



Flow-Through Limited Partnerships

**INVESTOR'S GUIDE
TO TAX-DRIVEN
INVESTMENT PRODUCTS**

Performance. Service. Integrity.

About flow-through shares

> Flow-through common shares are issued from the treasury of a company engaged in exploration in Canada. In addition to issuing common shares, the resource company agrees to “flow-through” tax deductions related to resource exploration and/or development equal to the purchase price of the flow-through shares. The tax deductions associated with flow-through shares are not a “tax loophole” devised by tax lawyers but are a resource exploration incentive program sponsored by the Canadian federal government and clearly set out in the Canadian Income Tax Act.

Since inception in 2000, Creststreet has structured a continuous series of limited partnership offerings that invest in a portfolio of flow-through shares that provide investors a tax write-off of up to 100%, or up to 150% in Québec, of the amount invested.

Issuing flow-through shares is an attractive means of financing Canadian exploration expenditures for resource companies that have significant tax deductions available to them.

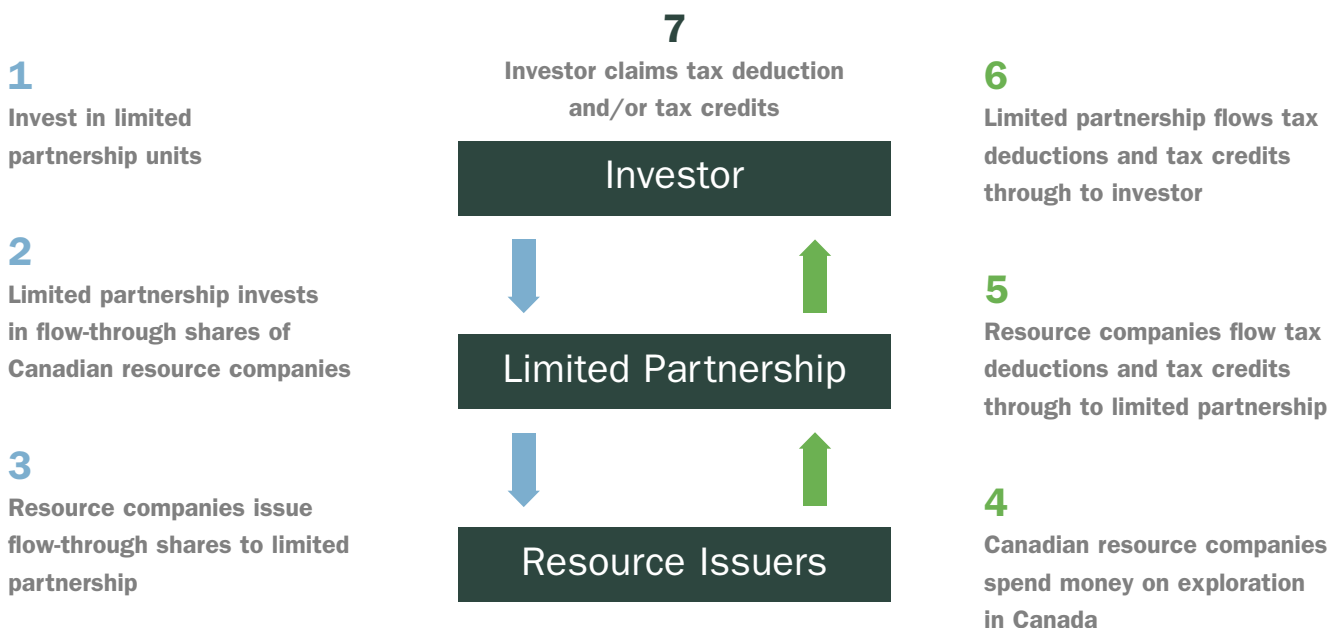
Benefits of Investment in Flow-through Shares:

- > Shelter income at highest marginal rate
- > Defer taxes until redemption
- > Convert income into a capital gain with a tax deferral until sale
- > Tax savings provide downside protection against adverse investment performance
- > Up to 100% deductible against income from any Canadian source, or may be up to 150% deductible against income from Québec
- > Available capital losses can be used to offset capital gains to provide even better after-tax returns

Benefits of Investment in a Creststreet Flow-through Limited Partnership

- > Access to high quality portfolio of resource focused flow-through shares structured by experienced asset managers
- > Reduced risk through portfolio diversification
- > High level of investor service including detailed tax packages, regular investment updates and easy to access website with detailed information about the limited partnership
- > Multiple fund choices following tax-deferred rollover into Creststreet mutual funds

Flow-through limited partnership structure

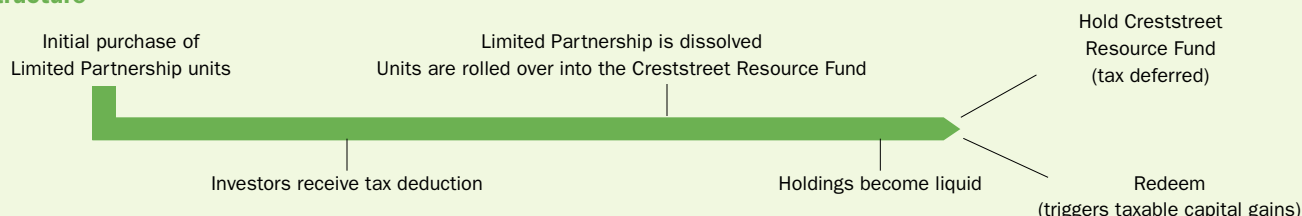


Flow-through limited partnerships

About Creststreet Limited Partnerships

Creststreet flow-through limited partnerships provide investors with access to specialist resource fund asset managers who have extensive experience and knowledge investing in the entire commodity spectrum.

Structure



An investment in a Creststreet limited partnership is structured as follows:

1. Investment in limited partnership by limited partners
2. General partner invests proceeds in Canadian resource issuers and obtains Canadian Exploration Expense (CEE) tax deductions for investors
3. Tax deduction equal to 100% is received by the investor for the year the investment is made. CEE deductions can be carried forward, if desired
4. Investors may also receive an investment tax credit (“ITC”) of 15% related to flow-through shares of mineral exploration companies. The amount of the tax credit is included in income in the following year.
5. After a period of approximately 18 months, the units of limited partnership are “rolled over” into shares of **Creststreet Resource Fund** on a tax-deferred basis
6. Once the shares of Creststreet Resource Fund become available for redemption investors have several options:
 - > Continue to defer the capital gains tax that results when a flow-through investment is sold by continuing to hold shares in the Creststreet Resource Fund
 - > Redeem mutual fund shares and trigger a capital gain
 - > Diversify by switching to another Creststreet mutual fund on a tax deferred basis.

Highest Marginal Tax Rate by Province (%)

	B.C.	Alta.	Sask.	Man.	Ont.	Que.	N.S.	N.B.	P.E.I.	N.F.
2011	43.70	39.00	44.00	46.40	46.41	48.22	50.00	43.30	47.37	42.30
2012	43.70	39.00	44.00	46.40	46.41	48.22	50.00	43.30	47.37	42.30

Sample Break-even Calculation

Break-even: net after tax return = zero
(assumes 50% of CEE is eligible for ITC).

	B.C.	Alta.	Sask.	Man.	Ont.	Que.	N.S.	N.B.	P.E.I.	N.F.
Investment	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Less: Tax savings	(463)	(413)	(466)	(492)	(492)	(511)	(530)	(459)	(502)	(448)
Less: ITC (net of tax)	(42)	(46)	(42)	(40)	(40)	(57)	(38)	(43)	(39)	(43)
Money at risk	\$ 495	\$ 541	\$ 492	\$ 468	\$ 468	\$ 432	\$ 433	\$ 499	\$ 459	\$ 509
Break-even proceeds of disposition	\$ 633	\$ 672	\$ 631	\$ 610	\$ 610	\$ 570	\$ 577	\$ 637	\$ 601	\$ 645

Québec incentives for flow-through shares

In addition to the Federal incentives for flow-through shares, the Québec Tax Act provides individuals who are liable to pay Income Tax in Québec with the following incentives:

> Canadian Exploration Expenses

- For mining exploration expenses incurred in Québec
 - > An initial additional deduction of 25%
 - > A second additional deduction of 25% for surface expenses, and
- For oil and gas exploration expenses incurred in Québec, an additional deduction of 50%

> Deductibility of Investment Expenses

- 50% of CEE incurred in Canada outside of Québec is included in the computation of the limit on the deductibility of investment expenses, however CEE incurred in Québec is not included in computing investment expenses

> Investment Tax Credit

- No Québec tax payable on income inclusion in year 2

> Partial Exemption for Capital Gains on Flow-Through Shares

- For federal purposes the cost of acquisition of flow-through shares is deemed to be nil so that any proceeds relating to the disposition would be a capital gain
- Québec does not impose any tax on the amount of the proceeds up to the original acquisition cost. Any proceeds of disposition which exceed the acquisition cost would be a capital gain.

Highest marginal tax rates for 2011, 2012 and beyond (%)

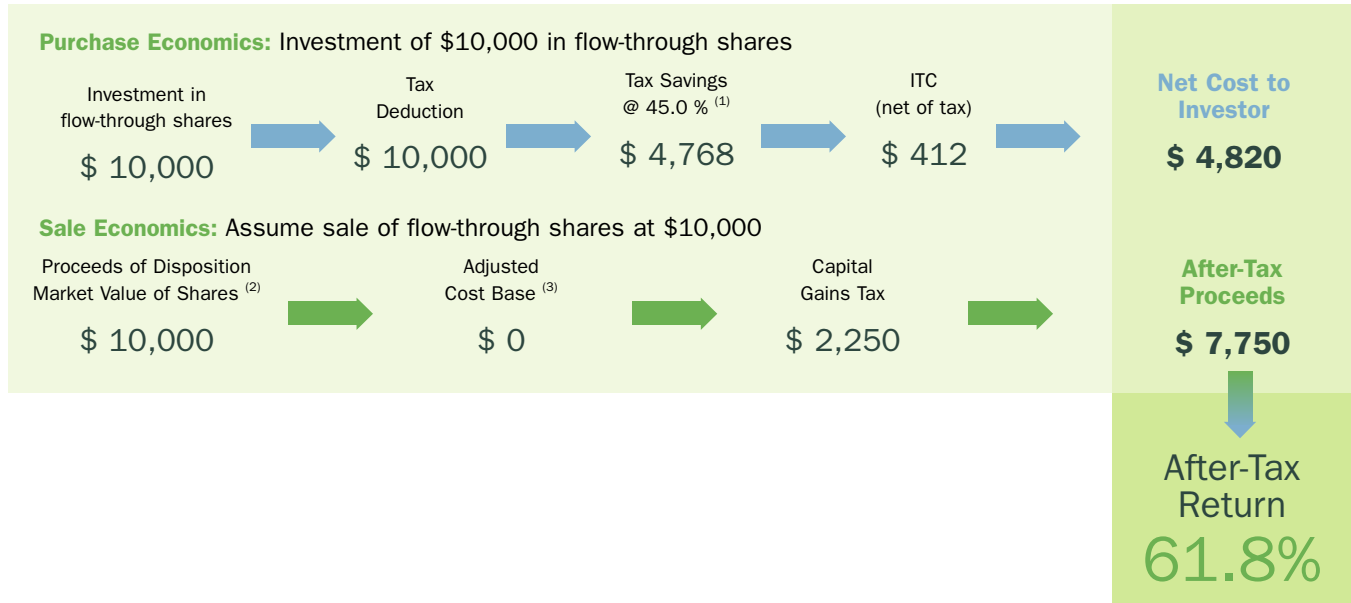
Federal 24.22%
Québec 24.00%

Sample break-even calculation

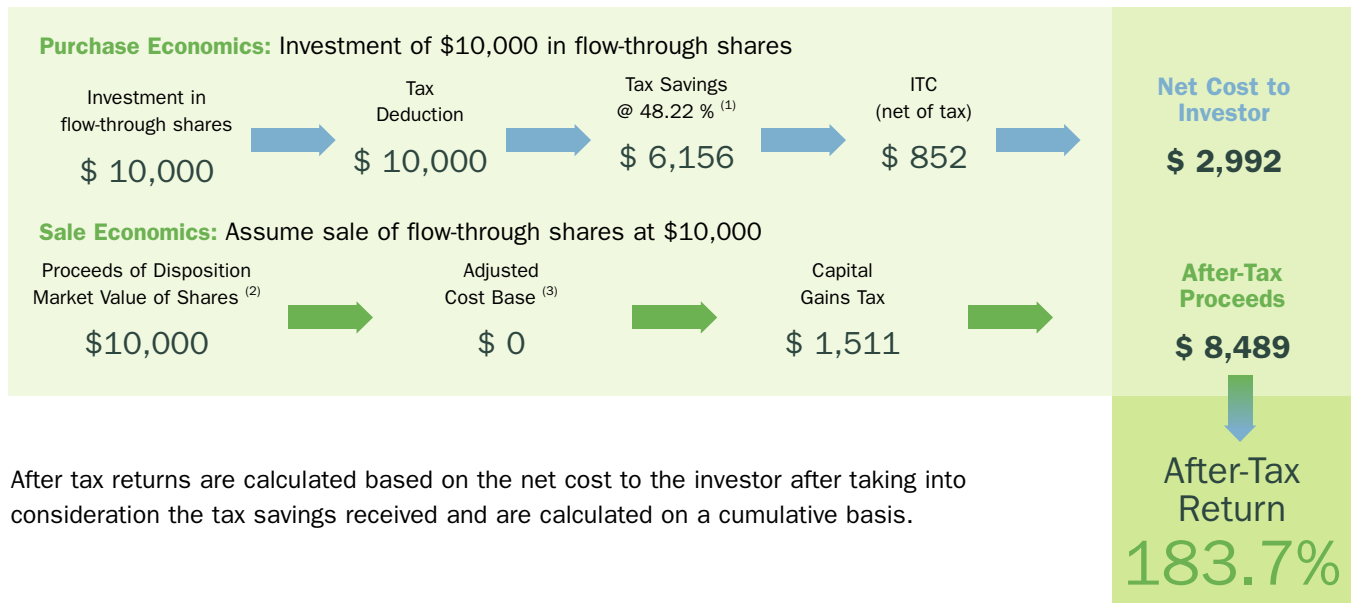
Break-even: net after tax return = zero
(assumes 75% of CEE is eligible for ITC)

Invested in Quebec	100%	75%	50%
Investment	\$1,000	\$1,000	\$1,000
Tax savings			
Federal	(257)	(257)	(257)
Québec	(389)	(359)	(329)
ITC (net of tax)	(114)	(85)	(57)
Money at risk	241	299	358
Break-even proceeds of disposition	\$ 274	\$ 352	\$ 437

Investor at 45% assumed combined tax rate



Québec investor at 48.22% combined tax rate with 75% of flow-through shares invested in Québec



After tax returns are calculated based on the net cost to the investor after taking into consideration the tax savings received and are calculated on a cumulative basis.

⁽¹⁾ Tax savings assume total deductions of \$11,190 for every \$10,000 invested: \$10,000 in the first year and an estimated \$1,190 over the next 5 years.

⁽²⁾ Proceeds of disposition assumes no change in value of investment in flow-through shares.

⁽³⁾ **Adjusted Cost Base (ACB)**

The rules governing flow-through shares set out in the Income Tax Act (Canada), generally speaking, provide that tax deductions associated with flow-through shares reduce the Adjusted Cost Base of a flow-through investment.

As a result, when a flow-through investment is sold, the full proceeds of disposition are taxed as a capital gain.

About Creststreet

Creststreet is an independent, performance driven asset management partnership. Founded upon our strength and expertise in energy, we have built a diversified award-winning investment management team. Creststreet brings to its Fund's investors unique core and specialty products by combining our superior research capability with our active management style.

Creststreet was founded on the view that, going forward, demand for energy will continue to experience strong rates of growth, yet supply of conventional sources of energy will become increasingly scarce and more valuable. In the later part of this past decade it became apparent that the same fundamental factors driving energy prices would drive the entire commodity spectrum higher.

In 2010, Creststreet broadened the scope of our investment management expertise to include all natural resource sectors. We further broadened our product offering to include a conservative high income fund, the Creststreet Dividend & Income Fund, providing investors with more diversification. Our mission is to provide superior risk adjusted returns, best in class advisor service with the highest standards of ethical conduct.

Creststreet is an industry leader in structuring and managing flow-through investment funds that provide investors exposure to high quality publicly listed resource exploration and development companies and also yield attractive tax write-offs for high net worth Canadian investors.

Since 2000, Creststreet has structured 19 flow-through funds, raising in excess of \$525 million for investment primarily in resource focused exploration and production companies, and has established a proven track record of delivering solid after-tax returns to investors in these funds.

The purpose of this brochure is to provide investors with an overview of how flow-through shares work and the benefits of investing in them through a Creststreet managed flow-through share limited partnership.

Should you have any further questions regarding Creststreet or our resource focused flow-through share limited partnerships, please contact your investment advisor or Creststreet directly at:

Creststreet Asset Management Limited

Tel 416.864.6330

Toll free 1.866.864.6330

Email info@creststreet.com

www.creststreet.com

This brochure is for information purposes only and does not constitute an offer to sell or a solicitation to buy the securities referred to herein. Limited partnerships and flow-through securities may not be suitable for all investors. Investors should consult a tax specialist and financial advisor to determine their individual risk tolerance and investment needs. Commissions, management fees and expenses all may be associated with limited partnership investments. Please read the prospectus before investing. Limited partnerships are not guaranteed, their values change frequently and past performance may not be repeated. The opinions contained in this brochure are solely those of CAML and are subject to change without notice. This information is intended to provide general tax information only. All investors should consult their own independent tax advisors. CAML makes every effort to ensure that the information has been derived from sources believed to be reliable and accurate. However, CAML assumes no responsibility for any losses or damages, whether direct or indirect which may arise from the use of this information, and expressly disclaims liability for an errors or omissions of this information. This information should not be regarded as a substitute for the exercise of your own judgment. Certain statements included in this brochure constitute "Forward-looking statements" within the meaning of the Securities Act (Ontario). Such forward looking statements involve unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking information contained in this brochure represents the expectations of Creststreet Asset Management Limited as at September 6, 2011, and, accordingly, is subject to change after such date. However, Creststreet Asset Management Limited expressly disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. Creststreet limited partnerships are each managed by a Creststreet general partner, which are each wholly owned subsidiaries of Creststreet Partners Limited, which is an affiliate of Creststreet Capital Corporation. *Creststreet and Creststreet bird logo are registered trademarks of Creststreet Capital Corporation.

