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SUBJECT Qualifying Site

SECTION 20(1)(ss); 211.6(1) definition of “qualifying environmental trust” and “qualifying site”

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Please note that the following document, although believed to be correct at the time of issue, may not represent the current position of the CRA.

Prenez note que ce document, bien qu'exact au moment émis, peut ne pas représenter la position actuelle de l'ARC.

PRINCIPAL ISSUES: 1. Whether the proposed Single Reclamation Trust meets the definition of a “qualifying environmental trust” in section 211.6 of the Act. 2. Whether contributions made to the Single Reclamation Trust will be deductible under paragraph 20(1)(ss) of the Act.

POSITION: 1. Yes. 2. Yes. Favourable rulings provided.

REASONS: Areas required to be remediated in accordance with provincial legislation meet the definition of a "qualifying site" for the purposes of the QET rules in section 211.6 of the Act.

XXXXXXXXXX

2012-046387

XXXXXXXXXX, 2013

Dear XXXXXXXXXX:

Re: Advance Income Tax Ruling

XXXXXXXXXX

We are writing in response to your letter of XXXXXXXXXX wherein you requested an advance income tax ruling on behalf of the above-named taxpayers. We also acknowledge the additional information you provided in your subsequent email correspondences, the last of which was received on XXXXXXXXXX.

We understand that, to the best of your knowledge and that of the taxpayers named above, none of the issues involved in the ruling request is:

(i) involved in an earlier return of the taxpayer or a related person;

(ii) being considered by a tax services office or taxation centre in connection with a previously filed tax return of the taxpayer or a related person;

(iii) under objection by the taxpayer or a related person;

(iv) before the courts; or

(v) the subject of a ruling previously issued by the Income Tax Rulings Directorate involving the taxpayer or a related person.

DEFINITIONS

In this letter, unless otherwise expressly stated, the following terms have the meanings specified:

(a) “Act” means the Income Tax Act (Canada), RSC 1985, c.1 (5th Supp.), as amended to the date of this letter;

(b) “Corporation A” means XXXXXXXXXX;

(c) “Corporation B” means XXXXXXXXXX;

(d) “Corporation C” means XXXXXXXXXX;

(e) “Corporation D” means XXXXXXXXXX;

(f) “CRA” means the Canada Revenue Agency;

(g) “Decommissioning and Reclamation Plans” means draft plans, including any approved amendments to such plans, to decommission and reclaim all or part of the Sites;

(h) “Entities” means Corporation A, Corporation B and the Partnership;

(i) “Facilities” means the mines, mills, brine ponds, tailing management areas and any other fixtures, chattels or improvements located on the Sites;

(j) “Mine XXXXXXXXXX” means the XXXXXXXXXX mine described throughout the draft “XXXXXXXXXX Decommissioning and Reclamation Plan” of XXXXXXXXXX, the locations of which are specified in Section XXXXXXXXXX of the above-noted plan, in the XXXXXXXXXX, and includes the Facilities and any land, water or watercourse used or disturbed by the construction or operation of the mine site;

(k) “Mine XXXXXXXXXX” means the XXXXXXXXXX mine described throughout the draft “XXXXXXXXXX Decommissioning and Reclamation Plan” of XXXXXXXXXX, the location of which is specified in Section XXXXXXXXXX of the above-noted plan, XXXXXXXXXX, and includes the Facilities and any land, water or watercourse used or disturbed by the construction or operation of the mine site;

(l) “Mine XXXXXXXXXX” means the XXXXXXXXXX, described throughout the draft “XXXXXXXXXX Decommissioning and Reclamation Plan” of XXXXXXXXXX, the location of which are specifically referenced in Section XXXXXXXXXX of the above-noted plan, and located within the XXXXXXXXXX, and includes the Facilities and any land, water or watercourse used or disturbed by the construction or operation of the site;

(m) “Paragraph” refers to a numbered paragraph in this letter, unless otherwise indicated;

(n) “Partners” means Corporation C and Corporation D;

(o) “Partnership” means the XXXXXXXXXX, made up of Corporation C, as general partner, holding a XXXXXXXXXX% capital interest in the Partnership, and Corporation D, as limited partner, holding a XXXXXXXXXX% capital interest in the Partnership;

(p) “qualifying environmental trust” has the meaning assigned to that term by subsection 211.6(1) of the Act;

(q) “qualifying site” has the meaning assigned to that term by subsection 211.6(1) of the Act; and

(r) “Sites” means the properties described throughout the approved Decommissioning and Reclamation Plans of XXXXXXXXXX for Mine XXXXXXXXXX, Mine XXXXXXXXXX and Mine XXXXXXXXXX, including the Facilities, and any land, water or watercourse used or disturbed by the construction or operation of such properties.

Unless otherwise specified, all section references contained herein are to sections of the Act, and all references to monetary amounts are in Canadian dollars.

Our understanding of the facts, proposed transactions and purpose of the proposed transactions is as follows:

FACTS

1. Corporation A is incorporated pursuant to the laws of the Province of XXXXXXXXXX and is primarily engaged in the operation of Mine XXXXXXXXXX. Corporation A’s fiscal year ends on XXXXXXXXXX and its business number is XXXXXXXXXX. The head office is located at XXXXXXXXXX. Corporation A files its corporate income tax returns at the XXXXXXXXXX Taxation Centre and its tax affairs are administered by the XXXXXXXXXX Tax Services Office.

2. Corporation B is incorporated pursuant to the laws of the Province of XXXXXXXXXX and is primarily engaged in the operation of Mine XXXXXXXXXX. Corporation B’s fiscal year ends on XXXXXXXXXX and its business number is XXXXXXXXXX. The head office is located at XXXXXXXXXX. Corporation B files its corporate income tax returns at the XXXXXXXXXX Taxation Centre and its tax affairs are administered by the XXXXXXXXXX Tax Services Office.

3. The Partnership is a limited partnership formed under the laws of the Province of XXXXXXXXXX and is primarily engaged in the operation of Mine XXXXXXXXXX. The Partnership’s fiscal year end is XXXXXXXXXX. Corporation C’s business number is XXXXXXXXXX and Corporation D’s business number is XXXXXXXXXX. The Partnership’s head office is located at XXXXXXXXXX. Each Partner files its corporate income tax returns at the XXXXXXXXXX Taxation Centre and its tax affairs are administered by the XXXXXXXXXX Tax Services Office.

4. Corporation A, Corporation B, Corporation C and Corporation D are affiliated persons and related persons for the purposes of the Act.

5. Each of the Entities holds a permit issued by the Government of XXXXXXXXXX to operate a XXXXXXXXXX mine in XXXXXXXXXX.

6. The Entities are subject to the terms of XXXXXXXXXX (the “Environmental Act”). XXXXXXXXXX.

7. Regulations have been enacted under the Environmental Act including, in particular, XXXXXXXXXX (the “Environmental Regulations”). XXXXXXXXXX.

8. Each of the Entities currently has a $XXXXXXXXXX letter of credit in place to address any temporary, short term liabilities at the Sites as well as an approximate $XXXXXXXXXX existing reclamation trust arrangement for each mine site, with the Province of XXXXXXXXXX as beneficiary. Each of the Entities deducted the amounts contributed to the existing reclamation trusts in computing their respective income pursuant to paragraph 20(1)(ss) of the Act, which allows a deduction for a contribution made to a qualifying environmental trust as defined in subsection 211.6(1). No additional contributions will be made to these reclamation arrangements.

PROPOSED TRANSACTIONS

9. The Entities intend to enter into a new, irrevocable trust agreement (hereafter referred to as the “Single Reclamation Trust”) with the Government of XXXXXXXXXX for the establishment of an assurance fund in respect of the decommissioning and reclamation obligations of the Entities under the Environmental Regulations.

10. The reclamation trusts described in Paragraph 8 above, will be dissolved in favour of the Single Reclamation Trust and the funds distributed to each of the Entities as beneficiaries of the trusts.

11. The Single Reclamation Trust will include the following attributes:

a) The Single Reclamation Trust, established pursuant to and governed by the Environmental Laws, will be maintained for the sole purpose of funding the reclamation of the Sites;

b) The beneficiaries of the Single Reclamation Trust will be the Entities and the Province of XXXXXXXXXX. The trustee will be a corporation resident in Canada that is licensed to carry on in Canada the business of offering to the public its services as independent trustee;

c) The Single Reclamation Trust cannot borrow money and may only acquire property which is described in paragraphs (a), (b), (c), (c.1), (d) and (f) of the definition “qualified investments” in section 204 of the Act, and which are not “prohibited investments” as defined in subsection 211.6(1) of the Act;

d) If any of the Entities default on any obligation under any of the Sites plan of reclamation and decommissioning, and does not correct such default after being given a XXXXXXXXXX-day notice period, the Minister of the Environment for the Province of XXXXXXXXXX (the “Minister”) will be entitled to retain a third party to carry out this work;

e) The Minister will be authorized to direct the trustee to disburse amounts with respect to work completed in the reclamation or decommissioning of any of the Sites to the Minister, the Entities or any third party as specified by the Minister;

f) If during the time that the Entities continue to operate the Facilities, the Entities undertake significant decommissioning and reclamation of one or more of the Sites, including any part of the site on which those Facilities are located, the Minister may direct the trustee to pay all or a portion of such costs, as the Minister determines, provided such payment will not unduly deplete the Single Reclamation Trust;

g) The Single Reclamation Trust will remain in existence until all reclamation obligations of the Entities in respect of the Sites have been fulfilled, or otherwise been discharged in whole or in part; and

h) Any and all distributions of the fund will be made in accordance with the terms and conditions of the Single Reclamation Trust agreement.

12. The Entities intend to contribute approximately $XXXXXXXXXX to the Single Reclamation Trust by XXXXXXXXXX.

PURPOSE OF THE PROPOSED TRANSACTIONS

The proposed transactions are being undertaken for the purpose of setting up the Single Reclamation Trust for the funding of the decommissioning and reclamation of the Sites in XXXXXXXXXX, which is required to satisfy the Entities’ obligations under the Environmental Regulations.

RULINGS GIVEN

Provided that the preceding statements constitute a complete and accurate disclosure of all the relevant facts, proposed transactions and purpose of the proposed transactions, and provided further that the proposed transactions are carried out by the Entities as described above, we confirm the following:

A. Provided that the Single Reclamation Trust is established and operated in accordance with the proposed terms as set out in Paragraph 11 above for each taxation year, the Single Reclamation Trust will be a “qualifying environmental trust” as defined in subsection 211.6(1) of the Act.

B. Upon the dissolution of the existing reclamation trusts as described in Paragraph 8 above, the amounts received in the year by a particular entity will be included in computing that entity’s income for the particular taxation year pursuant to paragraph 12(1)(z.1) of the Act.

C. Contributions made in the year by a particular entity to the Single Reclamation Trust will be deductible in computing that entity’s income for the particular taxation year pursuant to paragraph 20(1)(ss) of the Act.

COMMENTS

Except as expressly stated, the rulings provided do not imply acceptance, approval or confirmation of any income tax implications of the facts or proposed transactions. In particular, nothing in this letter should be interpreted as confirming either expressly or implicitly:

(i) the reasonableness of any expenditure referred to in this letter;

(ii) whether the arrangement being entered into with the Province creates a valid trust at law; and

(iii) any tax consequences relating to the facts and proposed transactions described herein other than those specifically described in the ruling given above.

The above rulings are given subject to the limitations and qualifications set out in Information Circular 70-6R5 dated May 17, 2002, and are binding on the CRA provided that the Entities have commenced implementing the proposed transactions by XXXXXXXXXX.

This ruling is based on the law as it presently reads and does not take into account any proposed amendments to the Act which, if enacted, could have an effect on the ruling provided herein.

Yours truly,

XXXXXXXXXX

Manager

Resources Section

Reorganizations Division

Income Tax Rulings Directorate

Legislative Policy and Regulatory Affairs Branch