

Considerations & Recommendations for Federal Budget 2026

August 2026



**PROSPECTORS &
DEVELOPERS
ASSOCIATION
OF CANADA**

**ASSOCIATION
CANADIENNE DES
PROSPECTEURS ET
ENTREPRENEURS**



Recommendation 1: Eliminate the gap in flow-through share (FTS) eligibility between the Canadian Exploration Expense (CEE) and Canadian Development Expense (CDE) categories and follow the commitment outlined in the [Canada Strong plan](#) by “*expanding eligible activities under CEE to include the costs of technical studies, such as engineering, economic and feasibility studies*” that are required to establish mineral reserves and make mine development decisions.

Recommendation 2: Amend the Income Tax Act to make both the Mineral Exploration Tax Credit (METC) and the Critical Mineral Exploration Tax Credit (CMETC) permanent or renew these credits for a minimum of 10 years, with an option to renew the credit for an additional 10 years at the midway point (i.e. 2030). Such a commitment will protect Canadian competitiveness and provide long-term market certainty for industry and investors.

Recommendation 3: Commit a minimum of \$30 million per year on an ongoing basis to fund continuation of the Targeted Geoscience Initiative (TGI) program, renewal of the Geo-Mapping for Energy and Minerals (GEMS) program, as well as to: (1) develop comprehensive mineral potential models; (2) expand general accessibility of public geoscience data; and (3) facilitate evidence-based land conservation and protection decisions.

Recommendation 4: Amend section [248\(1\)](#) of the *Income Tax Act* by expanding the definition of a “mineral resource” to capture all minerals that are on [Canada’s critical minerals list](#) and that are eligible under the CMETC.

Low-cost options to boost mineral exploration and development in Canada

Our front-page recommendations are limited in scope, scale and financial impact on the federal fiscal framework, yet they are meant to provide material and meaningful benefits to mineral explorers and developers in Canada, spur new discoveries and boost domestic sources of minerals needed for our future. PDAC has developed a comprehensive financial analysis tool to show the positive returns potentially generated from actioning our recommendations. We have made these calls in previous pre-budget consultations and strongly re-emphasize the importance of acting now to protect Canadian advantages and stay on a path to meet the generational shift in strategic goals proposed by government.

Investor exodus threatens Canadian market leadership

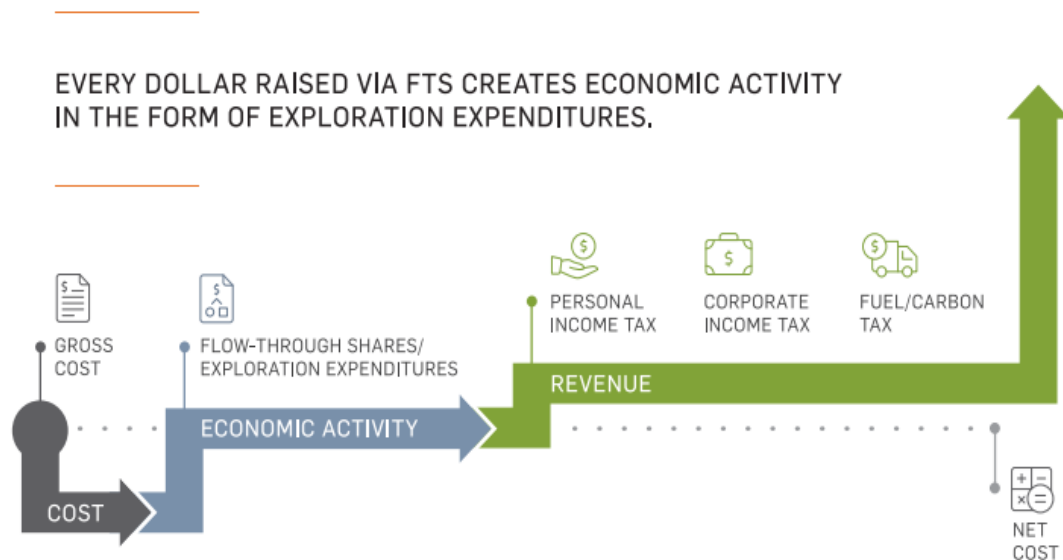
Canada is a world leader in connecting mineral projects with investment capital and minerals to supply chains. Our high standing has been built through a unique financial ecosystem that has been refined for nearly a century, with the Prospectors and Developers Association of Canada (PDAC) serving as a central industry voice for the past 94 years. While exploration and mining companies represent the largest share of listings on Canadian exchanges, the sector's long-term competitiveness remains inextricably linked to the strength of our broader marketplace relative to other jurisdictions.

There are clear signals that the health of our capital marketplace is severely at risk, given that sectors outside of exploration and mining (i.e. energy, finance, transportation, etc.) have faced a stark decline in equity investment over the last four years. Canadian exchanges in 2025 generated barely one-third of the investment dollars recorded a decade ago or during the global financial crisis, whereas equity issuances on the NASDAQ have been effectively flat over the same timeframe.

SHRINKING CANADIAN EQUITY MARKET *Mineral Sector Holding On*



These warning signs tell us Canadian competitiveness is in jeopardy. Government must act with urgency to boost our investment attractiveness and protect our leadership in financing the global mineral industry. A sound first step is to maximize existing fiscal tools that offer negligible cost and immediate economic impact. For several decades, flow-through shares (FTS), the Mineral Exploration Tax Credit (METC) and, since 2022, the Critical Mineral Exploration Tax Credit (CMETC) have proven to fit this mould. Our analysis shows that FTS and mineral tax credits are low-cost, generate a positive long-term return on investment (ROI), and are essential in drawing investment to early-stage exploration.



Exploration incentives generate positive returns for Canadians

PDAC has developed a comprehensive financial analysis tool that investigates the effectiveness of the FTS regime in terms of its return on investment by the federal government deferring income tax revenue to spur exploration activity and new discoveries here at home.

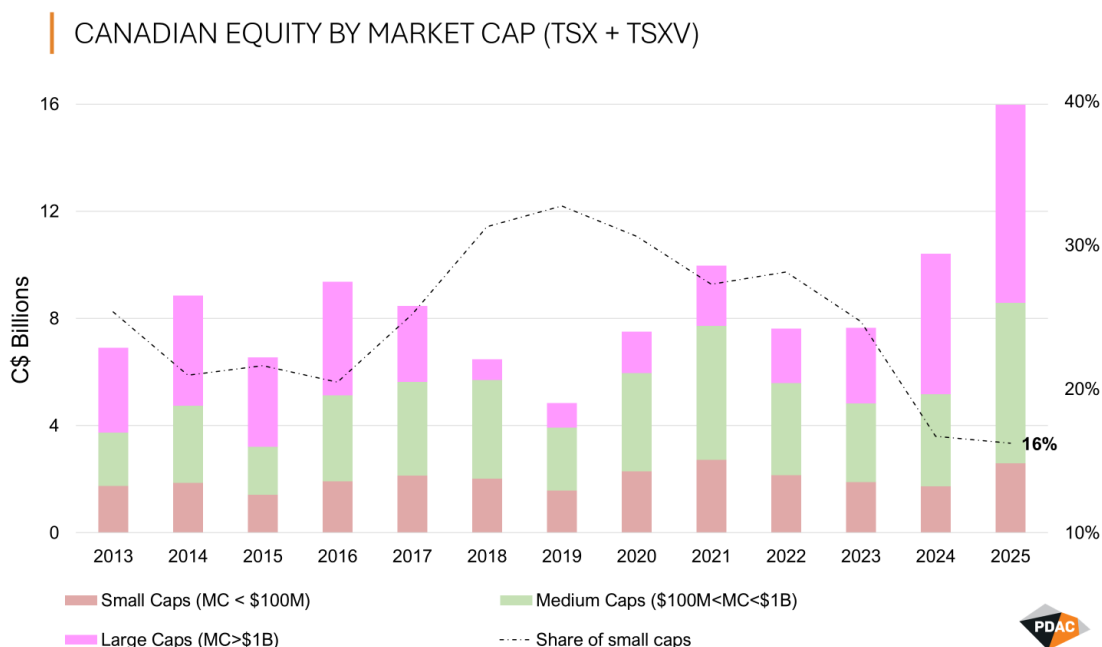
As the following summary table shows, primary and secondary economic activity that we estimate is generated directly from FTS investment results in a net positive impact on federal coffers and the overall Canadian economy.

Economic Impact of Flow Through Shares

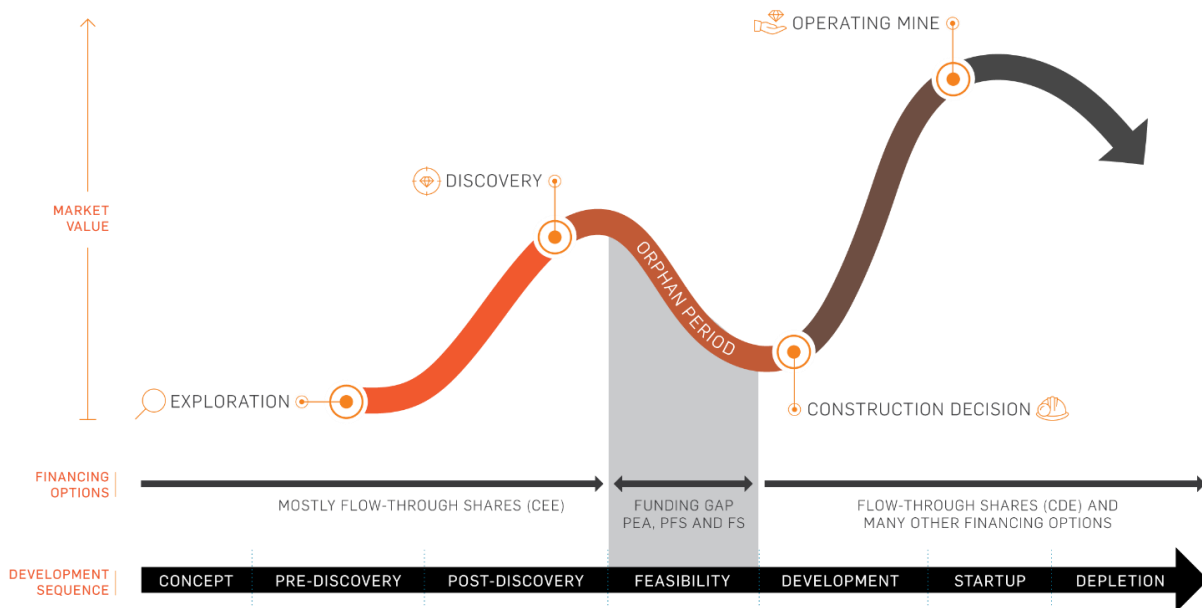
	Current State Annual Estimates (2011-2025)		Expanded CEE + METC / CMETC Projected Annual Estimates (2026 - 2040)	
FTS \$ raised	\$	814,196,399	\$	1,596,628,877
Annual Cost to GoC	\$	311,275,285	\$	658,609,412
Tax revenue (economic activity)	\$	239,489,764	\$	466,465,504
Tax revenue (CAPEX & Production)	\$	369,316,565	\$	810,176,743
Net cash flow	\$	297,531,045	\$	618,032,835
Cumulative cash flow	\$	4,462,965,669	\$	9,270,492,532
FTS program NPV (3%) to Canada	\$	3,300,615,843	\$	7,234,270,270
FTS value per Canadian	\$	79.69	\$	174.67

Expanding capital access and flexibility for junior explorers

Roughly eight out of 10 companies in the mineral sector are small to medium-sized with market capitalization below C\$100 million, and this cohort is attracting a steadily shrinking share of investment. They captured only 16 per cent of the investment dollars raised in the market in 2025. The decline outlined below highlights how structural funding barriers faced by early-stage exploration companies are driving a decline in greenfield exploration activity.



Compounding the effects of a capital shortage for early-stage explorers, limitations on how companies can spend FTS funds create a chokepoint for mineral projects to reach the scoping and assessment phases necessary to determine the viability of developing a deposit. Ultimately, this gap in FTS expenditure eligibility has constrained the development of new mines in Canada.



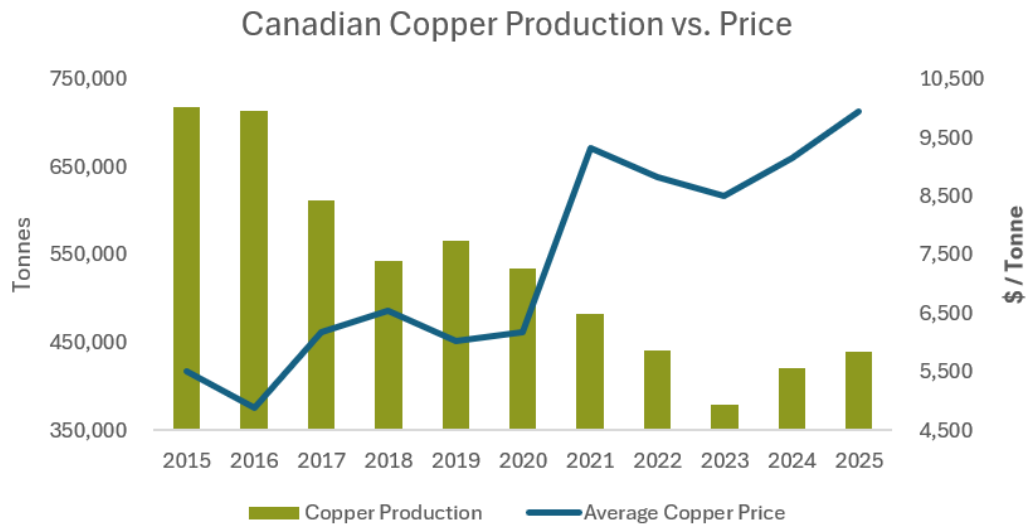
Historically, only one in 1000 advanced mineral projects becomes a new mine and [S&P ranks Canada third last](#) globally, estimating that it takes nearly 30 years on average for companies to work through regulatory and permitting processes from first discovery to building a mine.

With such long odds and timelines, attracting risk capital is extremely difficult and remains a perennial challenge for junior explorers. To counter part of this high risk, Canada's unique FTS regime has generated more than two-thirds of domestic exploration activity over the last decade. Compounding the difficulty, the high-risk nature of exploration makes attracting hard dollars (i.e. non-FTS funds) to complete technical assessments and study work even more challenging.

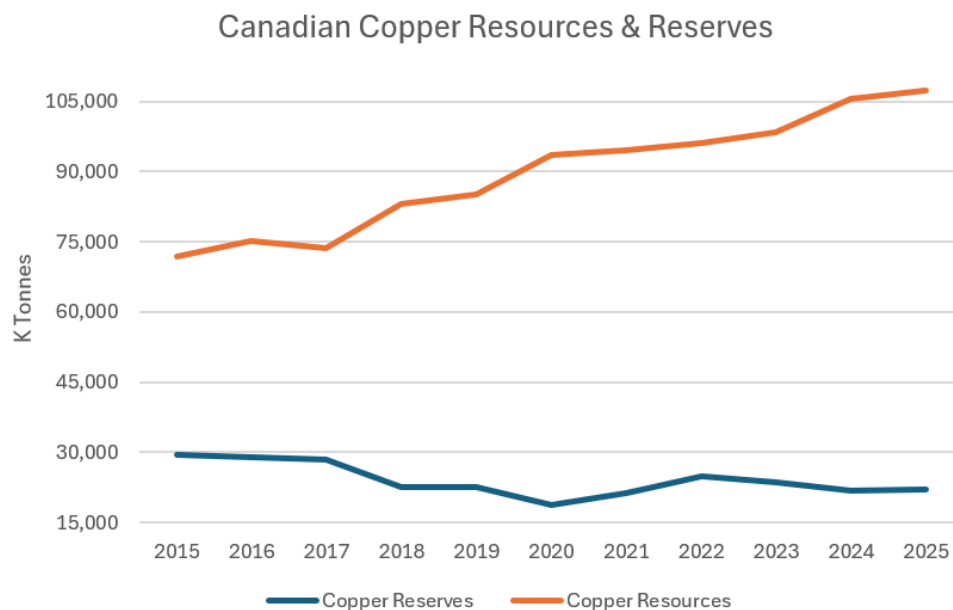
To generate more Canadian mineral discoveries and move more projects towards economic feasibility, **we recommend expanding CEE eligibility so companies can more efficiently direct FTS funds towards technical scoping and assessment work.**

Securing long-term competitive advantages to drive discoveries

A decline in Canadian production in several primary commodities like copper and nickel is a striking reminder that the rate of mineral discovery and development is not keeping pace.



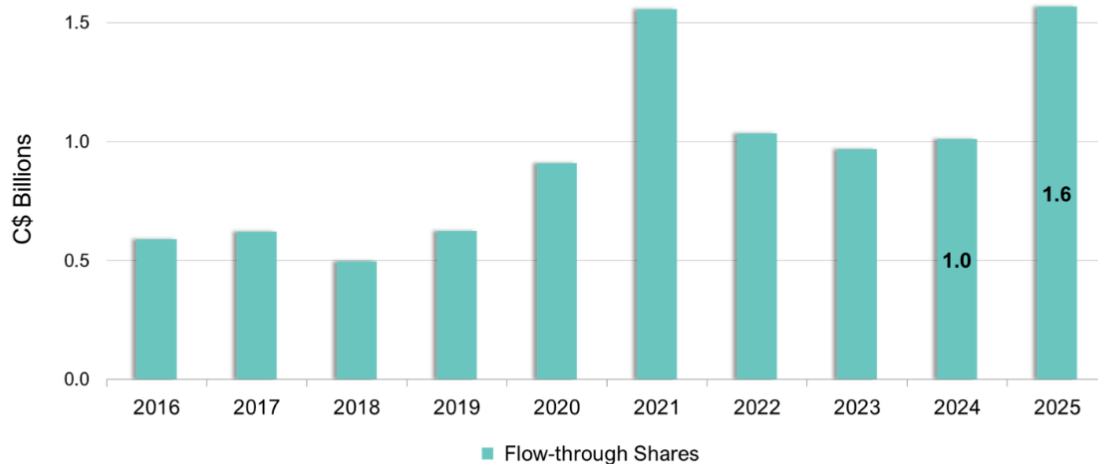
Increasing copper production, or the production of any other mineral, requires companies to discover resources and convert them into economically recoverable reserves through scoping and assessment work. While estimated resources for many minerals has climbed over the past decade, mineable reserves in Canada for many minerals, like copper below, have declined.



The widening gap between estimated resources and mineable reserves in Canada means the rate of discovery is not keeping up with depletion from mining and a key contributing factor is the tax treatment of exploration expenditures. Activities that define mineral resources are generally eligible for CEE, while the advanced technical and economic studies required to convert resources into reserves are typically ineligible for both CEE and CDE. This creates a financial barrier for work needed to advance discoveries toward production and reinforces a need to expand CEE eligibility. Failing to close this gap will lead to more discoveries languishing at initial exploration stages and keep viable Canadian mineral deposits from reaching future supply chains.

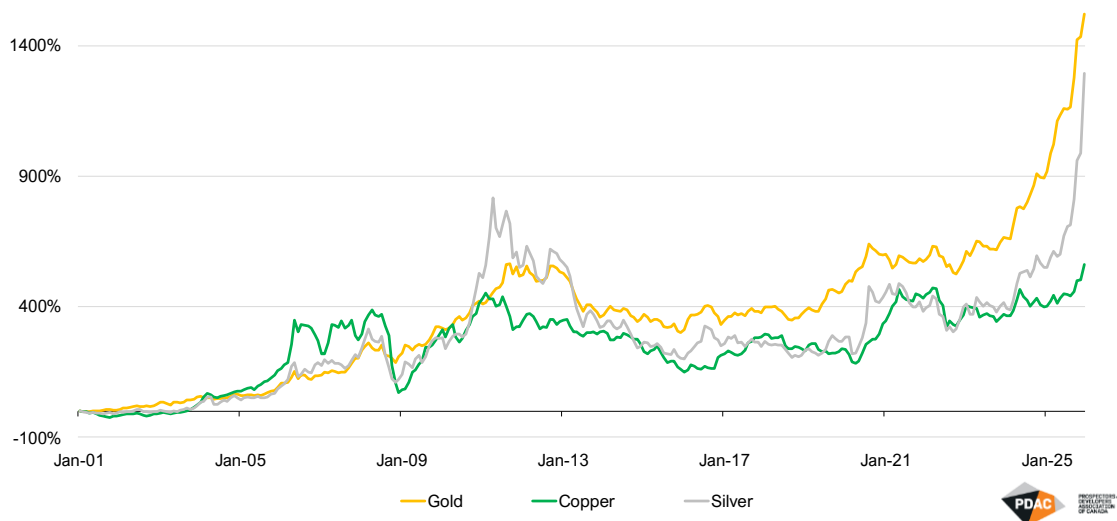
FTS accounted for roughly 5 per cent of all Canadian equity investment in 2025, reinforcing the importance of this mechanism in our marketplace and the tangible capital injection on the ground that it generates within 18 months, with a significant amount going towards remote and northern communities.

FLOW-THROUGH SHARES ~ DRIVING CANADIAN EXPLORATION



Without question, a primary driver behind the surge in flow-through investment in 2025 is an almost unrivalled upswing in commodity prices, which is not likely sustainable over the long term.

MONTHLY AVERAGE METAL PRICE CHANGE



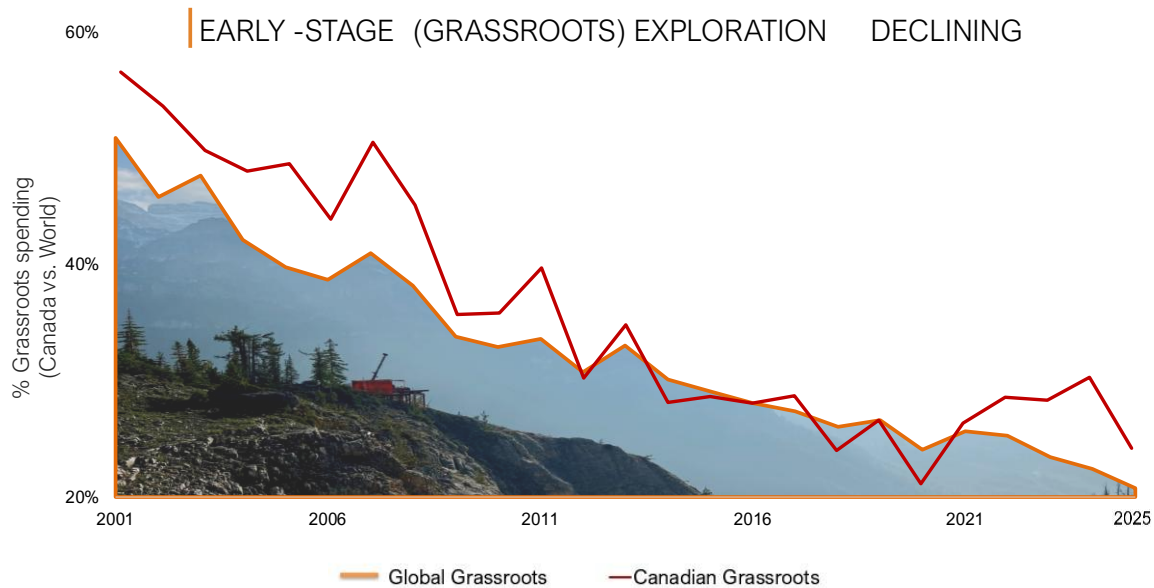
To protect against market fluctuations and ensure Canada can meet strategic commitments, a fiscal framework that supports new discoveries being made here at home over the long term is needed. Should commodities weaken, the METC and CMETC are the type of essential incentives that protect the mineral industry from such a downturn and maintain momentum for early-stage Canadian exploration projects.

Despite a two-year METC extension announced in March 2025, its renewal process through Bill C-15 took over a year, generating significant investor uncertainty over this time. Similarly, the CMETC is set to terminate in spring 2027, which means expiry could precede any renewal of this incentive. These disconnects underscore the need for a longer-term solution.

We recommend making the METC and CMETC permanent or at least renewing both credits for a minimum of 10 years with an option to renew at the midway point.

These credits are the primary funding source of early-stage exploration, which often occurs in areas with limited infrastructure. This grassroots activity in Canada declined materially from approximately 55 per cent of domestic exploration spending in 2001 to below 25 per cent in 2025.

Strong metal prices, renewal of the METC and launch of the CMETC in 2022 combined to drive a slight rebound in Canadian grassroots activity from 2021 to 2024, in contrast to the global trend. However, the overall trend is still down significantly and is leading towards a precipitous decline in Canada's mineral production capacity.



Boosting public geoscience to drive investment, discovery and informed land-use

We must be cognizant that Canadian mine development is falling short of our future needs. As NRCan's graphic below shows, only a handful of new critical mineral mines have opened in the last two decades.

New Critical Mineral Mines Built in Canada



High-quality datasets and tools that come from public geoscience programs can be a catalyst for investment, reduce risk, improve capital efficiency, and accelerate the pace of discovery.

Public geoscience programs have proven merits time and again with research showing that every \$1 in spending under the [Targeted Geoscience Initiative](#) (TGI) and Geo-mapping for



Energy and Minerals (GEMS) program generated more than seven times the investment in economic benefit to Canada ([Ernst & Young, 2019](#)). Although public geoscience has played a key role in identifying and evaluating exploration opportunities in Canada, there remains significant opportunity to increase mineral exploration activity through the development of new geoscience data and research. Furthermore, we have seen the combined funding from federal and provincial governments for geoscience decline by more than 14% over the last decade and during a period where Canadian mineral exploration must increasingly target deposits at greater depths and remoteness.

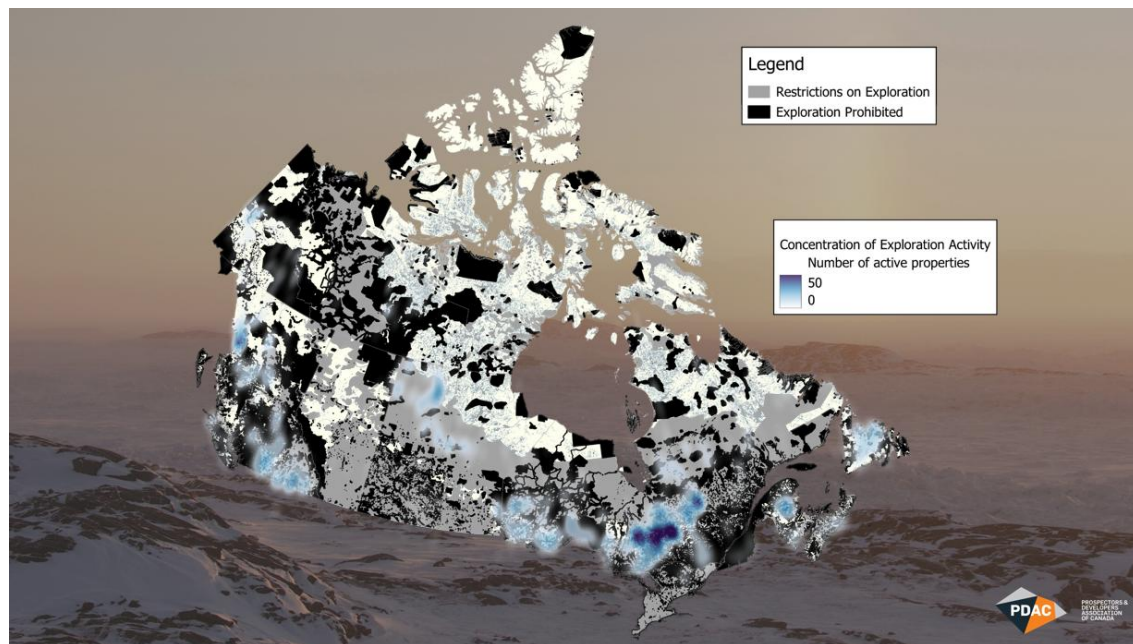
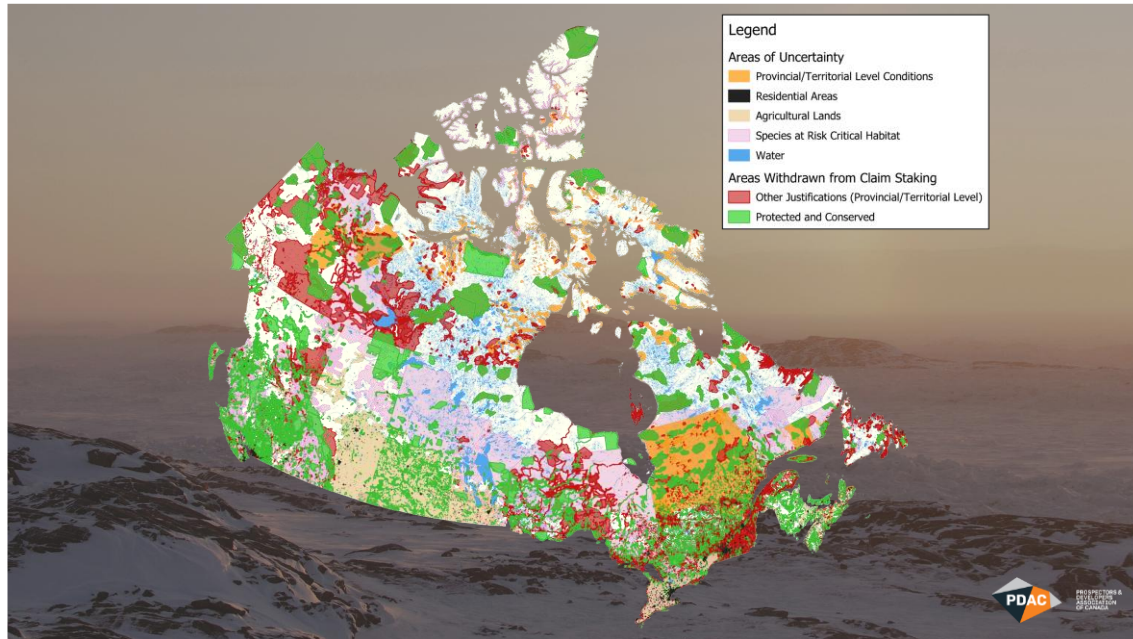
The GEM - Geo North program is a prime example of public geoscience that can meaningfully inform exploration activities in northern regions where geological understanding is limited by sparse and uneven geological understanding. In all regions of Canada, work towards adding, modernizing, and infilling framework datasets as well as research of our mineral systems can upgrade existing mineral prospects and identify new ones to secure Canada's future resource pipeline.

Looking outward, Canada is falling short of peers in funding new geoscience research, data distribution and leveraging academic partnerships. For comparison, Canada spends less than \$20 million on public geoscience annually while Australia recently committed over A\$566 million over 10 years to "fully map" minerals and resources; a roughly 5x-times differential on a per capita basis, relative to Canada's geoscience efforts.

Public geoscience datasets and research provide the foundation for robust mineral potential assessments that should be central to evidence-based land management decisions. To ensure these assessments remain representative, they must be informed by modern, comprehensive, and high-quality geoscience data that is produced by public geoscience programs. As Canada advances its [30 by 30 conservation initiative](#), it is critical to integrate mineral potential assessments into land-use decision making that will ensure conservation objectives are balanced with the availability of lands needed to support future mineral development.

As PDAC's land availability mapping highlights, accessing prospective land in Canada is becoming increasingly complex, and exploration is largely constrained to brownfield regions where previous mine development has occurred.

PDAC Mineral Exploration and Land Availability Mapping



To attract investment, accelerate discoveries, reduce development timelines for new mines and ensure Canada's efforts to protect and conserve lands and oceans consider what lies below the surface, **we recommend increasing funding to the GSC for geoscience programming to a minimum of \$30 million per year.** This amount reflects a roughly \$10 million per year increase above current funding levels, which would allow for the extension of the GEMS program beyond 2027 and adjust funding levels to account for two decades of inflation since the launch of the TGI and GEMS programs, as calculated using the [Bank of Canada's formula](#).



A portion of new funding should also be used to integrate outputs from GEMS, TGI and [Canadian Digital Core library](#) to: (1) produce modern and comprehensive foundational geoscience datasets; and (2) develop robust mineral potential assessments that facilitate evidence-based land conservation and resource management decisions.

Closing an unintentional gap in the *Income Tax Act*

The definition of a “mineral resource” in section 248(1) of the *Income Tax Act* creates a gap in federal policy whereby some minerals on Canada’s critical list may not qualify as CEE unless the deposit is certified by the minister of natural resources. As a result, FTS / CMETC funds cannot go towards exploration for these minerals without written approval by the minister of natural resources. This definition shortfall adds uncertainty, time and costs for junior explorers. **We recommend amending the definition of a mineral resource** in the *Act* to cover all species on Canada’s critical mineral list, as was done in Budget 2023 for lithium brines

Additional considerations to supercharge mineral exploration and development sector:

	Recommendation	Rationale
	Allow unrestricted eligibility for a portion of FTS funds i.e. to cover general & administrative (G&A) costs.	FTS funds cannot currently be used for G&A. Companies may have sufficient funding for exploration activities but lack “hard dollars” that can prevent projects from advancing. Allowing some FTS proceeds to cover G&A would give more flexibility and help move stalled exploration projects forward.
	Allow activities in paragraph (g) of CDE to be eligible under CEE (i.e. reinstate paragraph (f) in CEE to cover all activities to bring a mine into production).	There has been a drastic change in the strategic importance of minerals in Canada since FTS expense treatment changes occurred in 2013. Beyond our primary recommendation to expand CEE eligibility, restoring pre-2013 CEE treatment for pre-production mine-development expenses would provide further incentive to invest in and advance viable projects toward commercial production.
	Adjust FTS capital gains treatment to be based on purchase price with limits, or for investors below the top income tax bracket, or for first-time FTS purchasers.	According to CRA, approximately 13,000 high-income Canadians account for ~90% of FTS investment. FTS have unavoidable “phantom capital gains” given a nil cost-base treatment, which creates a disincentive for most Canadian retail investors. Amending the capital gains treatment would broaden the investor base for junior and early-stage exploration and make the FTS regime attractive to investors other than for tax planning purposes.



ANNEX 1 – Additional rationale for Recommendation 1 & 2

Calls-to-action

1. Expand Canadian Exploration Expense (CEE) eligibility to include technical and economic assessment work
2. Permanently renew the Mineral Exploration Tax Credit (METC) & Critical Mineral Exploration Tax Credit (CMETC)

Reasons to act

To address a market structural failure and gap in government policy that constrains capital flexibility for SMEs in the mineral exploration and development sector.

Recommended actions mean to **1) boost** the rate of Canadian mineral discoveries **2) expand** our national mineral resource and reserve wealth and **3) increase** the number of viable future mines in Canada.

The benefits of acting

When Flow Through Shares (FTS) are combined with the METC and CMETC, PDAC analysis shows these **incentives generate roughly \$2 in revenue for every \$1 in cost to government**. Expanding CEE and permanently installing the METC / CMETC will have no appreciable impact on costs to government, but the changes could materially increase the amount of available mineral reserves and mines reaching a construction decision in Canada.

The cost of inaction

Declining grassroots exploration, a drop off in mineral reserves and new discoveries are tracking Canada towards a future failure point in meeting domestic demand and agreements struck with other nations. For example, **in-ground reserves and the amount copper extracted from Canadian mines declined by over 25% from 2014 to 2024**. Without taking measures to provide long-term investment certainty and removing capital barriers for projects at scoping and assessment stages, Canadian reserves and our capacity to extract minerals at home will continue to dwindle while access to foreign sources may become more costly or out of reach.

Fiscal rationale

PDAC analysis shows that from 2011 - 2025, roughly \$800M was raised via flow-through shares each year, 19 new mines reached production, and 2 additional mines are in construction; 15 gold-silver, 1 copper-gold, 1 potash, 1 uranium and 1 copper-zinc-gold-silver. The capital expenditures (CAPEX) to develop these new mines was +\$25B, or an average of ~\$1.7B per year. PDAC's FTS valuation model (see *Annex 1*) highlights how FTS when combined with the METC / CMETC over the review period have been net positive for the government and Canadian economy.



Our discounted cash flow (DCF) methodology shows a positive annual return to government through various forms of taxation that is nearly double the cost of administering the fiscal incentives. This generates a net present value (NPV) of ~\$3.3 billion for the fiscal schemes and based on our proposed recommendations, our NPV estimate could increase to ~\$7.2 billion. We account for forgone government tax revenue arising from deductions against taxable income and assume that FTS investors are at the highest marginal income tax bracket.

Government revenues include **1)** direct and indirect taxation generated by exploration activities, including business, consumption, fuel and employee income taxes **2)** taxes generated by economic activity associated with capital expenditures on new mines construction and **3)** corporate income taxes generated from mineral production at new mines.

As few as 0.1% of drill-stage exploration projects will become a new mine. This ratio improves by an order of magnitude for projects that can reach the feasibility stage. Over 65% of funds raised for domestic exploration come from FTS, yet CEE eligibility does not permit technical or economic assessment work. Viable projects can fail to establish mineral reserves or reach a build decision because of a lack of available “hard dollars” (i.e. non-FTS capital) at the scoping and assessment stage even though FTS capital may still be available. As such, expanding CEE can directly lead to more projects reaching a build decision and ultimately more new mines in Canada.

Government must match its fiscal tools to the strategic priority of increasing critical mineral production at home. Permanently enshrining the METC and CMETC will provide investor certainty and boost the rate of grassroots mineral exploration, leading to a steady pipeline of new discoveries. Expanding CEE eligibility to allow companies the flexibility to use FTS will increase the number of these discoveries that reach the feasibility stage and a build decision. When combined, these two fiscal tools will positively impact the rate of mineral production in Canada, leading to direct economic benefits to all Canadians.



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DCF Snapshots, Figures & Background

PDAC 2011 – 2025 DCF Model

		YEAR	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Qualifying Expenditures																	
FTS funds	C\$ 000s		1,058,928	654,767	353,650	395,808	362,819	590,404	623,546	497,592	624,038	910,513	1,558,068	1,035,163	969,956	1,010,247	1,567,446
METC (2011-2025)	C\$ 000s	25%	264,732	163,692	88,413	96,952	90,705	147,601	155,887	124,398	156,009	227,628	389,517	258,791	242,489	252,562	391,861
CMETC (2022-2025)	C\$ 000s	25%												258,791	242,489	252,562	391,861
Revenue from economic activity (recouped funds)		Rate															
Business tax	C\$ 000s	12%	17,790	11,000	5,941	6,650	6,095	9,919	10,476	8,360	10,484	15,297	26,176	17,391	16,295	16,972	26,333
Consumer tax	C\$ 000s	5%	5,295	3,274	1,768	1,979	1,814	2,952	3,118	2,488	3,120	4,553	7,790	5,176	4,850	5,051	7,837
Fuel tax	C\$ 000s	3%	3,177	1,964	1,061	1,187	1,088	1,771	1,871	1,493	1,872	2,732	4,674	3,105	2,910	3,031	4,702
Income tax	C\$ 000s	24%	129,401	80,013	43,216	48,368	44,337	72,147	76,197	60,806	76,257	111,265	190,396	126,497	118,529	123,452	191,542
Primary Payback	C\$ 000s		155,662	96,251	51,987	58,184	53,334	86,789	91,661	73,146	91,734	133,845	229,036	152,169	142,584	148,506	230,415
Outflow	C\$ 000s		903,266	558,516	301,664	337,624	309,485	503,615	531,885	424,446	532,304	776,667	1,329,032	882,994	827,373	861,741	1,337,031
Secondary payback	C\$ 000s	17.25%	155,813	96,344	52,037	58,240	53,386	86,674	91,750	73,217	91,823	133,975	229,258	152,316	142,722	148,650	230,638
Total recouped by GoC	C\$ 000s		311,476	192,595	104,024	116,424	106,721	173,663	183,411	146,363	183,556	267,820	458,294	304,485	285,305	297,157	461,052
Costs to GoC (deferred income tax)																	
FTS	C\$ 000s	32%	335,327	207,343	111,989	125,339	114,893	186,961	197,456	157,571	197,612	288,329	493,388	327,802	307,153	319,912	496,358
METC	C\$ 000s	15%	39,710	24,554	13,262	14,843	13,606	22,140	23,383	18,660	23,401	34,144	58,428	38,819	36,373	37,884	58,779
CMETC	C\$ 000s	30%	0	0	0	0	0	0	0	0	0	0	0	77,637	72,747	75,769	117,558
Admin	C\$ 000s	0%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total cost	C\$ 000s		375,037	231,897	125,251	140,182	128,498	209,102	220,839	176,231	221,013	322,473	551,816	444,257	416,273	433,564	672,696
Federal government revenue																	
1. From CAPEX	C\$ 000s		85,079	118,221	116,697	117,737	128,317	130,838	77,842	41,295	28,054	12,955	57,799	147,769	181,736	115,767	58,252
2. From Production	C\$ 000s		10,299	24,846	39,014	62,843	114,716	131,064	190,446	246,953	272,241	306,964	410,493	460,547	457,761	555,447	837,758
	C\$ 000s		95,378	143,066	155,711	180,580	243,033	261,901	268,288	288,248	300,296	319,919	468,291	608,316	639,497	671,214	896,010
			6.1	6.2	6.3	6.5	6.9	7.0	7.4	7.6	7.7	7.8	8.1	8.3	8.5	8.8	9.4
Profit & Loss																	
Revenue from economic activity	C\$ 000s		311,476	192,595	104,024	116,424	106,721	173,663	183,411	146,363	183,556	267,820	458,294	304,485	285,305	297,157	461,052
Revenue from CAPEX & Production	C\$ 000s		95,378	143,066	155,711	180,580	243,033	261,901	268,288	288,248	300,296	319,919	468,291	608,316	639,497	671,214	896,010
Operating Costs	C\$ 000s		375,037	231,897	125,251	140,182	128,498	209,102	220,839	176,231	221,013	322,473	551,816	444,257	416,273	433,564	672,696
EBITDA	C\$ 000s		31,817	103,765	134,483	156,822	221,255	226,463	230,860	258,381	262,838	265,267	374,770	468,544	508,530	534,806	684,367
For simplicity: EBITDA = Net Project Cash Flow (No DD&A or taxes)																	
Net Project Cash Flow	C\$ 000s		31,817	103,765	134,483	156,822	221,255	226,463	230,860	258,381	262,838	265,267	374,770	468,544	508,530	534,806	684,367
Discount factor		3%															
Project NPV	\$ 000s																

PDAC Forecast Model Parameters



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Input cells		Line notes / Assumptions	
FTS equity raised \$1,658,037,680		Change input as desired; expenditure timeframe 1 - 18 months	
\$ recouped by GoC	Rate	Proportion	
Business tax	12%	40%	FTS spent on activities that flow to CCPCs, etc.; 1/2 taxed at 9% (small business deduction <\$500k) and remainder at 15% @ 35% revenue margin
Consumer tax	5%	10%	Direct expenditures subject to GST
Fuel tax	3%	10%	Direct fuel expenditures; rate estimate based on ~\$0.04/L tax vs. avg. cost of ~\$1.50/L
Income tax	23.5%	40%	% of direct labour expenditures + proportion of external business expenditures taxed at the median federal income tax rate
Primary payback		100%	
Economic activity			Regional economic activity (i.e. local businesses, services etc.); no multiplier applied
Secondary payback			17.25% income tax applied (blended rate based on lowest 2 brackets)
Total \$ recouped			
FTS Cost to GoC	33%		All FTS purchasers are within the top marginal federal income tax bracket
True FTS Cost	\$62,745,949		
Cost ratio	\$0.04		
Cost ratio	3.8%		
		* Estimated true cost to GoC for every \$ in FTS equity raised	

Key Assumptions

Revenue margin	30%
External business labour expenditures	30%
Secondary payback - effective income tax rate	17.25%

Government Revenue (2011-2025)

1. From CAPEX	\$	2,133,028,838
2. From Production	\$	10,019,622,303
	\$	12,152,651,141

Evaluation period (final year)

2040

Project Discount Rate

3%

Key Profitability Indicators

Net Present Value (NPV)	\$	7,234,270,270
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Discount Rate	NPV (\$ 000s)
0%	9,270,493
2%	7,838,911
3%	7,234,270
4%	6,691,753
5%	6,203,895
8%	5,007,757
10%	4,385,612
15%	3,249,811
20%	2,506,027



PDAC Forecast Model Outputs

Economic Impact of Flow Through Shares

	Current State		Expanded CEE + METC / CMETC	
	Annual Estimates (2011-2025)		Projected Annual Estimates (2026 - 2040)	
FTS \$ raised	\$	814,196,399	\$	1,596,628,877
Annual Cost to GoC	\$	311,275,285	\$	658,609,412
Tax revenue (economic activity)	\$	239,489,764	\$	466,465,504
Tax revenue (CAPEX & Production)	\$	369,316,565	\$	810,176,743
Net cash flow	\$	297,531,045	\$	618,032,835
Cumulative cash flow	\$	4,462,965,669	\$	9,270,492,532
FTS program NPV (3%) to Canada	\$	3,300,615,843	\$	7,234,270,270
FTS value per Canadian	\$	79.69	\$	174.67

Background

Designed to mitigate some of the high risk in mineral exploration, FTS have proven to be a resilient source of investment capital despite market and commodity price fluctuations.

Over time, as the nature of mineral exploration evolves with market demands and new technology, CEE / Canadian Development Expense (CDE) eligibility that prescribe how FTS \$ are spent needs to evolve in step. As such, an expansion of CEE eligibility to include technical and economic assessment work would mean more projects get to the feasibility and build decision stages.

In 2000 the federal government introduced the METC, a 15% non-refundable credit that could be added to the FTS incentive as a mechanism to further spur investment into mineral exploration in Canada. In 2022 the Critical Mineral Exploration Tax Credit (CMETC) followed, providing a 30% non-refundable credit for exploration related to a specific list of minerals. While the METC has been renewed multiple times since its inception, the lack of certainty regarding the credit's future generates investor uncertainty. Uncertainty has only grown in recent years as there have been gaps between the credit's expiry and eventual renewal. Considering our analysis shows the overall FTS fiscal regime is cashflow positive for government, permanently enshrining the METC and CMETC can drive positive outcomes and should be done expressly.

Our recommendations aim to increase the number of mineral projects getting through feasibility stages and reaching build decisions, all while continuing to generate net revenue for the government. Ideally, these policy changes will increase the number of new mines developed in Canada by up to 30% over the coming 10-15 years, or from just one new critical mineral mine built in the last five years to two new critical mineral mines in the next five.