



**Association for
Mineral Exploration**

**Written Submission for the Pre-Budget Consultations in
Advance of the Upcoming Federal Budget 2024**

**By: Association for Mineral Exploration British Columbia
(AME)**

February 2024

List of Recommendations

- **Recommendation 1:** That the government implement extensions to the Mineral Exploration Tax Credit and Critical Mineral Exploration Tax Credit through 2029.
- **Recommendation 2:** That the government adjust treatment of capital gains to address consequences of the Alternative Minimum Tax on flow-through share programs.
- **Recommendation 3:** To fund the Pan-Canadian Geoscience Strategy through specific investments in Budget 2024.

WRITTEN SUBMISSION FOR THE PRE-BUDGET CONSULTATIONS IN ADVANCE OF THE UPCOMING FEDERAL BUDGET 2024 FROM THE ASSOCIATION FOR MINERAL EXPLORATION

The Association for Mineral Exploration (AME) is pleased to present its recommendations for the upcoming Federal Budget 2024. AME is the lead association for the mineral exploration and development industry based in British Columbia. Established in 1912, AME represents, advocates and promotes the interests of our more than 300 corporate and nearly 5,000 individual members who are engaged in mineral exploration and development. AME is recognized throughout Canada as an industry leader in promoting economic reconciliation and relationships with Indigenous peoples.

Critical minerals present a fundamental opportunity for Canada to be a leader on the world stage in supplying the materials needed for a low-carbon future. However, there is often a significant gap, measured in years or even decades, between discovering a mineral deposit and its successful extraction. Accordingly, Canada's leadership in being a trusted supplier in critical minerals – along with metals such as gold and metallurgical coal – is dependent on having a robust mineral exploration industry that discovers the deposits that supply metals and minerals into the future.

On behalf our members, we thank the federal budget for its historic investment of \$3.8 billion into the Critical Minerals Strategy. We also applaud the government for its collaboration with the Government of British Columbia on the Regional Energy and Resource Tables, and we look forward to seeing this partnership help realize the potential of BC's mineral exploration and development industry. AME's recommendations for the budget complement these efforts in ensuring that mineral exploration and development in BC and throughout Canada remain competitive and advance a reliable supply chain and economic reconciliation with Indigenous peoples.

RECOMMENDATION 1:

THAT THE GOVERNMENT IMPLEMENT EXTENSIONS TO THE MINERAL EXPLORATION TAX CREDIT AND CRITICAL MINERAL EXPLORATION TAX CREDIT THROUGH 2029.

Together with a provision that allows mineral exploration companies to transfer expenses to investors through flow-through shares, the 15-per-cent Mineral Exploration Tax Credit (METC) and 30-per-cent Critical Mineral Exploration Tax Credit (CMETC) facilitate investment into exploration, the research and development that funds the discovery of mineable deposits. In fact, according to the Prospectors & Developers Association of Canada, approximately 65% of all funds raised for domestic exploration over the past decade have been through the flow-through regime. In the case of transactions of under \$20 million, which apply to nearly all grassroots exploration programs, the proportion of funding through this suite of incentives is nearly 80%.

AME thanks the government for introducing five-year terms for federal tax incentives beginning with its announcement in the 2018 Fall Economic Statement extending through 2024 and the subsequent announcement in Budget 2022 of CMETC. These two long-term credits are now integral to the

foundation of Canada’s competitiveness in attracting mineral exploration venture capital. The availability of these programs allowed Canada to reclaim its place as the #1 destination worldwide for mineral exploration investment in 2021 and 2022, and the current tax credit regime allowed Canada to attract 21% of global mineral exploration in 2022 according to S&P Global, the highest percentage in at least 30 years. Similarly, in 2022, BC experienced its strongest year to date for mineral exploration with \$740 million in expenditures, and included a 91% year-over-year increase in copper exploration, rising from \$128 million in 2021 to \$235 million in 2022 according to data collected by the BC Ministry of Energy, Mines and Low Carbon Innovation.

As the Mineral Exploration Tax Credit is set to expire in 2024, AME strongly recommends that the Government of Canada renew this credit through 2029 in this year’s Fall Economic Statement, and to align the Critical Mineral Exploration Tax Credit to be equally renewed through 2029 to ensure the viability of these credits.

RECOMMENDATION 2:

THAT THE GOVERNMENT ADJUST TREATMENT OF CAPITAL GAINS TO ADDRESS CONSEQUENCES OF THE ALTERNATIVE MINIMUM TAX ON FLOW-THROUGH SHARE PROGRAMS.

AME supports measures to ensure tax fairness for all Canadians including a regular review of the Alternative Minimum Tax (AMT) that provides a mechanism for calculating tax for high-income individuals. Once the AMT as proposed is applied to charitable donations of public securities, notably shares of mineral exploration companies, it appears that changes effective in 2024 may in effect reduce the viability of high-income earners to invest in mineral exploration companies. Accordingly, these changes may effectively nullify the benefits of flow-through shares as well as the Mineral Exploration Tax Credit and Critical Mineral Exploration Tax Credit.

One estimate is that up to \$250 million of flow-through capital annually is at risk – the equivalent of 16% of flow-through funds raised in 2022. It should be noted that the vast majority of this capital would be directed to procure labour, goods and services in remote regions of Canada; according to AME’s Exploring the Economy study, 93% of exploration expenditures remained within the province (with most of the remainder being spent in neighbouring Yukon and Alberta), and 41% of expenditures stayed within the region. Accordingly, to both build investor confidence as well as to encourage economic activity especially in rural regions throughout Canada where mineral exploration occurs, we recommend that government adjust the treatment of capital gains to ensure that budget measures do not cancel out the intended effects of other measures within the same budget.

RECOMMENDATION 3:

TO FUND THE PAN-CANADIAN GEOSCIENCE STRATEGY THROUGH SPECIFIC INVESTMENTS IN BUDGET 2024.

AME supports the historic investment of \$3.8 billion into the Critical Minerals Strategy in Federal Budget 2022, and our members have benefited from measures implemented throughout the supply chain – from geoscience, through the critical mineral exploration tax credit, to research programs related to the processing of critical minerals. We also support Federal Budget 2022’s investment includes \$79.2 million over five years to provide public access to integrated data sets to inform critical mineral exploration and development, and we welcome this commitment. However, we stress that the creation of new geoscience is also important in maintaining Canada’s competitive advantage in attracting mineral exploration and development.

Jurisdictions around the globe see the geoscientific research as the key to unlocking critical mineral potential. In May 2023, the state of Western Australia announced \$40 million (C\$36 million) for the upcoming year alone to implement initiatives through its Sustainable Geoscience Investments program. As stated in our 2022 submission in support of the Critical Minerals Strategy, the Pan-Canadian Geoscience Strategy exists to support such research, and we support that it be well-funded. This collaborative strategy, if well implemented and funded, can harness the full suite of public geoscience available including the Geological Survey of Canada, provincial and territorial geological surveys, academic institutions and independent public geoscience providers to encourage innovation.