The
CHAMBER.

May 27, 2021

The Honourable Doug Ford
Premier of Ontario Queen's Park
Toronto, Ontario,
M7A 1A2

Dear Premier Ford:

Re: Increasing Mine Stimulus Through the Ontario Flow-Through Share Tax Credit

Mining is fundamental to Northern Ontario's economic and social health as it is an important industry that provides jobs that anchor Northern Ontario communities. Maintaining the health of the mining industry requires mineral exploration, for lack of exploration for new and expanded resources limits or eliminates future mine development.

Programs that encourage mineral exploration are paramount to the economic wellbeing of our province and mining communities. The mining industry has played an essential role in the economic growth and sustainability of many communities, most notably during the pandemic. Ontario is one of the largest mining regions globally, producing more than 25 different minerals and metals and directly employs nearly 20,000 people; it creates more than 130,000 indirect jobs in the support, manufacturing and supply sectors for a total of approximately 150,000 jobs[1]. This industry provides some of the highest weekly earnings in the economy, and exports of minerals and mineral-based products contribute close to $12 billion a year to the provincial gross domestic product.

The Ontario Focused Flow-Through Share (OFFTS) Tax Credit is intended to stimulate mineral exploration in Ontario and improve capital for small mining exploration companies. Currently, the OFFTS for shareholders is 5 percent, which is the lowest in Canada. In comparison, the British Columbia Mining Flow-Through Share Tax Credit is 20 percent, the Saskatchewan Mineral Exploration Tax Credit is 10 percent, and the Manitoba Mineral Exploration Tax Credit is 30 percent. On average, 68 percent of the funds for exploration in Canada on the Toronto Stock Exchange were raised through flow-through share financing.

Flow-through share agreements help raise equity by enabling mining corporations to issue shares with particular tax benefits favouring their subscribers at a premium. In a flow-through share agreement, the issuing corporation agrees to incur certain expenses eligible for tax breaks in an amount equal to the consideration received and to renounce those same eligible expenses in favour of their subscribers. This renunciation is most alluring to investors since it allows eligible expenses to be deemed, for income tax purposes, the investor's expenses, not those of the mining corporation. As a result, investors pay a higher price for flow-through shares than would have been otherwise willing to pay for ordinary, non-flow-through common shares. Depending on the general market and the miner's prestige, flow-through share offerings can be priced at a considerable premium to the corporation's ordinary non-flow-through common share price.

Increasing the Ontario Flow-Through Tax Credit from 5 percent to 25 percent would allow for additional credit to the flow-through regime in which private individuals fund exploration activities. It is recommended that a pilot project on flow-through financings be undertaken. If tracked, this government can be assured that exploration tax credits are a net tax gain to the Treasury while creating jobs in the North— using this data to determine whether additional credits are warranted to accelerate mining exploration and development further.

Ontario communities are consistently competing against other global jurisdictions for mineral exploration investment, and in the global marketplace, it is imperative to have an edge. With mineral reserves reaching an all-

[1] https://www.nrcan.gc.ca/science-data/science-research/earth-sciences/earth-sciences-resources/earth-sciences-federal-programs/minerals-sector-employment/16739

time low, it is critical for the survival of many communities that an abundance of exploration activity takes place now to be able to find and mine viable deposits. It is vital to keep the momentum going while investors are supporting this cyclical industry. On average, it takes eight to fifteen years of work to bring a new mine into production; therefore, we need to encourage as much exploration as possible during this upswing. We need a continuum in the mining industry to bring economic prosperity to communities that rely on this means for developmental sustenance. What Ontario, especially Northern Ontario, needs now is an increase in the Flow-Through Tax Credit.

Thus, to further accelerate mining exploration and development, we call for an immediate increase to the Ontario Flow-Through Tax Credit from 5 percent to 25 percent.

We welcome any opportunity to discuss this matter further at your earliest convenience.

Sincerely,

Keitha Robson
Chief Administrative Officer
Timmins Chamber of Commerce

Mélanie Verreault
2020-21 President
Timmins Chamber of Commerce

His Worship George Pirie
Mayor
The City of Timmins

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