



August 17, 2010

Dear Investor,

We are writing to you because you invested in units of NCE Diversified Flow-Through (05) Limited Partnership ("FT 05") and/or NCE Diversified Flow-Through (05-2) Limited Partnership ("FT 05-2") (individually a "Partnership," collectively the "Partnerships").

The Partnerships invested in flow-through shares of resource companies with the objective of achieving capital appreciation and maximizing the tax benefits received by investors. Tax benefits are achieved primarily through the Canadian Exploration Expense ("CEE") deduction that can be renounced (or transferred) by an exploration company to its shareholders.

We were recently notified by Northern Star Mining Corporation ("NSM"), a company in which each of the Partnerships had invested, that certain CEE deductions which NSM renounced in respect of flow-through shares held by the Partnerships had been disallowed by the Canada Revenue Agency ("CRA") after an audit of NSM. According to NSM, the CRA has notified the company that it has disallowed approximately \$2 million of CEE renunciations made by NSM in its 2005 taxation year.

The following is the total amount of CEE renounced by NSM to each Partnership and the estimated CEE adjustments per Limited Partnership Unit:

<b>Partnerships</b>	<b>Initial offering price / LP Unit</b>	<b>Renounced CEE</b>	<b>Renounced CEE / LP Unit</b>	<b>Estimated CEE Adjustment / LP Unit *</b>
NCE Diversified Flow-Through (05) Limited Partnership	\$25	\$ 550,000	\$ 0.16	\$0.032
NCE Diversified Flow-Through (05-2) Limited Partnership	\$25	\$ 900,000	\$ 0.30	\$0.061

\* We have estimated, based on publicly available records, that the approximately \$2 million in renunciations in question represent approximately 20% of the total renunciations made by NSM in 2005. Therefore, for investors who invested \$10,000 (400 LP units at \$25/unit) in each of FT 05 and FT 05-2, we estimate an adjustment to their allocation of renounced CEE of \$13 and \$24, respectively, assuming a proportionate application of the CEE to the investments made by the Partnerships. If the full amount of the CEE renounced to the Partnerships by NSM is ultimately disallowed in its entirety, the CEE adjustment for each of FT 05 and FT 05-2 would amount to \$64 and \$120, respectively, for each such investor. Actual results may vary from these estimates. Investors should pay close attention to any notice of reassessment received to determine their respective impact of the reassessment of NSM.

NSM has indicated that they disagree with CRA's disallowance of such CEE deductions and the company has filed a notice of objection to appeal the same. However, the CRA has

refused to delay the reassessment of the shareholders pending resolution of the matter. NSM has advised us that the CRA will soon begin issuing reassessments to its flow-through shareholders in connection with its reassessment of NSM's 2005 taxation year (and related renunciations).

As the Partnerships were shareholders of NSM, and received a portion of the renunciations at issue, they may receive a notice of reassessment from the CRA in connection with this matter. However, we presume, given the prior approach CRA has taken in similar circumstances, that you, as a former investor and limited partner in either of the Partnerships, could receive a notice of reassessment for your 2005 taxation year from the CRA directly without any notice to us.

In order to assist its shareholders, NSM has arranged for Smetheram & Company, a tax and business law firm in Vancouver, British Columbia, to conduct the shareholders' appeal of reassessments. NSM has made arrangements with Smetheram & Company to have the costs associated with the appeals billed directly to NSM. NSM has retained Thorsteinssons LLP "Tax Lawyers" of Vancouver, British Columbia, to represent the company itself in appealing the disallowed CEE deductions.

If the Partnerships receive a notice of reassessment from the CRA, it is our intention to appoint Smetheram & Company to act as counsel to the Partnerships to file a notice of objection to the reassessments made by the CRA with respect to this matter.

However, in the event that you, as a limited partner investor, receive a notice of reassessment directly from the CRA, you will need to appoint Smetheram & Company directly if you would like them to conduct the appeal of your reassessment at NSM's expense. Should you wish to do so, please review the attached documents carefully, and if deemed acceptable to you, complete and sign the appropriate direction naming Smetheram & Company as your counsel and agent in connection with the appeal and mail your notice of reassessment and completed direction to:

Smetheram & Company, Tax and Business Law  
Attn: Donald W. Smetheram  
600-1090 West Georgia Street  
Vancouver, BC  
V6E 3V7

Please note that Smetheram & Company cannot conduct your appeal without having received both the completed direction and your notice of reassessment.

**THIS MATTER IS TIME SENSITIVE. THE DEADLINE TO FILE A NOTICE OF OBJECTION IS GENERALLY 90 DAYS FROM THE DATE THE NOTICE OF REASSESSMENT IS MAILED BY THE CRA. DO NOT DELAY SENDING YOUR NOTICE OF REASSESSMENT AND DIRECTION TO SMETHERAM & COMPANY, IF YOU WISH TO APPEAL, OR YOU MAY LOSE YOUR APPEAL RIGHTS.**

For your convenience we have provided the enclosed documents in respect of each of the Partnerships:

- A letter of direction naming Smetheram & Company as your counsel and agent in connection with the appeal (NOTE: Please be sure to sign and return only the letter of direction in respect of the specific Partnership in which you invested.); and
- An engagement letter from Smetheram & Company providing a description of services setting out the terms of its engagement.

If you have any further questions, please do not hesitate to contact our Client Services department at 1-888-730-4623, 416-364-9297 or [info@sentry.ca](mailto:info@sentry.ca), or call Donald W. Smetheram at 604-696-3190 or [dsmetheram@smetheramlaw.com](mailto:dsmetheram@smetheramlaw.com).

Yours very truly,

Richard D'Archivio, CA, CFA  
Chief Financial Officer  
Sentry Investments