Anxiety Rises on the Future of Flow-Through Financings as METC Deadline Looms, Canadian Government Keeps Quiet

written by InvestorNews | March 20, 2024

As the deadline looms for the expiration of the end of March, the Canadian mining industry faces a pivotal moment that could significantly impact its funding mechanisms and future exploration endeavors. The mineral exploration tax credit (METC), traditionally extended during the PDAC Convention, has not seen its renewal announced this year, stirring considerable anxiety within the sector. This program has been a cornerstone in supporting Flow-Through Share (FTS) pricing for exploration companies, enabling them to raise funds more effectively. Without the METC, these companies are looking at a potential increase in the cost of capital by 15% to 20%, a dilution that signifies not just an operational challenge but a strategic impediment to growth and exploration activities across Canada.

Peter Clausi, a Director for the Critical Minerals Institute (CMI) and a prominent voice in the mining community, articulates the immediate concern and confusion within the sector. According to Clausi, the silence from the federal government in response to lobbying efforts for clarity on the METC's future is disconcerting. This uncertainty complicates planning and investment for junior mining issuers, who might see their cost of capital rise significantly without the federal credit component of flow-through financing. Clausi's observations underscore the critical nature of this moment, as the industry seeks guidance amidst this uncertainty.

The broader ramifications of the METC's expiration extend beyond federal boundaries, affecting provincial METCs in Ontario and Saskatchewan, which are set to expire concurrently. Although Manitoba and British Columbia have made their tax credits permanent, and Quebec's provincial incentives would remain effective, the overall impact on the industry's financing landscape is profound.

If the METC does expire at the end of March, the Critical Mineral Exploration Tax Credit (CMETC) would continue until 2027.

Clausi emphasizes the significance of the upcoming federal budget announcement on April 16, which the sector hopes could reinstate the METC or provide a viable alternative.

Ron Bernbaum of Peartree Capital further amplifies this concern, highlighting the vital role of flow-through financing in supporting over 90% of exploration investment in Canada. Bernbaum points out that recent tax changes, especially those related to the Alternative Minimum Tax (AMT), threaten to reduce exploration capital significantly. The double whammy of an expanded AMT regime and no METC would have a severe negative impact on mining exploration in Canada.

Both Clausi and Bernbaum's insights into the current state of flow-through financing and the METC bring to light the intricate balance between government policy, tax incentives, and the financial health of the mining sector. As the deadline approaches, the industry awaits some kind of federal action that could either bolster its prospects or challenge its resilience in navigating the complexities of mineral exploration and development in Canada.

Peartree’s Ron Bernbaum on how Charitable Flow-Through Financings Connects Donors, Investors, and Mining Companies for Canada’s Exploration Capital

written by InvestorNews | March 20, 2024

In an insightful interview at PDAC 2024, Critical Minerals Institute (CMI) Director Peter Clausi and PearTree Financial‘s CEO Ron Bernbaum discussed the pivotal role and challenges of flow-through financing in Canada’s mining sector. Bernbaum highlighted that flow-through financing is instrumental for junior mining companies, facilitating over 90% of exploration investment. This model supports critical exploration activities such as drilling and First Nations engagement, with PearTree playing a significant role by facilitating over $500 million annually in Flow-Through Share Financings across more than 600 transactions.

Bernbaum expressed concern over recent tax changes, particularly the modifications in the Alternative Minimum Tax (AMT) rules, which could potentially reduce exploration capital by approximately one-third. Despite these challenges, the introduction of the Critical Mineral Exploration Tax Credit in 2022, which led to $350 million of investment, demonstrates the federal government’s recognition of the sector’s importance.

However, Bernbaum underscored the need for sustainability in these incentives amidst tax policy changes.

Amidst regulatory challenges, Bernbaum remains hopeful for positive amendments to tax regulations and lauds provinces like Quebec for their additional support through tax incentives. He stressed the complexity and the essential nature of flow-through financing in leveraging government policies and tax incentives to support mining exploration. This system has facilitated significant investments in the mining sector, demonstrating the interplay between government initiatives and the industry's funding mechanisms. PearTree's unique position, offering Charity Flow-Through Financings, connects donors, investors, and mining companies, maximizing benefits for all parties involved and ensuring the continued flow of essential exploration capital in Canada's mining industry.

To access the complete interview, click here

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CMI Masterclass: Flow Through and Critical Minerals

written by Jeff Todd | March 20, 2024

The recent Critical Minerals Institute (CMI) Masterclass, hosted by Tracy Weslosky, featured an in-depth discussion on the intricacies and opportunities of flow-through financing, particularly in the context of critical minerals. The panel included Peter Nicholson from Wealth Group (WCPD Inc.), Jean-Philippe (J.P.) Côté from Fasken, and Peter Clausi from Silver Bullet Mines Corp. (TSXV: SBMI | OTCQB: SBMCF) and CBLT Inc. (TSXV: CBLT), who provided valuable insights into this complex financing model.

Peter Nicholson elaborated on the evolution of the charitable flow-through model in financing, a model that has grown significantly since 2006. He emphasized its benefits in mitigating risks and offering tax advantages, particularly for high net worth individuals. He emphasized how the charitable flow-through model has grown to dominate the market, explaining its resilience during financial downturns and its importance in the current market.

Peter Clausi clarified the terminology and functioning of flow-through shares. These shares are designed as a tax benefit, enabling losses from mining exploration to be passed to investors. He underscored that these are a creation of the Income Tax Act, not affecting corporate or stock exchange structures.

J.P. Côté discussed the tax benefits associated with investing in companies exploring critical minerals, such as uranium. He highlighted the changes in tax credits, especially for critical minerals, and the implications of these incentives for exploration companies.

The panel also delved into the role of liquidity providers in the flow-through model, discussing the current market trends. They explored the challenges and opportunities for both investors and companies, especially considering recent markets and the growing focus on critical minerals.

There was a discussion on the increasing global interest in critical minerals, emphasizing the potential for institutional investors to play a more active role in this sector. The panelists also discussed the necessity for better understanding and utilization of flow-through financing among these investors.

From a legal and regulatory standpoint, J.P. Côté and Peter Clausi offered insights into the complexities of flow-through financing. They discussed the nuances of qualifying for critical minerals and the potential for future legislative adjustments in this area.

For investors looking to leverage flow-through financing in critical minerals, the session provided strategic advice. This included guidance on how to approach brokers and identify promising investment opportunities in this sector.

The discussion concluded with thoughts on the future of flow-through financing. The panelists pondered its trajectory, especially considering political and economic changes, and the possibility of including sectors like renewable energy in this financing model.

To access the complete video, click here

For more information on the Critical Minerals Institute or becoming a CMI Member, click here

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Critical Minerals Institute Announces Masterclass on

Navigating the Critical Minerals and Flow-Through Landscape

written by Tracy Weslosky | March 20, 2024

The Critical Minerals Institute (CMI), an international organization dedicated to advancing the critical minerals sector, is pleased to announce an upcoming Masterclass titled Navigating the Critical Minerals and Flow-Through Landscape. This virtual event, focusing on the exploration of critical minerals and the innovative charitable flow-through model, promises to be an enlightening experience for professionals and enthusiasts alike.

Unlocking the Potential of Critical Minerals and Flow-Through Shares with Wealth Group’s Peter Nicholson

written by InvestorNews | March 20, 2024

In the InvestorNews interview, the Critical Minerals Institute (CMI) President Brandon Colwell spoke with Peter Nicholson, Founder and President of Wealth Group (WCPD Inc.), about flow-through shares and the benefits of being a critical mineral company. Peter explained that flow-through shares have been part of Canada’s tax code since 1954 and are encouraged by the government as they support exploration and mining, crucial for transitioning to zero carbon. These shares allow investors to claim 100% tax deductions on their investments, supporting small exploration companies with high risk.

WCPD’s Peter Nicholson on Flow-Through and the Rising Demand for Critical Minerals

written by Jeff Todd | March 20, 2024
With tax season on the horizon, many investors find themselves grappling with their financial strategies, especially in the realm of flow-through and the burgeoning demand for critical minerals. In a recent InvestorNews interview hosted by Tracy Weslosky, the Founder and President of WCPD Inc., Peter Nicholson shared his expert insights on these pivotal topics.

If you have Tax to Pay, Flow-Through Offers a Win-Win

written by InvestorNews | March 20, 2024

Flow-through Offers an Opportunity to Reduce Taxes and Donate to Charity for High Net Worth Investors and Companies in Canada

In the InvestorIntel interview with WCPD Inc.'s Founder and President Peter Nicholson, well known for the creation of the charitable flow-through model; Tracy Weslosky asks if right now is the time for investors to investigate flow-through.

Peter Nicholson starts with: "Absolutely, and for a couple of reasons. One is that you could run out of products where there just isn't any flow-through available at any price. And secondly, the prices tend to get worse for the investors, and the donors later in the year." Adding that "because the issuers and liquidity providers that take away the risk demand higher margins on their side of the business because they know that they've got the investors, donors over the barrel because the end of the tax year is coming. This is a good time consistently after the federal budget till about September, Labour Day has always been, the best pricing for investors to buy flow-throughs."

Tracy Weslosky goes on to ask Peter Nicholson about the critical mineral tax advantages, and they discuss added provincial benefits. Peter explains that WCPD Inc. assists, in addition to high net worth individuals, holding companies and operating companies with big tax to pay. Stating that "there is no alternate minimum tax in holding companies and operating companies. So if you've got tax to pay, we can definitely help on the individual side – and on the corporate side, too."

To access the full InvestorIntel interview, click here

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About WCPD Inc.

Wealth Creation Preservation & Donation Inc.'s (WCPD Inc) financial planning strategies help increase your personal wealth by tailoring financial solutions that fit the client's personal circumstances. Their highly personalized boutique services offer unique financial solutions while working in tandem with larger financial institutions and industry partners. They do not sell products and advice based on sales targets and product launches.

In addition to Insurance Services, WCPD also offers access to some of Canada's most exciting opportunities in the resources sector, including financings for this essential sector in our economy. In particular, WCPD is a proud supporter of critical minerals, which are crucial to green technologies of the future.

To learn more about WCPD Inc., click here.

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Peter Nicholson of WCPD Talks About Charity Flow-Through Financings

written by InvestorNews | March 20, 2024

In this InvestorIntel interview during PDAC 2023, Tracy Weslosky talks with Peter Nicholson, Founder and President of WCPD Inc. discusses charity flow-through financings.

Peter explains that in 2006, there was a tax law change that promoted more philanthropy to donate public shares and not be subject to capital gains tax. He saw an opportunity in flow-through shares, which are all capital gains and therefore the best public shares to give.

Charity flow-through shares have compelling and exciting characteristics, as they not only raise money for companies to help them develop but also donate money to worthwhile causes.

He explains that many people at PDAC now know what charity flow-through shares are, but it is still complex for those not in the tax world and that WCPD has found liquidity providers, which are institutions or high-net-worth individuals that understand the mining business and will buy all the flow-through shares from them immediately as long as they sell at a discount.

To access the full InvestorIntel interview, click here.

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About WCPD Inc.

Wealth Creation Preservation & Donation Inc.‘s (WCPD Inc) financial planning strategies help increase your personal wealth by tailoring financial solutions that fit the client's personal circumstances. Their highly personalized boutique services offer unique financial solutions while working in tandem with larger financial institutions and industry partners. They do not sell products and advice based on sales targets and product launches.

At WCPD Inc. the onus is never on clients to initiate discussions. They are always working to anticipate client needs and tailor the right solutions.

In May 2006, the firm made history when Dr. Earl Wynands, an eminent anesthesiologist and Order of Canada recipient, participated in the first flow-through share transaction without paying a capital gain. Since then, they have performed more transactions than any other firm, leading to charitable donations north of $300 million by our clients across Canada.

In addition to Insurance Services, WCPD also offers access to some of Canada's most exciting opportunities in the resources sector, including financings for this essential sector in our economy. In particular, WCPD is a proud supporter of critical minerals, which are crucial to green technologies of the future.

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Critical Minerals Is Our Chance to Shine

written by Jeff Todd | March 20, 2024

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. Telsa 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.

Mining for Good: The Hidden Benefit to Canadian Charities

written by Jeff Todd | March 20, 2024

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 Kluke 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.