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MineralFields' Quadruple Win™ Flow-Through Plan

Starting in late 2007, a new concept for flow-through financing emerged. Wealthy Canadians who wished to donate to their favourite charities and maximize their flow-through and donation tax breaks were matched with hedge funds who wished to buy shares of mining companies at deep discounts. A small group of investment dealers started to match up the parties. Here's a simple example of how a transaction would work, using simplified numbers. A donor ("**Donor**") would invest \$1,000,000 in flow-through shares of ABC Mining Inc. ("**MiningCo**") by way of private placement with the standard 4 month hold period. On the same day, the Donor would donate his flow-through shares to XYZ Charity ("**Charity**"). Still on the same day, Charity would sell the same flow-through shares to the hedge fund ("**Ultimate Buyer**") for \$700,000. Let's assume that MiningCo's shares were trading on the TSXV @ \$0.45, and the flow-through shares were bought by the Donor at a small premium for \$0.50. And at the end of the series of transactions – all done on the same day – Ultimate Buyer ended up buying its MiningCo shares from the Charity at \$0.35. The reason why this is a quadruple win is that:

- (a) the Donor receives a million dollar CEE deduction, and gets to donate \$700,000 to his favourite charities at minimal after-tax cost because of the CEE tax deduction and donation tax credit (all in accordance with a CRA advance income tax ruling);
- (b) MiningCo gets a million dollars of flow-through money in a challenging market, and thereby enables itself to keep generating exploration news and staying in business;
- (c) the Charity gets \$700,000 which it might not otherwise obtain; and,
- (d) the Ultimate Buyer gets shares at deep discount, even lower than it would be able to buy on a private placement hard dollar financing with MiningCo.

In the past, MineralFields refused to finance companies that were participating in these arrangements, because often the hedge funds would dump the stock as soon as they could earn a small spread on the sale. In effect, the discounted price became the new ceiling for MiningCo's stock price. Not a win-win, more like a win-loss.

However, there is a way that this kind of arrangement can work without cratering a mining company's stock price, and that is where the mining company supplies the end buyers from people it knows want to hold on to their shares for a long time, and not just dump to make a spread. In other words, don't allow hedge funds to be the Ultimate Buyer, but rather existing shareholders, or parties friendly to the mining company. MineralFields Group has the donor clients who are willing to invest multi millions of dollars in flow-through, all you need to supply is the end buyer(s). Our associated intermediary – First Canadian Securities® (a division of Limited Market Dealer Inc.) would earn a finder's fee as on any financing.

If you are interested in exploring this arrangement to benefit your mining company, please contact us at jd@mineralfields.com or (416) 665-9339 ext 221.