all your money if the exploration team repeatedly comes up empty-handed.

On the other hand, investing in an exploration startup by means of flow-through shares does mitigate the risk of losing your investment to some extent. Depending on your marginal tax rate, the after-tax cost of buying the flow-through shares (or portfolio of flow-through shares) is virtually cut in half, compliments of the government.

In the Economic Statement and Budget Update of October 18, 2000, the Minister of Finance announced a temporary, 15% investment tax credit (applied to eligible exploration expenses) for investors in flow-through shares of mineral exploration companies. Oil and gas exploration companies were excluded. This announcement introduced a credit, known officially as the *Investment Tax Credit for Exploration (ITCE)*,

How These Tax Credit Programs Can Help You Reduce Your Taxes

which reduces an investor's federal income tax for the taxation year during which the investment is made. Although deemed "temporary", the federal government announced in its February 2003 budget that the ITCE is extended by at least one more year.

The ITCE is a non-refundable tax credit that can be carried back three years or carried forward ten years. So if you invest in flow-through shares (of mining exploration companies only) today, you can use the deduction any time up until 2014, or back to 2001. It's a real bonus being able to use this deduction when you need it the most. Keep in mind, however, that the ITCE has to be reported as income in the year after you claimed the tax deductions from the flow-through shares. The only downside is that when you sell your investment, or trigger a "deemed disposition" (which means the government thinks you've unloaded the investment even if you haven't actually sold it), then you're on the hook for capital gains tax. That's not so bad, as capital gains tax rates are better than regular income tax rates.

Let's look at how these tax credit programs can help you reduce your taxes. For example, if you live in Ontario and your annual taxable income is \$300,000, and you're taxed at the highest marginal tax rate of 46.41%, then you'd pay \$139,230 in tax. (Of course, to make it simple, we're unrealistically assuming there are no personal exemptions or other allowable deductions and that all income is taxed at the same rate.) If you invested \$50,000 in flow-through shares, and the entire amount qualified as a CEE, then 100% of your investment could be deducted from your taxable income. Your taxable income is reduced to \$250,000 and you now owe \$116,025 in taxes—a savings of \$23,205! That's a nice chunk of change that stays in your pocket.

It can get even better. If your investment in flow-through shares is with companies that are

Real World

exploring for metals and minerals, you'll get an additional tax credit of \$7,500. That extra credit would cut your total tax bill down to \$108,525. In a perfect world, you could save yourself \$30,705 in taxes. Serious money by any standards. In addition to these federal government programs, there are several provincial flow-through initiatives that we won't address here as they vary tremendously from one province to another.

Flow-through shares are starting to sound like they're the best discovery since Chuck Fipke dug up some diamonds in the Northwest Territories. As wonderful as they are, keep in mind that since money is made and taxes are paid in the real world, things aren't always as rosy as simplified examples in a book on investing.

Before buying into the example above, remember that:

- **Taxes Vary:** Everyone pays taxes on a sliding scale, so not all of your income is taxed at the top marginal rate.
- **Diversify:** Your entire portfolio should never be solely invested in just mineral exploration stocks—diversification is advisable even for investors with an incredibly high tolerance for risk.
- **No Guarantees:** An exploration company is obligated to spend 100% of the money it receives from selling flow-through shares on expenditures that qualify for tax deductions, but if for some reason it doesn't, then you can't claim 100% of the deductions.

The bottom line is that there are many variables that will influence the impact of flow-through shares on your tax situation. Investment advisors can provide details on the limited partnerships or flow-through shares that are available in the market today. Ask them to help you research and screen limited partnership funds so you end up investing in a portfolio of companies that meets your investment objectives.

Investment Goals

Working With Your Advisor Before Making An Investment

Be sure to check with a tax advisor who knows your financial situation before you make any investments, especially in flow-through shares or limited partnerships. Do this before you make the investment, not after so you can get the most out of Canada's little-known tax deduction.

Since tax breaks in Canada are few and far between, try to take advantage of any and all legitimate ones. Given that the outlook for some resource sub-sectors is better now than it's been in years — and if you're able to stomach the risk that comes with investing in pure exploration companies — then you could save yourself some money by investing in flow-through shares. We certainly do not recommend investors throw their hard-earned money straight into assorted ventures just because the companies happen to issue flow-through shares. Not at all. Be sure to use the same careful consideration for evaluating flow-through shares as you would for any other investment. In conclusion, make sure you:

- **Only buy flow-through shares of companies you'd invest in anyway.** They should have credible management teams running projects with good prospects. The further along they are in terms of their exploration efforts, the better.
- **Don't invest in flow-through shares of companies that are exploring for resources with a bearish short-to-mid term outlook.** If it looks like the price of the commodity has peaked, or is about to peak, keep looking. Avoid sectors that are already in favour or overvalued.
- **Invest only in limited partnership funds that specialize in sectors that are out-of-favour and therefore undervalued.** Even then, make sure you have confidence in the fund manager. It's only reasonable, for example, to expect them to have thoroughly researched the individual securities held in the portfolio.

Excerpted from **Resources Rock: Profiting From The Next Global Boom In Natural Resources / Malvin Spooner with Pamela Clarke © 2004. Excerpted by permission of Insomniac Press. All rights reserved. No part of this excerpt may be reproduced or reprinted without permission in writing from the publisher.*

Flow Through Investment - A Life Cycle Analysis

To encourage investment in resource-based ventures, the Federal and Provincial Governments of Canada created Flow-Through Investments. Investors in these unique shares of a company, or portfolio of companies, receive tax deductions which can reduce their income tax payable. Flow-Through deals usually have a life cycle of two years. During the first fiscal year, it is up to the invested company to decide what to renounce or qualify as a CEE (Canadian Exploration Expense).

1. What's the difference between Limited Partnership Units vs. Flow-Through Shares?

Limited partnership units represent a portion of a diversified portfolio of flow-through shares.

2. How is the CEE passed through to LP Unit holders?

Mavrix Resource Fund Management acts as a general partner in resource offerings. The management team purchases shares of targeted resource companies. Investors, who are the limited partners, obtain from the General Partner, the applicable income tax deductions associated with flow-through shares on their T5013 tax form.

The funds from flow-through shares are used by Resource based companies to explore new deposits and develop existing properties towards production. The invested Resource based company decides what qualifies as a CEE credit. CEE can vary by company. These tax deductions are passed to the Limited Partnership.

3. How do the ITC credits occur?

ITC is the non-refundable investment tax credit that was added by the Federal Government as an incentive to invest in Mineral Resource Exploration. Expenses eligible for the tax credit are more restricted than expenses eligible for regular flow-through share renunciation. Unused tax credits may be carried back three years or forward ten years.

4. How do Provincial deductions occur?

Credits can be enhanced depending on what province the exploration is taking place in.

Boxes used on the T5013 form include Box 138, Expenses qualifying for Federal ITC and depending on the province, Box 141 through to Box 145 are for the provincial tax credit.

Corporations and individuals are not treated the same, as the Federal investment tax credits and Provincial tax credits may not all be eligible for corporations.

5. What is a T5013? What are all the numbers in the various boxes and where do they go on a personal tax return?

Investors are issued a T5013 tax slip and unit conversion depends on the units owned by the individual investor.

6. What do I look for in The Second Year?

The second year, the investor receives another T5013 tax slip. There may be interest, dividend, capital gain income as well as additional tax deductions.

7. Winding up or rolling over? What tax slips do I look for?

Once the General Partner is ready to wind up, the General Partner may propose a simple termination and dissolution of the Partnership and distribute the net assets of the Partnership to the Limited Partners.

An alternative is that the Partnership exchange its assets for a mutual fund corporation or other appropriate investment vehicle, and distribute such securities to the Limited Partners on a tax-effective basis.

If rolled over into a mutual fund corporation, investors should expect to receive a T5 tax slip indicating an amount that was distributed to investors at the time of rollover.

8. How does the adjusted cost base for the fund vs. adjusted cost base for a unitholder compare?

The Adjusted Cost Base for the fund is deemed to be NIL because of the renunciation to the investors. Adjusted Cost Base for unit- holder is usually calculated once the fund is wound up. The ACB for investors is calculated upon the production of the stub period returns, within 90 days of the wind up or rollover.

The following is an example of how the investor pays for the units and the effect on their ACB.

For simplicity reasons, we assume a 50% Marginal Tax Rate.

ACB purchases \$10,000

CEE: Deduction (\$10,000)

Revised ACB \$0

Capital Gains -

Taken into Income \$7,000

50% taxable \$3,500 = \$1,750

Redemption \$10,000

ACB - increased due to Capital Gains allocation (\$7,000)

Capital Gains \$3,000

50% taxable \$1,500 = \$750

Total taxes payable = \$2,500

Original CEE Deduction of \$10,000 @ 50% = (\$5,000)

Through Flow-through investing, investor has a

Net Savings of \$2,500

**TAX
INFORMATION
FOR PREPARING
YOUR
INDIVIDUAL
INCOME TAX
RETURN**

The information contained in this guide is strictly for information purposes and should in no way be regarded as tax advice. We suggest you consult with your tax advisor to determine the optimal use of your share of the federal/provincial deductions/credits, as well as the impact, if any, on your liability for alternative minimum tax.

If you have any difficulties completing your individual income tax return or claiming any deductions/credits which appear on your T5013, you should consult your tax advisor.

If you are a corporation or trust and require assistance, please consult with your tax advisor as this guide is for individual taxpayers only.

If you are missing any tax forms that make up your T1 General Income Tax and Benefit Return, please contact your local tax office or visit the CRA website @ <http://www.cra-adrc.gc.ca>.

The following instructions make reference to specific boxes found on a tax return, schedule, or information slip. These references were based on the 2003 tax return.

FILING INSTRUCTIONS FOR FORM T5013

A. Business Income (Loss), Capital Gains (Losses), Dividends and Interest from a Partnership

Box 18 Canadian and foreign net business income (loss)

This amount represents your share of partnership income (loss). This amount should be reported in Part III, “*Net Partnership Income (Loss)*” of Schedule 4. The total amount in Part III should be reported on **line 122**, page 2 of your T1 General Income Tax and Benefit Return.

Box 23 Capital gains (losses)

This amount represents your share of partnership capital gains (losses).

This amount should be reported on **line 174**. Information slips – Capital gains (or losses) from all your T5, T5013 and T4PS slips of **Schedule 3** should be reported on **line 127**, page 2 of your T1 General Income Tax and Benefit Return.

Box 25 Actual amount of dividends from corporations resident in Canada

This amount represents your share of the partnership’s actual dividends received from Canadian corporations.

- (i) Calculate the taxable dividend by multiplying box 25 of the T5013 slip by 1.25. The taxable dividend amount should be reported in Part I, “*Taxable amount of dividends from Taxable Canadian corporations*” of Schedule 4. The total amount in Part should be reported on **line 120**, page 2 of your T1 General Income Tax and Benefit Return.
- (ii) Calculate the federal dividend tax credit by multiplying the taxable dividend reported on **line 120** page 2 of your T1 General Income Tax and Benefit Return by 13.3333%. The federal dividend tax credit amount should be reported on **line 425 of Schedule 1**. The total amount on **line 19 of Schedule 1** should be reported on **line 420**, page 4 of your T1 General Income Tax and Benefit Return.

A. Business Income (Loss), Capital Gains (Losses), Dividends and Interest from a Partnership (cont.)

Box 26 Interest from Canadian sources

This amount represents your share of partnership interest income.

This amount should be reported in Part II, “*Interest and other investment income*” of **Schedule 4**. The total amount in Part II should be reported on **line 121**, page 2 of your T1 General Income Tax and Benefit Return.

Box 31 Limited Partnership loss available for carry forward

This amount represents your share of the current year limited partnership loss that cannot be deducted.

NOTE: You can only deduct this amount from future partnership income allocations if you have a positive at-risk amount. You can carry forward this amount indefinitely.

Box 45 Limited partner’s at-risk amount

This amount represents a partner’s original cost of partnership interest plus or minus certain adjustments. A limited partner cannot deduct partnership losses, resource expenses, and investment tax credits in excess of the at-risk amount.

This amount is for reference only and is not reported in your T1 General Income Tax and Benefit Return.

Box 51 Partnership’s total gross income

This amount represents the total gross income of the partnership.

You are not required to report this amount in your T1 General Income Tax and Benefit Return.

Box 56 Limited-recourse amounts

This amount represents the total deemed limited-recourse amount of the partnership.

You are not required to report this amount in your T1 General Income Tax and Benefit Return.

B. Claiming Canadian Exploration Expenses (CEE)

Box 130 Canadian exploration expenses

This amount represents your share of the Canadian exploration expenses. This amount should be reported in **Form T1229** – Statement of Exploration and Development Expenses and Depletion Allowance for calculating the maximum CEE

deduction available to reduce your federal taxable income for the year or for a future year.

Report any carry forward balance of Cumulative CEE (CCEE) from the prior year to Area II box (1) of your **Form T1229**. A carry forward would arise if you had any un-deducted CEE from previous years.

Report the amount from Box 130 of the T5013 slip to Area I and Area II of Form T1229.

Report previous year's claim for the federal investment tax credit and current year's claim for the provincial flow-through share tax credit to Area II of Form T1229.

Calculate Box A by adding box (1) to box (2) and subtracting box (3).

- (v) If the amount in Box A of **form T1229** is negative, report this amount as other income on **line 130** page 2 of your T1 General Income Tax and Benefit Return.
- (vi) Calculate box (4) by multiplying box A by 100%.
- (vii) Report your desired CEE claimed for the current year in box B, Area II of Form T1229.

***NOTE:** You may claim any amount of CEE deduction up to a maximum of box (4).*

- (viii) Calculate box {A-B} by subtracting box B from box A. Box {A-B} will be the amount carried forward to the next taxation year.

***NOTE:** Any unused balance of the CEE pool at the end of the year can be carried forward indefinitely.*

Report Area II, box B to Area III. The total amount in Area III should be reported on **line 224** page 3 of your T1 General Income Tax and Benefit Return.

C. Claiming the Federal Investment Tax Credit

Box 138 Expenses qualifying for Investment Tax Credit

This amount represents the renounced Canadian exploration expenses that qualify for the Investment Tax Credit.

This amount should be reported on **Form T1229** – Statement of Exploration and Development Expenses and T2038 - Investment Tax Credit (Individuals) for calculating the investment tax credit available to reduce your federal tax payable for the year, for a previous year, or for a future year.

Report the amount from **box 138** on the T5013 slip to Area and IV of **Form T1229**.

Report the provincial flow-through share tax credit available in the year to Area IV of **Form T1229**.

C. Claiming the Federal Investment Tax Credit

(iii) Calculate the eligible expenditure qualifying for an investment tax credit in Area IV of **Form T1229** and enter the amount on **line 6717**, Part A of **Form T2038**.

(iv) Calculate line B in Part A of **Form T2038** by multiplying line 6717 by 15% and enter the amount in column 3 on page 2 of Form T2038.

Report any carry forward balance of federal investment tax credits from the prior year on column 1, page 2 of your Form T2038.

(vi) Calculate column 5 by adding column 1, 2, and 3 and subtracting column 4. Report the amount from column 5 on line C of Form T2038.

Calculate line D by subtracting any Federal political contribution tax credits and labour-sponsored funds tax credits from Federal tax. Report the lesser of line C or line D on column 6. The amount in column 6 should be reported on **line 412** of Schedule 1 – Federal tax. If you are subject to alternative minimum tax, enter zero in column 6 and proceed to “*Calculating an allowable claim if alternative minimum tax (AMT applies)*”.

Calculate column 9 by subtracting column 6, 7, and 8 from column 5. The amount will be carried forward to your next year tax return.

Note: Any unused balance at the end of the year can be carried back 3 years or carried forward 10 years.

Report **line 19 of Schedule 1 on line 420**, page 4 of your T1 General Income Tax and Benefit Return.

For Ontario Residents Only

D. Claiming the Ontario Flow-Through Share Tax Credit

Box 145 Expenses qualifying for Ontario Tax credit

This amount represents the renounced Canadian exploration expenses that qualify for the Ontario Focused Flow-Through Share Tax credit.

This amount should be reported on **Form T1221**- Ontario Focused Flow-Through Share Resource Expenses for 2001 and Subsequent Years (Individuals) for calculating the total qualifying resource expenses available.

Report the amount from **box 145** on the T5013 slip to **line 1, 2, or 3 of Form T1221**.

- (ii) Report the amount from line 4 of T1221 to **line 6266** in the “*Ontario focused flow-through share tax credit*” section of **Form ON479** – Ontario credits.

Calculate line 27 on Form ON479 by multiplying line 6266 by 5%.

Report the amount on **line 28 of ON479** on **line 479** of page 4 of your T1 General Income Tax and Benefit Return.

For British Columbia Residents Only

E. Claiming the British Columbia Mining Flow-Through Tax Share Credit

Box 141 Expenses qualifying for British Columbia tax credit

This amount represents the renounced Canadian exploration expenses that qualify for the BC Mining Flow-Through Share Tax Credit.

This amount should be reported on **Form T1231** – British Columbia Mining Flow-Through Share Tax Credit for calculating the British Columbia investment tax credit available.

Report the amount from **box 141** on the T5013 slip on line 1, Part 1 of **Form T1231**.

Calculate line 3 of Form T1231 by multiplying line 1 by 20%. Complete Part 2, BC MFTS tax credit claim and report your BC MFTS tax credit claim on line 9 of Form T1231.

Complete Part 3, “*Carryback and amounts available for carry forward to future years*” if you have any unused credit at the end of the year.

- (v) Report the amount from line 9 of form T1231 on **line 63** of **Form BC428** – British Columbia Tax.
- (vi) Report the amount from line 64 of Form BC428 on **line 428**, page 4 of your T1 General Income Tax and Benefit Return.

For Manitoba Residents Only

G. Claiming the Manitoba Mineral Exploration Tax Credit

Box 144 Expenses qualifying for Manitoba tax credit

This amount represents the renounced Canadian exploration expenses that qualify for the Manitoba mineral exploration tax credit.

This amount should be reported on Form **T1241** – Manitoba mineral exploration tax credit for calculating the Manitoba mining exploration tax credit available.

Report the amount from box 144 of the T5013 slip on line 2, Part 1 of Form T1241.

Calculate line 3 of Form T1241 by multiplying line 2 by 10%.

Complete Part 1, Manitoba mineral exploration tax credit claim and report your Manitoba mineral exploration tax credit claim for the current year on line 8 of Form T1241.

Complete Part 2, *“Carryback and amounts available to carry forward for future years”* if you have any unused credit at the end of the year.

Report the amount from line 8 of Form T1241 on line 70 of Form MB428 - Manitoba Tax.

Report the amount from **line 73 of form MB428** on **line 428** page 4 of your T1 General Income Tax and Benefit Return.

For Saskatchewan Residents Only

H. Claiming the Saskatchewan Mineral Exploration Tax Credit

Box 144 Expenses qualifying for Saskatchewan tax credit

This amount represents the renounced Canadian Exploration expenses that qualify for the Saskatchewan mineral exploration tax credit.

You must complete separately, **Form SK-METC** - Saskatchewan Mineral Exploration Tax Credit, which indicates the amount of Saskatchewan mineral exploration tax credit available. Report the amount of tax credit from SK-METC on line 67 of Form SK428- Saskatchewan Income Tax and Credits.

Report the amount from **line 70 of Form SK428** on **line 428**, page 4 of your T1 General Income Tax and Benefit Return.



Head Office:

Mavrix Fund Management Inc.

36 Lombard St., Suite 400

Toronto, ON M5C 2X3

T: (416) 362-3077 F: (416) 365-4080

Toll Free: 1-888-964-3533

clientservices@mavrixfunds.com

www.mavrixfunds.com

Vancouver, British Columbia Office:

Suite 1500 - 701 West Georgia St.

Vancouver, BC V7Y 1C6

T: (604) 684-8930 F: (604) 801-5911

Calgary, Alberta Office:

Regus Bankers Hall

888, 3rd Street West, 10th Floor

Calgary, AB T2P 5C5

T: (403) 444-6906 F: (403) 668-6001

Winnipeg, Manitoba Office:

179 McDermot Avenue, Suite 101

Winnipeg, MB R3B 0S1

T: (204) 947-9649 F: (204) 956-5705

Montreal, Quebec Office:

1253 McGill College Ave., Suite 690

Montreal, QC H3B 2Y5

T: (514) 227-0666 F: (416) 365-4080

Halifax, Nova Scotia Office:

1657 Barrington St., Suite 310

Halifax, NS B3J 2A1

T: (902) 423-9987 F: (902) 423-6115