

Date

Sent via email: bill.morneau@parl.gc.ca

The Honourable Bill Morneau P.C., M.P.
Minister of Finance
90 Elgin Street
Ottawa, ON K1G 0G5

Re: Renewing the Mineral Exploration Tax Credit and Sustaining Flow-Through Shares Financing

Dear Minister,

Introduce organization writing on behalf of

Canada is recognized as a global leader in mineral exploration and development. From geoscience to financing, our leadership position has been developed and maintained for more than a century and has contributed extensively to the economic and cultural prosperity of all Canadians.

One of the key policy innovations that has cemented this global leadership position has been the creation of the “super flow-through” (SFT) financing regime, arguably the most efficient and effective market-based exploration financing mechanism in the world. In fact, Toronto is the mine equity capital of the world, with over half of all global mine financings done on the TMX in 2015.

Flow-through financing makes it possible for thousands of small, entrepreneurial companies to raise capital to undertake mineral exploration—the riskiest stage of the mineral development cycle. These small companies, also known as “juniors” take on the bulk of mineral exploration in Canada, particularly in grassroots “greenfields” explorations. This is not a coincidence—juniors are more successful at making discoveries that are economically viable to develop into mines. Data shows that juniors made approximately 70% of all discoveries in Canada between 2005 and 2014, and found almost 30% more value per dollar expended than did major mining companies.

Created in 2000, the Mineral Exploration Tax Credit (METC) is a 15% non-refundable tax credit on eligible expenses, classified as flow-through mining expenditures. The METC and flow-through share system that underpins it, known as “super flow-through” (SFT), have contributed to Canada’s competitive advantage in the global minerals industry and help attract capital to a critical stage of the mining cycle. In a recent questionnaire distributed by the PDAC to its members, 85% had raised FT funds within the past 20 years, with 61% of the respondents stating that the exploration activity financed using FT funds led to new discoveries.

Finance Canada has estimated that every dollar of flow-through financing generates \$2.60 of exploration related expenditures in Canada, with much of those funds supporting exploration near remote and Aboriginal communities. Over 90% of respondents to the PDAC questionnaire said that they were able to create economic opportunities for rural/remote and Aboriginal communities using flow-through funds, including employment and local procurement.

Flow-through share financing is particularly important during downturns, including the cycle we are currently in with financing for exploration on Canadian exchanges falling from \$4.2 billion in 2007 to an estimated \$306 million in 2015. PDAC analysis of available data shows that flow-through shares have accounted for more than 60% of all exploration-focused financing on Canadian exchanges since 2011. Half of all companies interviewed by PDAC on their use of flow-through financing indicated that, due to market conditions, flow-through financing was the only source of capital they had access to during the recent downturn.

Several companies used these funds to make significant, award-winning discoveries that are likely to become mines. Without flow-through, they would not have been able to conduct the exploration necessary to make those discoveries.

Simply put, flow-through financing is the lifeblood of Canada's exploration and development sector. In order to support this sector and sustain the benefits it offers Canadians, *INSERT ORGANIZATION/NAME*, recommends that the Mineral Exploration Tax Credit be renewed and that the flow-through shares system is maintained.

Sincerely,

Name, title
Company

Cc:

The Honourable Jim Carr, Minister of Natural Resources, (via email Minister.Ministre@NRCan-RNCan.gc.ca)

Bob Schafer, President, Prospectors & Developers Association of Canada