

Another Canadian Resource Exploration Company Jumps Ship

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The board of Alberta-based Serinus Energy Inc. has had it with Canadian taxes and has set its sights on the Channel Islands as a new tax home for the company.

Shareholders of the international oil and gas exploration and production company will vote March 7 on whether Serinus should re-domicile in Jersey by way of a legal process called a [continuance](#). The plan requires approval of at least 66 2/3 percent of voting shareholders.

Without active commercial connections to Canada, there's no reason for the company to be subject to Canadian income and capital gains taxes, "or for it to bear the compliance costs associated with being a Canadian taxpayer," the company said in a [January 29 press release](#). Serinus has operations in Romania and Tunisia.

The move would also eliminate Canadian withholding tax on dividends paid to shareholders outside Canada, the company said. Serinus's largest shareholder, with 52.18 percent of outstanding shares, is private equity firm Kulczyk Investments SA, headquartered in Luxembourg. Other significant shareholders Pala Investment Holdings Ltd. and Quercus TFI SA are based in Jersey and Warsaw, respectively.

If the plan is approved, Serinus would delist from the Toronto Stock Exchange, retain its Warsaw Stock Exchange listing, and seek a listing on the AIM market of the London Stock Exchange. The company would be subject to Jersey corporate law and would cease to be domiciled in Alberta for tax purposes, according to the press release.

An AIM listing and Jersey domicile would give the company greater access to the European capital and debt markets, "as European market investors are generally more familiar with Jersey companies and tax-resident listed companies," Serinus said.

The news follows announcements by at least two other Canadian mining companies that have set their sights on greener tax pastures in recent years. Toronto's [Silver Bear Resources Inc. announced in May 2017](#), just before commencing production on its sole material mineral project in eastern Russia, that it would reorganize under a U.K. parent company to better manage its tax affairs. As the company begins to generate revenue, a move to the U.K. makes more tax sense, CEO Graham Hill said at the time. Silver Bear's re-domiciliation was completed in June.

In September 2016 shareholders of Calgary, Alberta-based mineral exploration company Bacanora Minerals Ltd. voted down a proposed re-domicile to the U.K. that the company's board said would produce significant cost and administrative savings. Two days after the vote, the company announced that a shareholder that voted against the proposal, known at the time

as Rare Earth Minerals plc (REM), made an unsolicited bid to acquire Bacanora. Rejecting the bid as undervaluing the company, Bacanora's board noted that REM voted against the redomicile, "which is widely viewed to be in the best interest of all the company's shareholders." Bacanora's operations are based in Mexico.

Asked whether the latest announcement by Serinus is evidence of a trend, Kim Moody of Moodys Gartner Tax Law LLP in Calgary said that "unfortunately, this is becoming common, especially with our very left-leaning federal government."

While natural resource companies have long found good reception in the Canadian capital markets, Moody said many of his clients are private corporations that are considering or executing either deployment of capital to the United States or a complete exit from Canada. Due to the private nature of the assets, there has been an underreporting of the trend, which is "very worrying for Canada," he added.