THE TAX PLANNING ADVANTAGES OF FLOW-THROUGH INVESTING

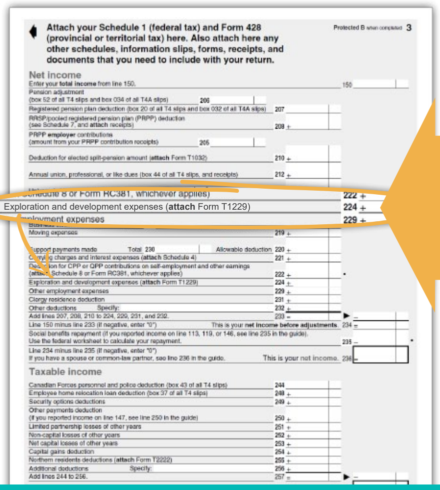
WHAT IS FLOW-THROUGH INVESTING?

1 Canadian resource companies need capital for exploration

Limited initial revenue. Significant Expenses. Permitted to monetize the write-offs they can't use.

2 To encourage Canadian resource exploration, the government permits qualifying companies to "flow-through" their exploration expenses to investors, for investor use as a tax offset

EXPENSES



3 Investors who invest in a Flow-Through Limited Partnership (LP) may deduct the full investment from their income in the year the investment is made.

Investors can access the flow-through market by purchasing shares directly, or by investing in a flow-through Limited Partnership (LP). Flow-through Limited Partnerships are investment vehicles that add three important benefits to the tax advantages of Flow-Through investing:

#1 financial planning advantages;
#2 professional management;
#3 access to a broad range of flow-through issues.

#1 FINANCIAL PLANNING ADVANTAGES OF FLOW-THROUGH LPs FOR DIFFERENT INVESTORS

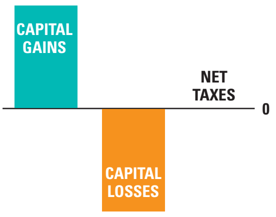
"I HAVE CAPITAL LOSSES THAT I HAVEN'T USED YET"

"I'M MOVING TO A LOWER MARGINAL INCOME TAX BRACKET"

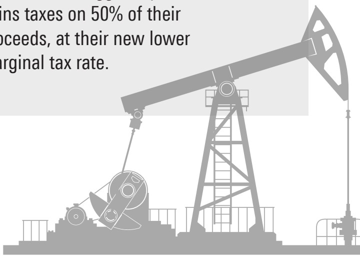
"I HAVE A LONGER-TERM INVESTMENT HORIZON (5+ YEARS)"

4 In 2 years or less (depending on the duration of the LP), the Limited Partnership terminates and the investment is rolled into a designated mutual fund corporation. The investor may now sell the fund, where their taxable capital gain is limited to 50% of the proceeds.

Investing in a Flow-Through LP effectively converts income into capital gains, so investors can take advantage of any unused capital losses they are carrying when they sell their shares in the mutual fund corporation, thereby reducing their taxable income.



An investor who buys shares in a Flow-Through Limited Partnership decides to maintain their exposure to the resource sector and to defer their taxes further. As a result, they do not sell their shares of the mutual fund corporation. When the investor retires and is in a lower marginal tax bracket, they sell the fund and trigger capital gains taxes on 50% of their proceeds, at their new lower marginal tax rate.



Similarly, with a longer-term investment time horizon, an investor may be well-positioned to take advantage of a deferred tax strategy by doing a "tax-free rollover" into a mutual fund corporation, which then allows their investment to compound until one of several events occurs:

- they experience capital losses on other investments which they can now use to offset their capital gain;
- they enter a lower marginal tax bracket.

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