Flow-Through Shares

Deal Structure

there is a better way to









You have a choice

Ottawa?

Charity of your choice?









Tax advantage # 1 Flow-through Shares

Part of the Canadian tax system since 1954

Fiscal policy to expand Canada's resource

sector

100% tax deductible

TABLE OF CONTE	To qualify for the captul gains inclusion rate of zero, y must need cortain conditions, and other special rules an apply. For more information, see Pamphlet P115, GBs. Income Tax. Chapter 4 — FigWishbrough.	from a trust in catific at years, if you received proposets
Who is required to file Forms T100A, B, and C Filing deadlines Consequence of failure to file Forms T100A or C. Consequence of failure to file Forms T100A or C. Consequence of failure to file Forms T100A or C. T100A - Application for a selling instrument T100 identification number (SIT T100B - Details of the flow-through shares (FTSs) and flow-through warran T10C - Application for a T100 identification Number (ITN) or the exercise FILING FORMS T10TA, B, C, AND D. Who is required to file Forms T10TA or D. Filing deadlines and other dates. Consequence of the failure to file Forms T10TA or D. T10TB - Adjustments to Canadian Exploration Expenditures (CEE) and C Expenditures (CDE) T10TB - Adjustments to Canadian Exploration Expenditures (CEE) and C Expenditures (CDE) Proviously Renounced T10TB - Replaced for a selling instrument T100 identifications in the top of th	The information in this chapter applies to you if, for the 1904 stay year, you find it will be a specific for the 1904 stay year. You find it will be a specific for the 1904 stay year. You find it will be a specific for the 1904 stay year. You find it will be a specific for the 1904 stay you can do not seen the types of investments they provide information of the types of investments that you can do not seen the types of investments and you can do not seen they are you will all seen and you will not seen all you will not searly you will not seen all you will not seen all you will not see	Example Andrew filled Form T664 for his 800 units in a mutual fund treat with his 1994 return. He designated the fare market for the units at the end of February 22. He in market for the units at the end of February 22. He in market for the units at the end of February 22. He in the form of the units at the end of February 22. At the end of 200, 30, his exempt out 1997 and \$600 in 1998. At the end of 200, his 200 capitally glass behave was \$2.250 and 500 units. This left him with an unusued balance was \$2.250 and of 47 200. In 200 and future years 49, 21.52 at the end of 200. In 200 and future years was 1, ECOS causerforment in Section 200. 1, ECOS causerforment in Section 200.
agreement.	28	
"Investment Tax Credit" (ITC) is defined in subsection 127(9).	www.cra.g	c.ca
In accordance with subsections 66(12.6), 66(12.601) and 66(12.62), the followir prescribed "Canadian exploration and development overhead expenses" (CE - cost of certain seismic data, and - the cost of mining properties.	DOE),	
T100 E (08) (Ce formulaire existe en fran	Canadä	



Tax advantage #2

Charitable Donation Tax Credits:

- Federal Tax Credit: 29%
- Provincial Tax Credit: 16%

environmental heritage, you will receive a Certificate for Donation of Eco environmental nermage, you will receive a Certificate for Solution by Co. Sensitive Land. Attach the certificate and official receipt to your return.

If the land you give is located in the province of Quebec, you will reo if the anna you give is tocated in the province of Quebec, you will reo Certificate Respecting Gifts of Land with Ecological Value or Servitudes En Land with Ecological Value, issued by the ministère du Développemen de l'Environnement et des Parcs. Attach the certificate and the offici

Generally, the eligible amount that qualifies for the tax credit applies Generally, the engine amount that qualifies for the tax credit applies year you give the gift. You can choose the part of the eligible amor you want to claim in the year and you can carry forward any unus

If you are filing a paper return, include your Schedule 9, as well a receipts showing either your or your spouse's or common-law pa recupis snowing eitner your or your spouse s or common-saw pw You do not have to attach receipts for amounts shown in box 46 / T4 or T4A slips, in box 48 of your T3 slips, in box 103 of your T5/ 14 or 144 sups, in our 40 or your 15 sups, in our 160 or your 156 financial statements showing an amount a partnership allocated receive a T5003 slip(s) with an amount in box 13, you must substantially a total statement of the statement of the supstantial su well as a charitable donation receipt that you will receive from must also complete and attach to your return Form T5004, Clair

You may have included with a previous return a receipt for a claiming for the current year. If so, attach a note indicating the which you submitted the receipt. However, if you are filing e all of your documents in case we ask to see them.

Gifts of capital property

Capital property includes depreciable property, and any prowould result in a capital gain or a capital loss. Capital prop include the trading assets of a business, such as inventory properties are generally capital properties:

- securities, such as stocks, bonds, and units of a mutual
- land, buildings, and equipment you use in a business

If you donate capital property, we consider you to have property for proceeds equal to the fair market value (F) You have to report any capital gain on your return in th property. In some cases, you may be able to claim a cap

All references to FMV in this section are subject to All represents to rivy in this section are subject to the deemed FMV rules as discussed under "Deemed fair market value". Carada Reverse Agency th ravanu di Carada the ravanu

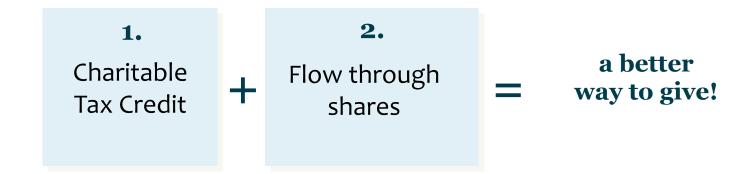
Gifts and Income Tax



Canada

P113(E) Rev. 07

Together, a powerful new way to give!





Company Issues FTS

IMPORTANT TO NOTE:

Donor Subscribes to FTS

There are 9 advanced tax rulings from the CRA and one ruling from Revenue Quebec

Donor gives shares under deed of gift to Charity

The use of this tax shelter does not defer, circumvent or avoid any tax that would otherwise be payable

Charity Immediately sells FTS to liquidity provider

The net result of using Flow Through Shares are 1) better funded charities and 2) strengthened companies in Canada's resource and exploration sector

Charity receives funds, Investment Fund Holds FTS as investment



Company Issues FTS



Donor Subscribes to FTS



Donor gives shares under deed of gift to Charity



Charity Immediately sells FTS to liquidity provider



Charity receives funds,
Investment Fund
Holds FTS as investment

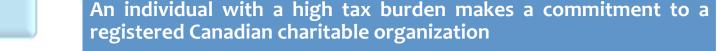
Canadian company in the mining, oil & gas, renewable energy or energy conservation sector with active exploration and project development activities



Since it has little or no Revenue, it commits to fund a portion of future exploration / development budget through the issuance of flow-through shares ("FTS")



Company Issues FTS



Donor Subscribes to FTS



Donor gives shares under deed of gift to Charity



Charity Immediately sells FTS to liquidity provider



Charity receives funds,
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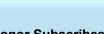
Purchases FTS and receives the Canadian exploration expenses ("CEEs") renounced by the Company through the issuance of FTS. Also, in some mining FTS cases, receives additional tax savings via Income Tax Credits ("ITCs") associated with FTS purchases



All funds are held in escrow until the completion of the transaction



Company Issues FTS



Donor Subscribes to FTS



of gift to Charity



Charity receives funds, Investment Fund Holds FTS as investment Donor donates the shares to a charity of his / her choice to fulfill commitment and receives the charitable donation tax credit

Net cash outflow, after all tax credits and deductions, is approximately 15% - 25% of amount donated



Company Issues FTS





Charity Immediately sells FTS to liquidity provider



Charity receives FTS from the Philanthropist and immediately sells the shares to the Investment Fund based on a pre-arranged liquidity agreement

This ensures certainty of cash from the sale, thereby allowing the charity to issue a tax receipt for the sale proceeds to the philanthropist





Company Issues FTS



Donor Subscribes to FTS



Donor gives shares under deed of gift to Charity



Charity Immediately sells FTS to liquidity provider



Charity receives funds and issues donation receipt to donor



Investor / Fund buys shares at a sizable discount to current market value (approximately 20% – 45% below market value)

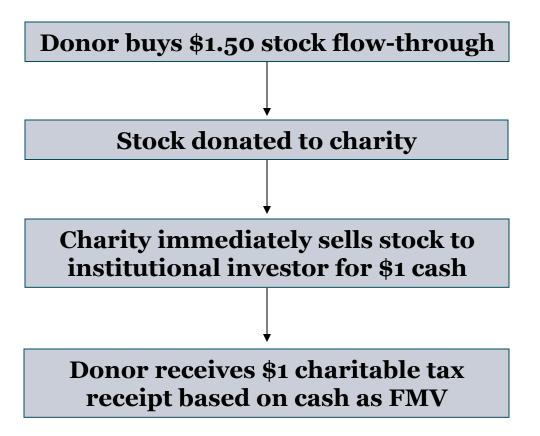


Investor / Fund receives warrants associated with the transaction, if any, and obtains the ability to hedge exposure via short sales, equity swap or derivative trade



Most transactions are completed on a private placement basis, therefore stock is subject to 4-month hold period before the fund can sell.

Summary - Guaranteed Benefit Flow-Through all happens same day





A closer look at how this works

1. Purchase \$1.50 in flow-through shares







= 75¢ flow- through tax savings (will assume 50% tax rate)









A closer look at how this works

Philanthropist buys a \$1.50 flow-through stock, (usually has a 4 month hold)









stock is immediately donated to charity. Then charity sells stock to a pre-arranged institutional buyer for \$1





A closer look at how this works

The charity gets \$1 in cash from sale of stock to institutional buyer



Philanthropist receives \$1 tax receipt from the charity (fair market value is \$1 in cash received)

The philanthropist receives 50¢ Charitable tax savings







Tax savings on a \$1 Donation using WCPD Guaranteed Flow-Through

\$1.50 flow-through investment



\$1 Donation



Flow-Through tax savings





Charitable tax savings







Cost of \$1 Donation

Regular stock or cash Donation:



costs





VS.

Donation using WCPD's Guaranteed Flow-Through:



costs



By combining flow-through & charitable tax credits

