

Relief and Renewal: Canada's METC Extension Breathes New Life into Mineral Exploration

written by Tracy Hughes | March 31, 2024

In a much-anticipated turn of events, the Canadian government [announced](#) on Thursday, March 28th, the extension of the **Mineral Exploration Tax Credit** (METC) through to March 31, 2025. This decision, arriving just in the nick of time, has quelled the rising anxiety within the mining sector regarding the future of flow-through financings.

For weeks leading up to the announcement, speculation and concern have been rampant. A recent story by **InvestorNews** titled [Anxiety Rises on the Future of Flow-Through Financings as METC Deadline Looms, Canadian Government Keeps Quiet](#) highlighted the sector's unease as the March 31, 2024, deadline approached without a word from the federal government. The METC has long been a cornerstone for supporting flow-through share (FTS) pricing for exploration companies, enabling them to raise funds effectively. The lack of confirmation on its renewal posed a significant threat to the cost of capital for these companies, potentially diluting their growth and exploration activities across Canada.

Peter Clausi, a Director for the [Critical Minerals Institute](#) (CMI), the CEO of [CBLT Inc.](#) (TSXV: CBLT), and a vocal advocate for the mining community, previously expressed deep concern over the government's silence. The uncertainty, he noted, made planning and investment challenging for junior mining issuers. "Without the METC's extension, a great deal of investment would not have been made, to the detriment of everyone in the junior mining company's food chain. The extension of the METC means

that the further incentive to invest in junior mining companies with assets in Canada is still there,” Clausi elaborated following the announcement. “Many thanks to everyone who spoke to the government, and especially to PDAC who has been a historical leader in this area.”

The extension is projected to offer support for mineral exploration investments. While the figure mentioned in the announcement was \$65 million, industry experts deem this to be an exceptionally modest number. “The \$65 million figure seems low compared to the expectations within the industry,” Clausi commented, providing an opportunity to share the perceived discrepancy between the government’s projections and the industry’s expectations.

Despite the last-minute nature of the renewal and the questions surrounding the amount of support provided, the extension has been met with relief. The decision underscores the government’s recognition of the mining sector’s crucial role in Canada’s economy, especially in the sustainable development of natural resources and the promotion of Indigenous economic participation.

Quotes from senior government officials, including The Honourable Chrystia Freeland and The Honourable Jonathan Wilkinson, affirm the government’s commitment to supporting the mining sector. Freeland emphasized the importance of mineral exploration in creating future mining jobs, particularly in northern and remote communities, as part of Canada’s transition to a net-zero economy. Wilkinson highlighted mining’s historic significance to Canada and the current focus on supporting the exploration of critical minerals crucial for clean technology.

The METC’s extension arrives as both a significant relief and a call to action for the mining industry. It not only addresses

the immediate financial concerns but also signals the government's ongoing support for mineral exploration. As Canada continues to navigate its economic and environmental goals, the sustained investment in the mining sector through mechanisms like the METC will be pivotal in unlocking the country's vast mineral wealth, creating jobs, and fostering a sustainable future.

InvestorNews recently did an [interview](#) with Jeff Killeen, Director of Policy and Programs at the [Prospectors & Developers Association of Canada](#) (PDAC) who explained how PDAC has played a crucial role in lobbying for the METC's renewal. Their efforts underscore the collaborative spirit required to ensure the mining sector's stability and growth. With the extension now in place, the industry can breathe easier, focusing on the exploration and development that are fundamental to Canada's economic and environmental well-being.

Peter Clausi Analyzes the METC Extension: Understanding Its Impact on Canada's Mining Industry – Highlights from the Q&A Session:

Q: The Federal Government of Canada announced an extension of the 15% mineral exploration tax credit for investors and flow-through shares until March 31, 2025. What does this mean for the industry?

Peter Clausi: This means that the incentive to invest in junior mining companies with assets in Canada is still there without the mineral exploration tax. But a great deal of investment would not have been made, to the detriment of everyone in the junior mining company's food chain, including drillers, prospectors, lawyers, accountants, and most importantly, First Nations. With the METC being extended for at least one year, those persons will continue to benefit from continued

investments.

Q: Why did the government wait until the last minute to announce the METC extension, and why only for one year?

Peter Clausi: I blame Adam Smith and his invisible hand. I think the liberal government was using the Tax Act as a tool of social policy, which they ever right to...But I think the law of unintended consequences... would have been that those companies would not have seen investment and that's not healthy for the Canadian mining ecosystem.

Q: How does this extension impact sectors not considered critical minerals?

Peter Clausi: Anything that's not on the critical minerals list would have been impacted.

Q: The extension is projected to offer \$65 million in support for mineral exploration investments. Is this consistent with your understanding of what's needed?

Peter Clausi: It is. I would expect that \$65 million number to be much larger, and that much larger level of support is what's needed for the non-critical mineral exploration company.

Q: Can you comment on the significance of quotes from Chrystia Freeland and Jonathan Wilkinson in this particular news release?

Peter Clausi: It shows how seriously the Liberal government finally took this issue. And when they realized the unintended consequences of not extending the METC, senior officials in the government took action to extend the METC.

FTS Information sources include:

- The Canadian list of Critical Minerals, [click here](#)

- [Mining Tax Canada](#)
- [How the flow-through share \(FTS\) program works – Canada.ca](#)
- [Canada Revenue Agency – Flow-Through Shares](#)
- [PDAC – Access to Capital, Flow-Through Shares](#)
- [PDAC Brochure on Flow-Through Shares](#)
- [Critical Minerals Institute](#)