

Critical Minerals Is Our Chance to Shine

written by Jeff Todd | December 10, 2022

In a world filled with opinions, controversies, and disagreements, one issue most Canadians can agree on is the push for a greener future.

Reducing greenhouse emissions. Preserving our natural environment. And transitioning to a low-carbon economy.

These are all goals worth pursuing.

Who would have thought that mining would play an essential role?

In April 7th of last year, Canada opened the eyes of many Canadians when it announced its first ever Critical Minerals Strategy – a new set of laws, regulations and tax incentives to help boost the supply of critical minerals, or the building blocks of technology and green energy solutions.

“The world economy is going green,” Chrystia Freeland, Deputy Prime Minister and Minister of Finance, said at the last Federal Budget. “Canada can be in the vanguard, or we can be left behind.”

Think cobalt for electric car batteries and wind turbines. Think titanium for solar panels and aerospace technology, or copper for circuit boards and electronics.

The fact is, the average Canadian understands these technologies are important, but has no clue what it takes to actually produce them. Mention mining, and it sometimes conjures images of our grandparents’ generation – destructive, archaic, invasive and

damaging to the natural world.

I should know.

For almost 10 years, I have spoken to Canadians about the merits of charity flow-through shares with an immediate liquidity provider to reduce their taxes, and if they wish to, give more to charities of their choice. You may have heard about flow-through shares before, which makes sense, considering they have been around since 1954 (three years older than your RRSP).

In essence, flow-through shares are a financial instrument used by the government to raise capital for junior mining companies, through a tax deduction equal to the amount invested.

For nearly 70 years, our government has understood how important it is to provide seed funding to junior companies so they can create jobs, stimulate the economy, and hopefully, find that next big deposit of minerals.

This financial structure has not only generated billions in financings for these junior mining companies, but more than a \$1 billion in giving to [registered Canadian charities](#).

Allow me to explain.

When a junior mining company plans to drill, our clients purchase these flow-through shares for the 100% tax deduction and donate them to charities of their choice. The shares are then sold to a pre-arranged liquidity provider at a discount a moment later, eliminating any stock market risk.

The charity receives the cash proceeds, but issues a donation tax receipt to the donor, generating a second 100% tax deduction.

In addition, some clients choose to keep the cash proceeds from

the liquidity provider for themselves, generating at least a 25% rate of return via tax savings with no stock market risk.

It's a tried and true model – the GIC of tax deduction, I like to say – with 9 advanced tax rulings and over 6,000 [WCPD](#) client tax filings, with no CRA filing issues.

However, of the thousands of clients I've met over the years, how many do you think cared about mining? The answer is almost none, except for mining executives, who are high-taxed clients and buy flow-throughs.

Not only did they not care about mining, but as I said earlier, they often had objections. Isn't mining bad for the environment? For some clients, that was enough for them to walk away.

Suddenly, with the rise of critical minerals, mining isn't quite so scary anymore.

In my discussions with Canadians, they now understand that there is no path to a low-carbon future without them.

In total, Canada has identified 31 minerals that are deemed "critical" to this future economy, not to mention our national security.

Now we just have to discover them.

As part of their Critical Minerals Strategy, the government has pledged \$3.5 billion to boost infrastructure and improve the supply chain. In addition, it has introduced an enhanced tax credit. Explorations involving critical minerals, such as copper, nickel, lithium and cobalt, will now kick out a 30% tax credit (equal to a 60% tax deduction), on top of our 100% tax deductions from the flow-through structure.

Already, our firm has done several of these deals involving

critical minerals.

For the technology and green energy sector, the stakes are high. In September 2021, at a mining conference, Tesla CEO Elon Musk famously quipped: "Please mine more nickel. Tesla will give you a giant contract for a long period of time if you can mine nickel efficiently and in an environmentally sensitive way."

Put simply, this is an opportunity for Canadian mining to shine.

From the production of green energy solutions, to the decision to buy flow-through shares, Canadian mining is something we can all feel invested in.