



Flow-through Limited Partnership

INVESTOR'S GUIDE
TO TAX-DRIVEN
INVESTMENT PRODUCTS

Excellence
in energy investing

PUBLISHED: SEPT. 18, 2009

Excellence

in energy investing

About Creststreet

Creststreet is an investment management firm specializing in structuring and managing high quality energy focused investment products for Canadian and international institutional and high net worth investors.

Creststreet was founded on the view that in the decades ahead 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. Creststreet's mission is to be recognized for excellence in structuring and managing the highest quality energy focused investment funds available in the Canadian capital markets.

Creststreet has consistently delivered strong performance across all of its energy focused investment products by continuing to follow a conservative, disciplined, long-term value approach to investing. Since inception in 2000, Creststreet has raised over \$1 billion for investment in resource and renewable energy companies.

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

Since 2000, Creststreet has structured 16 flow-through funds, raising in excess of \$480 million for investment primarily in energy 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 energy focused flow-through share limited partnerships, please contact your investment advisor or Creststreet directly at:

Creststreet Asset Management Limited

Suite 1450
70 University Avenue
Toronto, Ontario
M5J 2M4

Tel 416.864.6330
Toll free 1.866.864.6330
Fax 416.862.8950
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 18, 2009, 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.

About flow-through shares

> Flow-through common shares are issued from the treasury of a company engaged in resource 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% 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.

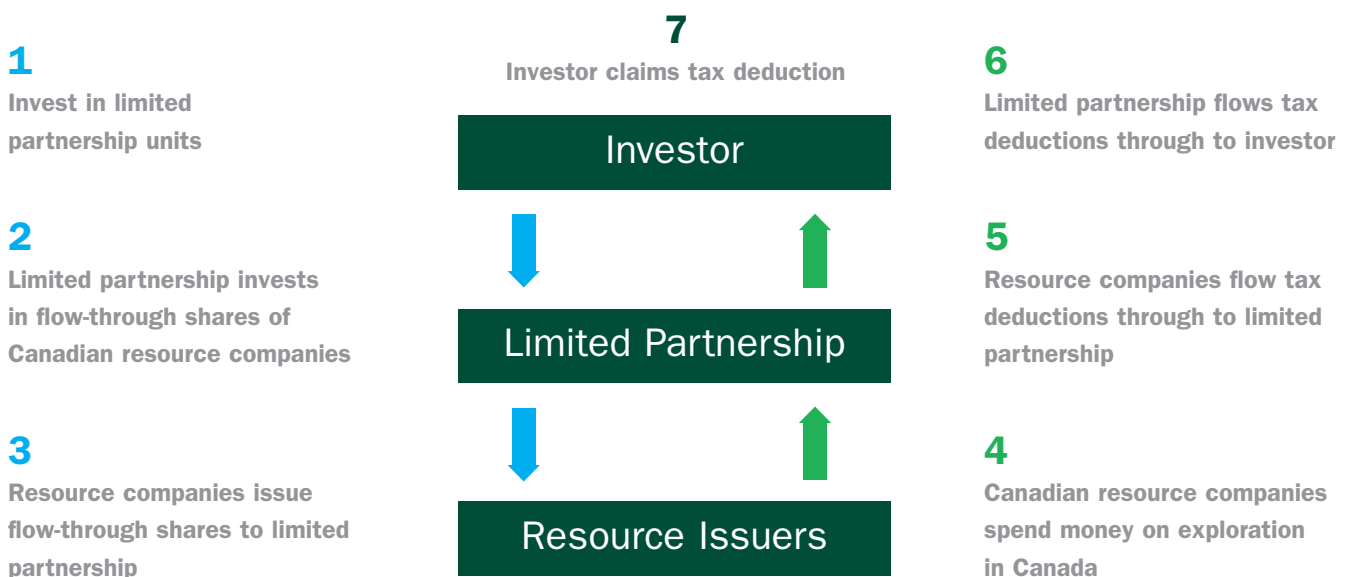
Benefits of Investment in Flow-through Shares:

- > 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
- > 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 energy focused flow-through shares structured by expert asset managers
- > Reduced risk through portfolio diversification
- > High level of investor service including detailed tax packages, quarterly investment updates and easy to access website with detailed information about the limited partnership

Flow-through limited partnership structure

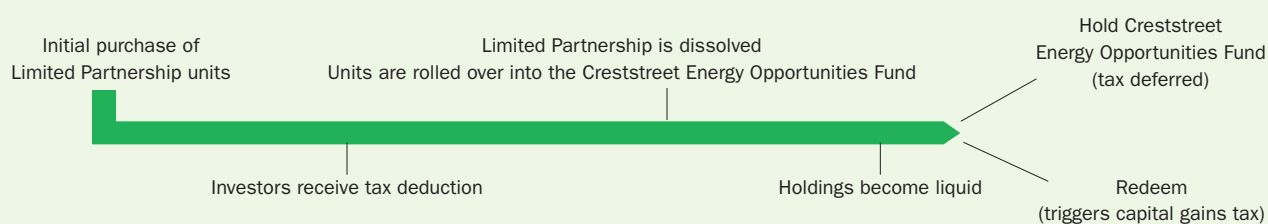


Creststreet flow-through limited partnerships

About Creststreet Limited Partnerships

Creststreet flow-through limited partnerships provide investors with access to specialist energy fund asset managers who have extensive experience and knowledge investing in natural gas, crude oil and renewable energy sectors.

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. After a period of approximately 18 months, the units of limited partnership are “rolled over” into shares of **Creststreet Energy Opportunities Fund** on a tax-deferred basis
5. Once the shares of Creststreet Energy Opportunities 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 Energy Opportunities Fund
 - > Transfer mutual fund holdings into an RRSP account and receive additional tax benefits
 - > Donate shares to a registered charity in return for a tax credit
 - > Redeem their mutual fund shares and trigger a capital gain

Highest Marginal Tax Rate by Province (%)

	B.C.	Alta.	Sask.	Man.	Ont.	Que.	N.S.	N.B.	P.E.I.	N.F.
2009	43.70	39.00	44.00	46.40	46.41	48.22	48.25	46.00	47.37	44.50
2010 and beyond	43.70	39.00	44.00	46.40	46.41	48.22	48.25	43.30	47.37	44.50

Sample Break-even Calculation

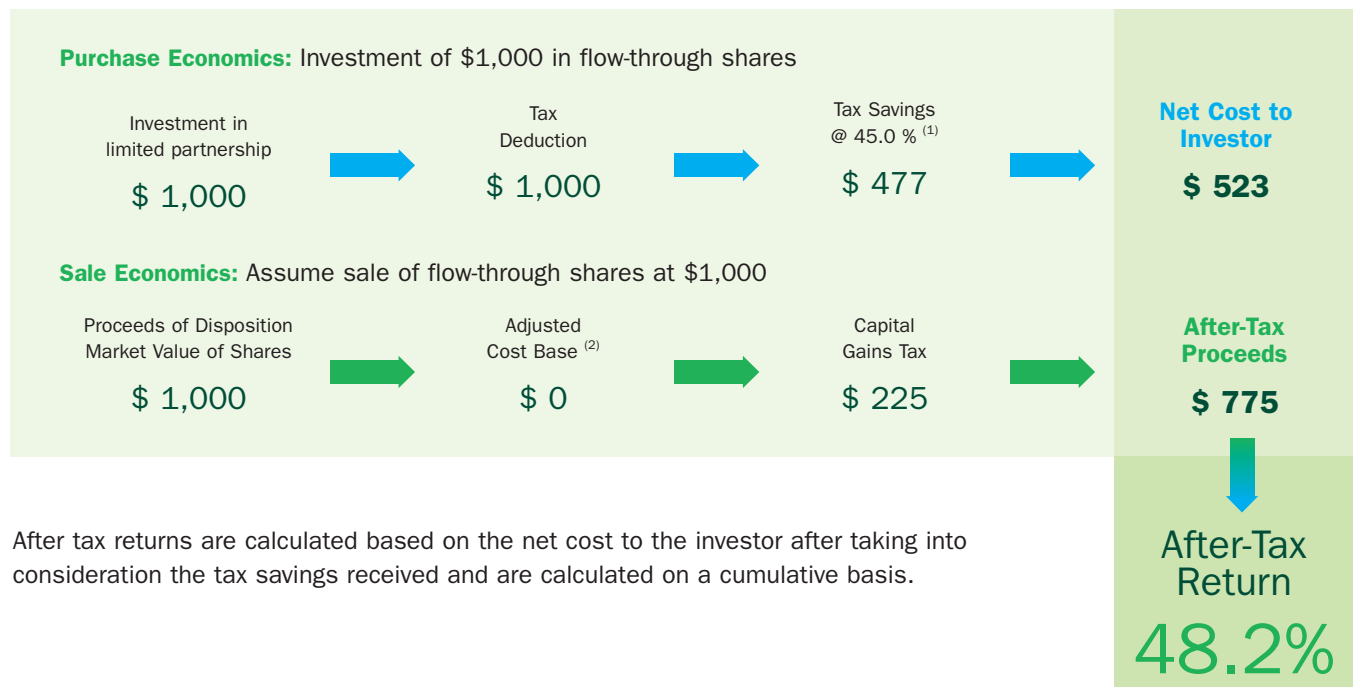
Break-even: net after tax return = zero

As illustrated in the Creststreet 2009 Limited Partnership prospectus.

	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	511	486	502	472
Money at risk	\$ 537	\$ 587	\$ 534	\$ 508	\$ 508	\$ 489	\$ 489	\$ 514	\$ 498	\$ 528
Break-even proceeds of disposition	\$ 687	\$ 729	\$ 684	\$ 662	\$ 662	\$ 644	\$ 644	\$ 656	\$ 652	\$ 679

Flow-through economics

example: Investor at 45% assumed tax rate



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 \$1,120 for every \$1,000 invested: \$1,000 in the first year and an estimated \$120 equally over 5 years.

⁽²⁾ **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.



Charitable donations

- > Charitable donations of mutual fund shares qualify for a tax credit, reducing tax liability and providing additional benefits to investors.

The Government of Canada has reduced the inclusion rate (amount of taxable capital gains on charitable donations) to **zero**, providing further incentive to donate securities to registered charities.

example: Investor at 45% assumed tax rate

Tax Implications of Gifting Shares to a Registered Charity (Qualified Donee)	
1. Individual invests in Creststreet limited partnership	\$ 1,000
2. Individual realizes tax savings on initial investment (((\$1,120 x 45%)-(\$120 x 50% x 45%))	\$ (477)
3. Limited Partnership units roll over into the Creststreet Energy Opportunities Fund and individual subsequently gifts the shares to a registered charity. Individual receives a tax credit (\$1,000 x 45%) on the value of gifted shares (assuming no change in value of units)	\$ (450)
After Tax Cost	\$73

Additional tax-planning strategies

Contribution of Mutual Fund Shares to RRSP Accounts

By transferring mutual fund shares from a non-registered account to an RRSP account, shareholders receive an additional tax benefit. This contribution in kind to an RRSP account will trigger capital gains, of which 50% is taxable. However, the RRSP contribution is 100% tax-deductible.

Monetizing Capital Losses

A flow-through investment converts income into a capital gain. For investors that have capital losses, an investment in Creststreet limited partnerships can be used to “monetize” those capital losses by creating capital gains that can be used to offset those losses. Capital losses can be applied against capital gains from three previous years or carried forward indefinitely to offset future capital gains.

