

Mining for Good: The Hidden Benefit to Canadian Charities

written by Jeff Todd | November 30, 2022

When a new mining operation begins, we understand the economic benefits.

We know this industry is responsible for over 700,000 direct and indirect jobs in Canada. Or that it generates more than \$100 billion for our economy. The fact it is the number one employer of Indigenous Peoples makes it even more important.

But what if I told you that exploration is not just having an impact on our economy, but also on Canadian charities?

A gold mine in British Columbia could mean millions in donations for cancer research, for example. That nickel deposit in Ontario? It can help build a new wing in a children's hospital, or secure that crucial piece of equipment.

It's a perspective that might not be common in the mining industry—but it is an important one, especially in the world of today.

In May 2006, our firm [WCPD Inc.](#) (Wealth, Creation, Preservation & Donation) made financial services history when Dr Earl Wynands, an eminent anesthesiologist and Order of Canada recipient, participated in the first flow-through share donation structure.

WCPD combined two distinct, yet harmonious tax policies: one to assist our important resource sector, and another to boost what Canadians can give to charities.

Both tax policies are older than your RRSP.

Beginning in 1954, Canadians investing in flow-through shares have received a 100% tax deduction. These shares help exploration stage mining companies, with the potential for far-reaching economic benefits from exploration projects that become producing mines.

“It helps us find more exploration dollars, which helps uncover economic mineral deposits, which helps create jobs and a lot of tax revenue for Canada,” Walter Coles Jr. explains, CEO of Skeena Resources Limited (TSX: SKE | NYSE: SKE) in British Columbia.

“I would say flow-through shares have been critically important to the viability of mineral exploration in Canada.”

Skeena Resources, based in Vancouver, is developing two projects in the “Golden Triangle” of Northern BC, an area known for its rich deposits of copper, silver and gold. A pre-feasibility study was recently completed, with a full feasibility study expected in the first quarter of next year.

WCPD has worked with Skeena to raise close to \$100 million in charity flow-through for these projects. During the spring of 2020, we brokered the largest single raise in our company’s history—\$33.3 million, in the very teeth of the pandemic. And we expect to continue to play an important role in financing Skeena’s future exploration programs.

Our ability to raise capital for junior mining across Canada is outstanding. But there is another story. There are Canadian registered charities, receiving millions in charitable donations that they might not have otherwise received.

Since that day with Dr. Wynands, our firm has also facilitated more than \$300 million in net charitable giving via flow-through shares for our clients across Canada. Not to mention over \$1

billion of flow-through for mining companies to invest in Canadian exploration.

This is the story behind exploration— and I believe, as we emerge from the worst public health crisis in a generation, it deserves to be told more than ever.

Once flow-through shares are purchased by our clients, they don't hold them for long—often less than a minute. The buyer can then sell their shares, at a discount, to a third party, or liquidity provider, thus eliminating any stock market risk for the investor or donor, and/or donate the shares to a registered charity. The charity then sells the shares at the same discounted price, to the liquidity providers. Liquidity providers are usually expert mining institutional investors with a long-term horizon.

Meanwhile, the liquidity provider takes on the stock risk for the standard four-month private placement hold period. For most of our clients, this is a key benefit.

Together, these tax policies allow our clients, on average, to give up to three times more to charity, at no additional cost due to the tax efficiency.

“Flow-through shares have long been an efficient and tax-effective way for our donors to give more to our Foundation,” Tim Kluge says, President and CEO of the Ottawa Hospital Foundation. “It continues to play an important role in our mission to deliver a better tomorrow.”

Some of our clients keep a portion of the cash from the liquidity provider sale to make a positive investment return via tax savings. But most use the structure to leverage the size of their donations to charities of their choice.

It's the whole reason why this tax structure exists—Canada wants more exploration, to create jobs, and it wants more donations for registered Canadian charities. They are simply different sides of the same coin.

It's an amazing feeling when a donor could have cut a cheque for \$100,000 for a food bank. But after using flow-through shares, she now gives \$300,000. It often causes the donor to be that much more generous.

And in this post-pandemic world, there is no doubt that charities need our help more than ever.

The message is clear: if you have a taxable income greater than \$250,000, recently sold a business, or experienced a large capital gain, you can kill two birds with one stone. You can help Canada's mining industry, while also giving more to charities that need our help.

So the next time you see a mining exploration, consider this: that operation may also be funding a Canadian charity.