

CRA Guidelines for Determining the Tax Treatment of Certain Exploration Expenses

(Reproduced from CRA document 2016-067590217, dated January 24, 2017)

Issue	Description of Expenses	Guideline
Environmental studies	Environmental assessments undertaken to meet a legal or informal requirement to obtain a permit.	CEE as of March 1, 2015. Prior to March 1, 2015, not CEE as it is part of the cost of 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:	
	- environmental sampling/monitoring in relation to an exploration activity;	CEE
	- targeted environmental assessments (e.g., vegetation, fisheries and water assessments) conducted in conjunction with a specific exploration activity;	CEE
	- general baseline environmental assessments undertaken prior to carrying out a specific exploration activity.	Not CEE (does not meet purpose test)
Issue	Description of Expenses	Guideline
Community consultation	Consultation to assess community attitudes/community information program, undertaken prior to a decision to explore.	Not CEE (does not meet purpose test)
	Consultation undertaken to meet a legal or informal requirement to obtain a permit.	CEE as of March 1, 2015. Prior to March 1, 2015, not CEE as it is part of the cost of CRP, which is CDE.
	Consultation 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)
	Negotiation to secure surface access for exploration purposes (beyond the requirements for/of the permit).	CEE (where incurred in relation to the exploration process and not a broader purpose).
	Negotiation with local community to secure certainty with respect to exploration	CEE (not part of the cost of a CRP)

	operations (additional to requirement for/of a permit and where other party does not hold surface rights).	
	Other consultation undertaken at the taxpayer's discretion in respect of the:	
	- exploration process only;	CEE
	- exploration and mining process;	CEE to the extent the expense meets purpose test
Issue	Description of Expense	Guideline
Feasibility studies	Preliminary planning for a potential exploration activity undertaken prior to a decision to explore.	Not CEE (does not meet purpose test)
	Planning for, and studies relating to, the conduct of an exploration activity or some part thereof.	CEE
	Physical and chemical assessments related to a deposit, with the objective of informing a decision whether to undertake more advanced exploration at the site.	CEE
	Assessments of the physical and chemical characteristics of the deposit to assess its potential as a commercial deposit.	CEE
	Assessments of mine development options and/or profitability of developing the deposit into a mine.	Not CEE (does not meet purpose test).