

TO: Former Limited Partners (the “Limited Partners”) of
NCE Diversified Flow-Through (06-2) Limited Partnership

RE: Adjustment to prior year tax returns

Date: March 31, 2009

As discussed in our letter dated March 26, 2009 (posted at www.sentryselect.com), NCE Diversified Flow-Through (06-2) Limited Partnership (the “Partnership”) recently received a revised T101 Statement of Resource Expenses (the “T101”) from Alberta Star Development Corp. As a result, each Limited Partner is expected to receive an amended T5013A – Statement of Partnership Income form in respect of the 2006 tax year.

This amendment may result in a reassessment by the Canada Revenue Agency (“CRA”) of the Limited Partners 2006 taxes. In order to avoid incurring further interest, if any, from accruing, we recommend that Limited Partners amend their 2006 tax returns as soon as possible. Limited Partners (who are individuals) who wish to file an adjustment to their prior year tax returns should take the following steps:

- 1) Limited Partners should complete and submit to the CRA a form T1 – Adjustment Request (“T1-ADJ”), requesting an adjustment (reassessment) to their 2006 individual income tax return (assuming Limited Partners deducted the Canadian exploration expense (“CEE”) and federal investment tax credit (“ITC”) in 2006). A copy of form T1-ADJ is available at <http://www.cra-arc.gc.ca>; a sample form is attached.
- 2) Limited Partners should complete Box A – Identification, inserting the required personal information.
- 3) Limited Partners should complete Box B – Authorization, only if they are authorizing a person or firm to make this request on their behalf.
- 4)
 - a) In Box C – Adjustment details, Limited Partners should insert “224” in the column under the heading “Line number from return or schedule”. This corresponds to the line number on your 2006 tax return in which the original CEE deduction was claimed. In the column under the heading “Name of line from return or schedule”, Limited Partners should insert “Exploration and development expenses”. This represents the description of the deduction

claimed on line 224 of your 2006 tax return. In the column under the heading "Previous amount", Limited Partners must insert the original amount of CEE claimed as indicated on line 224 of their original 2006 income tax return. In the column under the heading "+/-", Limited Partners should insert "-", to indicate that the adjustment is a reduction of the amount of CEE previously claimed. In the column under the heading "Revised amount", Limited Partners should insert the new revised total amount of CEE. This amount would be the total of the amount of CEE on the amended T5013A and any other CEE amounts claimed in the original return, if any. In the column under the heading "Amount of change", Limited Partners should include the difference between the two previous numerical columns. This amount represents the reduction in CEE to be claimed for 2006 (see 5 below).

- b) Step 4(a) above should be repeated on the same T1-ADJ for the adjustment to the expenses qualifying for ITC with the previous amount of expenses qualifying for ITC being the amount that was reported in Box 6717 of form T2038 (Investment Tax Credit). On the T1-ADJ, line number 412 should be used with the corresponding name of the line being "Investment tax credit." Under the heading "Amount of change", Limited Partners should include 15% of the difference between the previous amount in Box 128 of the T5013A and the amended amount (the previous amount and revised amount must also include any ITC from other investments).
- 5) Assuming that Limited Partners claimed the maximum amount in 2006 that was originally renounced by the Partnership, this should result in a "Revised Amount" of CEE and expenses qualifying for ITC of \$24.96692/unit and \$0.88222/unit, respectively. For example, on an initial investment of 400 units at \$25.00/unit the Revised Amounts of CEE and expenses qualifying for ITC would be \$9,986.77 and \$352.89, respectively (previously \$9,999.52 and \$354.80). The amount of the reduction in ITC (i.e. \$1.91) will result in an equal amount of reduction to a Limited Partner's taxable income in the following year (i.e. 2007) or a reduction in the amount that originally reduced any new CEE the Limited Partner had in 2007.
- 6) Under the heading "Other details or explanations", Limited Partners should indicate the following: "Reduction in share of Canadian Exploration Expense and federal investment tax credit allocated in respect of limited partnership units of the NCE Diversified Flow-Through (06-2) Limited Partnership previously renounced in respect of its investment in flow-through shares of Alberta Star Development Corp. of \$0.03189 each per Limited Partnership unit.
- 7) Limited Partners should send the completed and signed form T1-ADJ with all of the required supporting information (i.e. their amended T5013A) to their applicable tax centre as indicated on their most recent notice of assessment (addresses for the CRA tax centres are noted on the back of the form T1-ADJ). Limited Partners may wish to include a cheque or bank draft payable to the Receiver General in respect of amounts owing.

This document should not be construed as tax advice. The above information is general in nature and is provided in order to assist Limited Partners with the process for adjusting their tax returns. A Limited Partner's individual specific circumstances may require additional or different adjustments to their tax returns. Limited Partners are encouraged to consult their own tax advisors.