



PROSPECTORS &
DEVELOPERS
ASSOCIATION
OF CANADA

ASSOCIATION
CANADIENNE DES
PROSPECTEURS ET
ENTREPRENEURS

The impact of super flow-through shares – interview results

Objective

The objective of these interviews was to gather more information and clarify responses from participants of the questionnaire. There were three specific aspects that we tried to collect more information on: financing deals, exploration work carried out with flow-through funds, and the socio-economic benefits of the exploration work.

Protocol for Interviews

- Sent interview invitation if, from the questionnaire, they indicated they were willing to be contacted further.
- Set meeting time.
- Conducted 30 minute to one hour meetings (with Ran Maoz when he was available) over the phone or in person.
- Wrote a summary of the call for the interviewee to comment on and clarify responses.

Key Questions

1. Financing Details
 - a. What were your premiums?
 - b. What per cent of total financing constituted flow-through shares?
 - c. Were the expenditures renounced were METC eligible?
 - d. What do you think would happen to investor interest in flow-through shares if the METC was cancelled?
2. Exploration Work
 - a. Did the exploration work conducted using flow-through funds help advance the knowledge of a property?
 - b. What was/were the key exploration activity/ies conducted?
3. Socio-economic benefits
 - a. What was the economic contribution of the exploration work?
 - b. How did you contribute to the local economy?

Reoccurring Themes

1. Financing Details
 - METC helped companies achieve a higher premium for their shares, which allowed them to have larger exploration budgets.



**PROSPECTORS &
DEVELOPERS
ASSOCIATION
OF CANADA**

**ASSOCIATION
CANADIENNE DES
PROSPECTEURS ET
ENTREPRENEURS**

- Without the METC, interviewees felt that investors' interest will decrease drastically making it much more difficult to raise flow-through funds. This was due to the fact that the investor would lose most of the advantage offered by the METC.
 - Flow-through donation mechanism has mixed views since shareholders are usually short-term investors, thus they sell the stock once the hold period is over and put pressure on its price.
2. Exploration Work
- The most common exploration activity that was funded by flow-through shares was a drill program.
 - Early stage exploration and geophysics were other activities mentioned.
3. Socio-economic Benefits
- Due to the early stage of many of the projects, most participants said they hired employees locally whenever possible, but that more people would be hired when the project was able to advance.
 - Other contributions to the local communities were in the form of procurement, use of local services such as accommodation, and specific donations to the community, for example a skateboard park.

Companies Interviewed

Company	Interviewee	Title
Skeena Resources	Walter Coles Jr.	CEO
Integra Gold Resources	Travis Gingras	CFO
North Arrow Minerals	Ken Armstrong	CEO
Nex-Gen Energy	Garrett Ainsworth	CEO
Alamos Gold	James Cooper, Colin Webster	Tax Director, VP. Sustainability and External Affairs
Victoria Gold Corp.	Marty Rendall	CFO
Denison Mines	David Cates	CEO
Raymond James	Andrew Johns	Lead Financial Advisor, Cash Management
Zimtu Capital	Jody Bellefleur	CFO
Serengeti Resources	David Moore	CEO



PROSPECTORS &
DEVELOPERS
ASSOCIATION
OF CANADA

ASSOCIATION
CANADIENNE DES
PROSPECTEURS ET
ENTREPRENEURS

Quotes from PDAC members

- Imperative for the health of the mineral exploration industry in Canada to keep flow-through.
- Removal of FT would erode Canada's global competitive advantage in natural resource development.
- Flow-through financing is needed by explorers especially in difficult financial markets to ensure the long-term viability of the exploration sector in Canada. Exploration is the lifeblood of the mining industry, and is essentially the mining industry's R&D division. R&D at a tech company cannot have 3-7 year hiatus and that company or industry expect that they will remain viable and competitive.
- F-T is a key motivator for Non F-T capital and often work hand-in-hand.
- One of the most important outcomes of flow through financing is it has allowed ongoing exploration in remote areas of Canada and the attendant employment and business opportunities for remote, largely indigenous, communities and residents
- There is a need to quantify the impact of flow through.
- Flow through has kept Canadians employed and had advanced development in times when capital was unavailable for exploration. Retaining it is critical for the livelihood of the resource industry for early stage projects where a greater risk level prevails.
- We all owe Ned Goodman a debt for making FT more mainstream.
- Flow-through is great but government should do much more to help our industry raise money and prosper. It seems that every other industry, from oil and gas to construction, real estate and manufacturing are always on the radar when times get tough, and government is quick to offer incentives to consumers or corporations etc. to help bolster these industries when times are tough; however our industry seems to lack a strong lobby in Ottawa. After 4 years of downturn nothing new had been tabled to help mineral exploration during these hard times. Additional incentives, like lower capital gains taxes for investments made in junior mining, would help to offset the high risk associated with mineral exploration and help attract investors. these funds ultimately work their way through various levels of the economy, such as labourers and professionals, hotels, restaurants, small business, large business, etc., so any tax breaks made at a federal level would ultimately lead to more economic activity and associated goods and services that would be taxed, more than making up for the tax breaks used to help attract investment. I believe a lowering of the capital gains on junior mining investments would ultimately bring in more tax revenue through knock on purchases, wages, etc.
- Flow through is critical to the exploration business. Without it, people would explore other countries before Canada.
- The FT program is very successful and is a significant differentiator for the Canadian market place. We have a strong resource market because Canadian investors understand resources



PROSPECTORS &
DEVELOPERS
ASSOCIATION
OF CANADA

ASSOCIATION
CANADIENNE DES
PROSPECTEURS ET
ENTREPRENEURS

and the government have historically supported resource and capital markets. It would be tragic if we lost FT shares in Canada.

- Flow-through funding is crucial for Canadian properties to compete with other projects around the world.
- Not having flow through would hamper junior exploration companies which have had a hard time surviving the last few years.
- Flow through funding is an income generator to gov't and all of Canada. We need to have tax payers aware of this.
- This is very important and critical program for exploration in Canada and is the core financing of junior exploration projects.
- I would like to see incentive for flow through investors to hold their shares longer before disposition. I suggest a time-dependent cost base such that if flows through shares are disposed after 4 months, then cost base is zero. If shares are held for one year, then cost base is 50% of price paid. If shares are held for over two years, then cost base is equal to price paid.
- It is impossible to understate the importance of the flow through regime for jobs and investment in the North and in Aboriginal communities. As a transfer of wealth from urban areas to remote communities, it surpasses any government subsidies and initiatives.
- FT is a great investment for Canada as new Mines are discovered. It is a reliable source of higher risk exploration capital.
- The spirit of Flow through promotes money being invested heavily within Canada, taking it away will impact the amount raised, jobs created and the impact in the mining community significantly.
- Major mining companies are now depending on juniors to find targets while they focus on their producing assets. Without flow-through this whole industry would collapse because it is too risky to invest in juniors without other incentives. Without money flowing into juniors, grassroots exploration will grind to a halt.
- Removing the ability for junior mining companies to raise money through flow-through shares would be detrimental to our industry; the government needs to show support for our volatile industry by offering incentives.
- We are suppliers to mining companies and would lose clients.