

*A copy of this preliminary prospectus has been filed with the securities regulatory authority in each of the provinces and territories of Canada, but has not yet become final for the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. These securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.*

*This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.*

## PRELIMINARY PROSPECTUS



Initial Public Offering

December 19, 2007

### NCE DIVERSIFIED FLOW-THROUGH (08) LIMITED PARTNERSHIP

**\$200,000,000**

**(Maximum Offering)**

**\$25,000,000**

**(Minimum Offering)**

**A maximum of 8,000,000 and a minimum of  
1,000,000 Limited Partnership Units**

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**Subscription Price: \$25 per Unit  
Minimum Subscription: 200 Units**

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NCE Diversified Flow-Through (08) Limited Partnership (the "Partnership"), a limited partnership established under the laws of the Province of Ontario, has been created for the purpose of investing in flow-through shares ("Flow-Through Shares") of resource issuers engaged either in oil and gas exploration, development and/or production or mineral exploration, development and/or production or, to a lesser extent and subject to certain limitations, resource issuers involved in renewable energy exploration and development which qualify for Canadian renewable and conservation expenses, as defined in the *Income Tax Act* (Canada) (the "Tax Act") (collectively, "Resource Companies").

The objective of the Partnership is to achieve capital appreciation according to the investment strategies detailed in this Prospectus and to maximize the tax benefits received by investors. It is intended that all proceeds available for investment will be allocated by the Partnership between Resource Companies engaged in oil and gas exploration and development (including resource issuers involved in renewable energy exploration and development) and/or oil and gas production and Resource Companies engaged in mining exploration, development and/or production. The allocation of the Partnership's investment portfolio will be determined based on the investment opportunities available at the time of investment. The Partnership will endeavour to invest all proceeds available for investment in Flow-Through Shares of Resource Companies by December 31, 2008. Subject to certain limitations, limited partners of the Partnership ("Limited Partners") with sufficient income may be able to claim certain deductions for income tax purposes.

The general partner of the Partnership is NCE Diversified Management (08) Corp. (the "General Partner") which is a wholly-owned subsidiary of Petro Assets Inc. (the "Promoter"). Sentry Select Capital Corp., an affiliate of the Promoter, has been retained by the General Partner to select potential investments, advise the Partnership and manage the Partnership's investment portfolio (see "Sentry Select Capital Corp.").

To provide potential for liquidity and long-term growth of capital, the General Partner intends to implement a liquidity transaction (the "Liquidity Transaction"), at a date no later than May 31, 2010, pursuant to which the assets of the Partnership would be transferred to Sentry Select Corporate Class Ltd. ("Sentry Select Fund"), or another mutual fund that is a reporting issuer, on a tax deferred basis in exchange for mutual fund shares of Sentry Select Fund ("Fund Shares"), or of such other mutual fund, following which such shares will be distributed to the Limited Partners *pro rata* on a tax deferred basis upon the dissolution of the Partnership. Sentry Select Fund is an open-end mutual fund corporation managed by Sentry Select Capital Corp. Sentry Select Fund currently offers six classes of mutual fund shares: Sentry Select Canadian Resource Class (the "Canadian Resource Class"), Sentry Select Balanced Class, Sentry Select Canadian Energy Growth Class, Sentry Select Canadian Income Class, Sentry Select Money Market Class and Sentry Select Mining Opportunities Class. Each class of mutual fund shares constitutes a separate mutual fund (each a "Sentry Select Mutual Fund"). In accordance with the multi-class structure implemented by Sentry Select Fund, holders of Fund Shares are entitled to switch between Sentry Select Mutual Funds without triggering immediate tax consequences. If the Partnership completes a Liquidity Transaction with Sentry Select Fund, the Partnership will receive shares of Canadian Resource Class. Sentry Select Fund is a reporting issuer in all provinces and territories of Canada. Pursuant to the Liquidity Transaction, the assets of the Partnership will be transferred to a mutual fund that is a reporting issuer.

Implementation of the Liquidity Transaction will be subject to the agreement of the General Partner and Sentry Select Fund and to obtaining any necessary regulatory approvals, as well as compliance with all applicable laws (which may require Limited Partner approval of the Liquidity Transaction). There can be no assurance that such transaction will receive the necessary regulatory approvals or be implemented since Sentry Select Fund is under no obligation to complete such transaction. The Liquidity Transaction will not be implemented if the General Partner determines that it would prospectively or retrospectively affect the status of the Flow-Through Shares as flow-through shares for income tax purposes. The Partnership Agreement states that the Liquidity Transaction must be implemented by May 31, 2010, failing which the Partnership will be terminated by December 31, 2010 and the Limited Partners will receive their *pro rata* share of the net assets of the Partnership. At that time, the Partnership will primarily own shares of Resource Companies and cash. See "Investment Details — Liquidity Transaction", "Summary of the Partnership Agreement — Dissolution" and "Risk Factors".

This offering (the “Offering”) consists of a minimum of \$25,000,000 (1,000,000 Units) (the “Minimum Offering”) and a maximum of \$200,000,000 (8,000,000 Units) (the “Maximum Offering”). A Subscriber must purchase a whole number of Units at \$25 per Unit. A Subscriber must purchase a minimum of 200 Units. Upon the purchase of Units a Subscriber will become a Limited Partner on the date of the closing (a “Closing”) at which such Subscriber’s subscription is accepted.

	Price to Public <sup>(1)</sup>	Agents’ Commission <sup>(2)(3)</sup>	Net Proceeds to the Partnership <sup>(3)(4)</sup>
Per Unit . . . . .	\$ 25.00	\$ 1.6875	\$ 25.00
Maximum Offering . . . . .	\$200,000,000	\$13,500,000	\$200,000,000
Minimum Offering . . . . .	\$ 25,000,000	\$ 1,687,500	\$ 25,000,000

Notes:

- (1) The subscription price was established by the General Partner.
- (2) The Agents’ commission will be paid by the Partnership from the proceeds of the Loan Facility. See “Investment Details — Loan Facility” and “Plan of Distribution”.
- (3) As an incentive, the Agents will receive a 20% interest in the 2.0% Management Fee payable to the General Partner. This interest will be assigned by the Agents to their sub-agents on a *pro rata* basis in accordance with sales made by such sub-agents. See “The Partnership and General Partner — Management Fee” and “Plan of Distribution”.
- (4) The expenses of issue, which will be paid from the proceeds of the Loan Facility, are estimated at \$900,000 in the case of the Maximum Offering and \$312,500 in the case of the Minimum Offering. See “Investment Details — Loan Facility”.
- (5) There will be no Closing unless and until subscriptions for the Minimum Offering are received and other closing conditions of this Offering have been satisfied, at which time an initial Closing will take place. For these purposes, the Minimum Offering will be subscribed for if gross proceeds of at least \$25,000,000 are received. If the Minimum Offering is not subscribed for within 90 days from the date of issuance of an MRRS decision document for the final prospectus, this offering may not continue and subscription proceeds received will be returned to the Subscribers, without interest or deduction, unless consent is obtained from Canadian securities regulators and those who have subscribed for Units on or before such date. The proceeds from subscriptions will be received by the Agents or such other registered dealers or brokers as are authorized by the Agents pending the initial Closing and any subsequent Closing. If the initial Closing takes place but gross proceeds of \$200,000,000 have not been received, the unsold Units may continue to be offered for sale and one or more closings may occur until
  - , 2008.

**A Limited Partner must include the identification number issued for this tax shelter, TS • in any income tax return filed by such Limited Partner. The identification number is issued for administrative purposes only and does not confirm that a Subscriber may claim any tax benefits associated with the tax shelter. The Quebec tax shelter identification number is QAF- • .**

**THIS IS A SPECULATIVE OFFERING. THIS IS A BLIND POOL OFFERING. There is currently no public market through which the Units may be sold and none is expected to develop and purchasers may not be able to resell Units purchased under the prospectus. An investor should only invest if the investor has the capacity to absorb a loss of some or all of the investor’s investment. The purchase price per Unit paid at a Closing subsequent to the initial Closing may be less or greater than the net asset value per Unit at the time of purchase. There is no guarantee that an investment in the Partnership will earn a specified rate of return or any return in the short or long term. The Flow-Through Shares are normally issued to the Partnership at prices greater than the market prices of common shares of the respective issuers and may be subject to resale restrictions. The General Partner may not be able to identify a sufficient number of investments to permit the Partnership to commit all available funds to purchase Flow-Through Shares of Resource Companies by December 31, 2008 or such Resource Companies may not renounce Eligible Expenditures equal to the subscription price paid to them. Therefore, the possibility exists that capital may be returned to Limited Partners and Limited Partners may be unable to claim anticipated deductions from income for income tax purposes. A Liquid Market may not exist for the securities acquired by the Partnership. The Partnership may also invest a limited portion of the proceeds available in illiquid investments, which may be subject to indefinite resale restrictions. The tax benefits resulting from an investment in the Partnership are greatest for a Limited Partner whose income is subject to the highest marginal income tax rate. Changes in federal or provincial income tax legislation may alter fundamentally the tax consequences of holding or disposing of Units, including the ability to claim deductions for all expenditures by the Partnership. While Limited Partners will receive certain distributions (subject to the terms of the Loan Facility) from proceeds realized from the sale of Flow-Through Shares and other investments, if any, Limited Partners may receive allocations of income and/or capital gains in a year without receiving sufficient distributions from the Partnership for that year to fully pay any tax that they may owe as a result of being a Limited Partner in that year. Other risk factors include: certain risks inherent in resource operations and investment in the resource sector; Limited Partners could lose their limited liability in certain circumstances; and the General Partner has only nominal assets. The Liquidity Transaction may not be implemented and certain conflicts of interest may arise in connection with the Liquidity Transaction. There can be no assurance that the borrowing strategy employed by the Partnership will enhance returns. An investor should consult the investor’s own professional advisors to assess the income tax, legal, and other aspects of the investment. See “Risk Factors” and “Conflicts of Interest”.**

RBC Dominion Securities Inc., CIBC World Markets Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., TD Securities Inc., Scotia Capital Inc., Canaccord Capital Corporation, HSBC Securities (Canada) Inc., Raymond James Ltd., Dundee Securities Corporation, GMP Securities L.P., Berkshire Securities Inc., Blackmont Capital Inc., Jory Capital Inc., Richardson Partners Financial Limited, Wellington West Capital Inc., Desjardins Securities Inc., IPC Securities Corporation, Laurentian Bank Securities Inc., and Research Capital Corporation (the “Agents”), as agents, conditionally offer the Units on a best efforts basis. The Units are issued, sold and delivered by the Partnership and accepted by the Agents in accordance with the conditions contained in the Partnership Agreement and the Agency Agreement referred to under “Plan of Distribution” and subject to prior sale and the approval of certain legal and tax matters on behalf of the Partnership and the General Partner by Macleod Dixon LLP and on behalf of the Agents by Blake, Cassels & Graydon LLP.

Subscriptions for Units will be allotted by the Agents and may be accepted or rejected by the General Partner on behalf of the Partnership, in whole or in part. The General Partner has the right to close the subscription books at any time without notice. Book-entry only certificates representing the Units will be issued in registered form to CDS Clearing and Depository Services Inc. (“CDS”) or its nominee and will be deposited with CDS on each Closing. Accordingly, a Subscriber will receive only a customer confirmation from the registered dealer which is a CDS participant (the “CDS Participant”) and through which the Units are purchased. The initial Closing is expected to take place on or about
 

- , 2008, but will not take place any later than 90 days following date of issue of a MRRS decision document for the final prospectus. See “Plan of Distribution”.

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## DEFINITIONS

**TERMS WHICH ARE NOT DEFINED THE FIRST TIME THEY ARE USED IN THIS PROSPECTUS HAVE THE FOLLOWING MEANINGS:**

**Affiliates**, as describing the relationship between two persons, means:

- (a) one of them is an affiliate of the other, as such term is defined in the *Securities Act* (Ontario);
- (b) one is a director or senior officer, as so defined, of the other or of an affiliate, as so defined, of the other; or
- (c) one does not deal at arm's length with the other for purposes of the Tax Act.

**arm's length** has the meaning ascribed thereto in the Tax Act, as now in effect.

**Book-entry Only System** means the system of recording CDS participants holding securities operated by or on behalf of CDS.

**business day** means a day on which the main branch of Royal Bank of Canada in Toronto, Ontario is open for business.

**CDE or Canadian Development Expense** means Canadian development expense as defined in subsection 66.2(5) of the Tax Act that may be renounced pursuant to the Tax Act.

**CDS** means CDS Clearing and Depository Services Inc., or its nominee.

**CEE or Canadian Exploration Expense** means Canadian exploration expense as defined in subsection 66.1(6) of the Tax Act that may be renounced pursuant to the Tax Act.

**Closing** means a closing of a sale of Units to Subscribers.

**CRA** means the Canada Revenue Agency.

**Eligible Expenditures** means expenditures in respect of resource exploration and development that may be renounced to the Partnership as CEE effective on or before December 31, 2008.

**Flow-Through Investment Agreements** means agreements between the Partnership and Resource Companies pursuant to which the Partnership will subscribe for Flow-Through Shares and the Resource Companies will agree to renounce Eligible Expenditures to the Partnership, as described under "Investment Details — Flow-Through Investment Agreements".

**Flow-Through Mining Expenditure** means "flow-through mining expenditure" as defined in subsection 127(9) of the Tax Act.

**Flow-Through Shares** means shares in the capital of Resource Companies which qualify as flow-through shares for purposes of the Tax Act and in respect of which the Resource Companies agree to renounce Eligible Expenditures to the Partnership (or flow-through special warrants entitling the Partnership to acquire, for no additional consideration, shares in the capital of Resource Companies, provided that such flow-through special warrants qualify as flow-through shares for purposes of the Tax Act).

**Gross Proceeds** means, at any time, the aggregate gross proceeds of this Offering.

**High Quality Money Market Instruments** means, money market instruments which are accorded the highest rating category by Canadian Bond Rating Service ("A-1") or by Dominion Bond Rating Service ("R-1"), banker's acceptances, and government guaranteed obligations all with a term of one year or less, and interest-bearing deposits with Canadian banks or trust companies.

**Illiquid Investments** means investments that may not be readily disposed of in a market place where such investments are normally purchased and sold and public quotations in common use in respect thereof are available. Examples of Illiquid Investments include limited partnership interests that are not listed and securities of a Private Company, but do not include Flow-Through Shares of publicly listed companies with resale restrictions which expire on or before December 31, 2009 or Flow-Through Shares or other securities of a special purpose Private Company or partnership formed to undertake a specific resource property exploration or

development program, the securities of which are convertible, commencing no later than two years plus one day following the date of acquisition of such securities by the Partnership, into shares of a Resource Company whose market capitalization is at least \$30,000,000 and which is not a Private Company.

**Income or Loss** of the Partnership for any fiscal year means the net income or net loss of the Partnership, including taxable capital gains or allowable capital losses arising on the sale of Flow-Through Shares and any extraordinary or unusual items determined in accordance with the Tax Act.

**Investment Canada Act** means the *Investment Canada Act* (Canada), as amended from time to time.

**Investment Management Agreement** means the agreement among the General Partner, Sentry Select Capital Corp. and Petro Assets Inc. dated as of ● , 2008, pursuant to which the Partnership has engaged Sentry Select Capital Corp. to select Resource Companies and manage the investment portfolio of the Partnership.

**ITC** means an “investment tax credit” as defined in subsection 127(9) of the Tax Act.

**Limited Partner** means, at any particular time, any person who is bound by the Partnership Agreement as a limited partner of the Partnership and is shown on the Record as a limited partner.

**Limited Partnerships Act** means the *Limited Partnerships Act* (Ontario), as amended from time to time.

**Liquid Market** means a market with a high degree of liquidity, often resulting from a large number of buyers and sellers and a significant public float.

**Liquidity Transaction** means an exchange transaction pursuant to which the assets of the Partnership would be transferred to Sentry Select Fund, or another mutual fund that is a reporting issuer, on a tax deferred basis in exchange for shares of Sentry Select Fund, or of such other mutual fund, following which such shares would be distributed to the Limited Partners *pro rata* on a tax deferred basis upon the dissolution of the Partnership.

**Loan Facility** means a loan facility with a Schedule I Canadian chartered bank to be used to finance certain expenses to be incurred by the Partnership as described under “Investment Details — Loan Facility”.

**MRRS** means the Mutual Reliance Review System established by the Canadian Securities Administrators.

**NCE Resources Group** means all companies, partnerships or other entities which the General Partner or any of its Affiliates or any of their respective directors or officers, directly or indirectly, control, including, without limitation, any limited partnership of which the general partner is controlled by any of the foregoing persons.

**Net Asset Value** means, with respect to the Partnership on any particular Valuation Date, unless otherwise required by law (including, without limitation, the requirements of National Instrument 81-106 — *Investment Fund Continuous Disclosure*, as amended from time to time), the difference between:

- (a) the market value on the Valuation Date of its assets, determined as follows:
  - (i) the value of any security which is listed for trading upon a stock exchange (whether or not the security is subject to resale restrictions) will be the closing sale price on such date or, if there is no closing sale price, the average of the closing bid price and closing asked price on such date, or if there is no closing bid or asked price, the average of the closing bid and closing asked price on the trading day immediately before such date, as reported by any report in common use or authorized by such stock exchange;
  - (ii) where the Partnership has executed a Flow-Through Investment Agreement but has not completed the acquisition of the Flow-Through Shares provided for thereunder, for the purposes of calculating the Net Asset Value, the Partnership shall be deemed to have acquired the securities of the Resource Company at the date the Partnership entered into the applicable Flow-Through Investment Agreement, and the value of the securities deemed to be so acquired, calculated as set forth herein, shall be included in calculating Net Asset Value and the amount required to be invested under such Flow-Through Investment Agreement (together with interest accruing thereon for the account of the Resource Company, if any) shall be deducted in calculating the Net Asset Value. In the event the purchase of such Flow-Through Shares is not completed as

contemplated by the Flow-Through Investment Agreement, the applicable subscription funds shall thereafter be included in calculating Net Asset Value;

- (iii) the value of any security which has ceased to be traded upon a stock exchange but is traded on an over-the-counter market (whether or not the security is subject to resale restrictions) will be priced at the average of closing bid and asked price on such date or if there is no closing bid or asked price on such date, the average of the closing bid and asked price on the trading day immediately before such date, as reported by the financial press or an independent reporting organization;
  - (iv) the value of any security or property or other assets (including any Illiquid Investments) to which, in the opinion of the General Partner, the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, no published market exists or for any other reason) shall be the fair market value thereof determined in good faith in such manner as the General Partner from time to time adopts;
  - (v) the value of assets quoted in foreign currencies will be converted to Canadian dollars at the exchange rate at noon on such date as set by the Bank of Canada; and
- (b) all liabilities on such date as determined by the General Partner (including contingent distributions) in accordance with normal business practices and Canadian generally accepted accounting principles.

**Net Asset Value per Unit** means the amount obtained by dividing the Net Asset Value of the Partnership as of a particular Valuation Date by the total number of Units outstanding on that date.

**Net earnings** for any fiscal period means Net Gain minus Net Loss.

**Net Gain** for any fiscal period means the aggregate of (i) the amount, if any, by which net proceeds of disposition to the Partnership of investments disposed of in that period exceeds the acquisition cost to the Partnership of such investments, and (ii) the income earned by the Partnership during such fiscal period, calculated in accordance with Canadian generally accepted accounting principles.

**Net Loss** for any fiscal period means the aggregate of (i) the amount, if any, by which the acquisition cost to the Partnership of investments disposed of in that period exceeds the net proceeds of disposition to the Partnership for such investments and (ii) all expenses of or relating to the Partnership during such fiscal period, calculated in accordance with Canadian generally accepted accounting principles.

**October 31, 2003 Proposals** has the meaning ascribed thereto under the heading “Canadian Federal Income Tax Considerations — October 31, 2003 Tax Proposals”.

**Ordinary Resolution** means a resolution passed by more than 50% of the votes cast in respect of such resolution at a duly constituted meeting of Limited Partners called for the purpose of considering such resolution, at which a quorum (consisting of two or more Limited Partners present in person or by proxy and representing not less than 1% of the Units then outstanding) is present or, alternatively, a written resolution signed in one or more counterparts by Limited Partners holding more than 50% of the Units outstanding and entitled to vote on such resolution at a meeting.

**Partners** means the General Partner and the Limited Partners.

**Partnership Agreement** means the amended and restated limited partnership agreement dated as of ●, 2008 governing the Partnership, made among the General Partner, John F. Driscoll, as the initial Limited Partner, and those persons admitted as Limited Partners, together with all amendments, supplements, restatements and replacements thereof from time to time.

**Private Company or Private Companies** means a company or companies which does not have any of its securities listed or quoted on a stock exchange.

**Proceeds Available For Investment** means, at any time, the Gross Proceeds, together with all interest earned thereon, less expenses and fees that are payable and are expected to be fully deductible in computing the Partnership’s income in accordance with the Tax Act for the fiscal period ending December 31, 2008, including administrative and operating expenses, interest costs and the Management Fee, but excluding the Agents’ commission and the expenses of issue.

**Resource Companies** means resource companies engaged in oil and gas exploration, development and/or production, mineral exploration, development and/or production or resource issuers involved in renewable energy exploration and development which qualify for Canadian renewable and conservation expenses, as defined in the Tax Act and which are “principal business corporations” as defined in subsection 66(15) of the Tax Act.

**Sentry Select Fund** means Sentry Select Corporate Class Ltd.

**Special Resolution** means a resolution passed by 66<sup>2</sup>/<sub>3</sub>% or more of the votes cast in respect of such resolution at a duly constituted meeting of the Limited Partners called for the purpose of considering such resolution, at which a quorum (consisting of two or more Limited Partners present in person or by proxy and representing not less than 20% of the Units then outstanding) is present or, alternatively, a written resolution signed in one or more counterparts by Limited Partners holding 66<sup>2</sup>/<sub>3</sub>% or more of the Units outstanding and entitled to vote on such resolution at a meeting.

**Subscriber** means a person who subscribes for Units.

**Subscription Price** means the amount of \$25 per Unit to be contributed by a Subscriber to the Partnership.

**Tax Act** means the *Income Tax Act* (Canada), as amended from time to time.

**Transfer Form and Power of Attorney** means a form of transfer and power of attorney substantially in the form attached to the Partnership Agreement as Schedule “A”.

**Unit** means a unit of Limited Partner’s interest in the Partnership as provided in the Partnership Agreement.

**Valuation Date** means each Thursday during the year (or, if a Thursday is not a business day, the business day following such Thursday), December 31 in each year and, for the purposes of calculating the management fee payable to the General Partner, the last business day of each calendar quarter except December, for which the valuation date is December 31.

**\$** means Canadian Dollars.

## HOW TO SUBSCRIBE FOR UNITS

### **An investor must purchase at least the Minimum Subscription of 200 Units**

Investors may purchase Units through their registered dealers who participate in the CDS book-entry only system. A Subscriber must purchase a whole number of Units at \$25 per Unit. The minimum subscription is 200 Units.

The subscription cheques and bank drafts representing the Subscription Price will be received by the Agents or such other registered dealers or brokers as are authorized by the Agents pending the initial Closing and any subsequent Closing.

The General Partner has the right to accept or reject any subscription and will promptly notify a Subscriber of any such rejection. All subscription proceeds of a rejected subscription will be returned to the Subscriber without interest. An investor that purchases Units will receive a customer confirmation from the registered dealer who is a CDS Participant and from or through whom the Units are purchased.

**THE ACCEPTANCE BY THE GENERAL PARTNER (ON BEHALF OF THE PARTNERSHIP) OF A SUBSCRIBER'S OFFER TO PURCHASE UNITS (MADE THROUGH A REGISTERED DEALER OR BROKER), WHETHER IN WHOLE OR IN PART, CONSTITUTES A SUBSCRIPTION AGREEMENT BETWEEN THE SUBSCRIBER AND THE PARTNERSHIP, UPON THE TERMS AND CONDITIONS SET OUT IN THIS PROSPECTUS AND THE PARTNERSHIP AGREEMENT.**

The foregoing subscription agreement shall be evidenced by delivery of the final prospectus to the Subscriber, provided that the subscription has been accepted, in whole or in part, by the General Partner on behalf of the Partnership, and pursuant to the subscription agreement, each Subscriber, among other things: (i) consents to the disclosure of certain information to, and the collection and use by, the General Partner and its service providers of all such information about such Subscriber that the General Partner or the service providers require in order to maintain the record of Limited Partners pursuant to applicable laws or for applicable tax purposes, including the name and address of such Subscriber or address for service and the social insurance number or corporation account number of such Subscriber, as the case may be, for the purpose of administering such Subscriber's subscription of Units; (ii) acknowledges that it is bound by the terms of the Partnership Agreement and is liable for all obligations of a Limited Partner; (iii) makes the representations, warranties, and covenants contained in the Partnership Agreement, including, without limitation, that the Subscriber, as an investor, is not a "non-resident" or, in the case of a partnership, a partnership other than a "Canadian partnership", in either case, for purposes of the Tax Act or a "non-Canadian" for purposes of the Investment Canada Act, that it will maintain such status during such time as the Units are held by it, and that the acquisition of the Units has not been financed with borrowing for which recourse is, or is deemed to be, limited for purposes of the Tax Act (see "Summary of the Partnership Agreement — Representations, Warranties and Covenants of the Limited Partners"); (iv) irrevocably nominates, constitutes, and appoints the General Partner as its true and lawful attorney with the full power and authority as set out in the Partnership Agreement (see "Summary of the Partnership Agreement — Power of Attorney"); (v) irrevocably authorizes the General Partner to transfer the assets of the Partnership to Sentry Select Fund and implement the dissolution of the Partnership in connection with the Liquidity Transaction; (vi) irrevocably authorizes the General Partner to file on its behalf all elections, determinations or designations under applicable income tax or other legislation in respect of the business of the Partnership, including the dissolution of the Partnership; and (vii) covenants and agrees that all documents executed and other actions taken on behalf of the Limited Partners pursuant to the power of attorney set out in the Partnership Agreement will be binding upon such Subscriber, and each Subscriber agrees to ratify any of such documents or actions upon request by the General Partner.

## SCHEDULE OF EVENTS

<u>Approximate Date</u>	<u>Event</u>
● , 2008 <sup>(1)</sup>	Initial Closing. Investors subscribe for Units and pay the Subscription Price (\$25 per Unit).
March, 2009	Limited Partners receive a 2008 CEE tax receipt for CEE equal to the Subscription Price and other relevant tax information.
By May 31, 2010	Intended implementation of the Liquidity Transaction.
December 31, 2010	The Partnership will be terminated (unless the Liquidity Transaction has been implemented) and the Limited Partners will receive their <i>pro rata</i> share of the net assets of the Partnership.

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Note:

- (1) Funds representing the Minimum Offering must be received and certain other conditions must be met not later than 90 days from the date that the MRRS decision document is issued for the final prospectus. If the Maximum Offering is not achieved when the initial Closing is completed, the unsold Units may continue to be offered for sale and one or more additional Closings may occur until ● , 2008. See “Plan of Distribution”. Investors who borrow to purchase their Units must consider prohibitions on limited-recourse borrowings. See “Canadian Federal Income Tax Considerations — Limitation on Deductibility of Expenses or Losses of the Partnership” and “Summary of the Partnership Agreement — Financing Acquisition of Units”.

## PROSPECTUS SUMMARY

*The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus.*

<b>Issuer:</b>	NCE Diversified Flow-Through (08) Limited Partnership, a limited partnership organized under the laws of the Province of Ontario.
<b>Securities Offered:</b>	Units
<b>Offering Size:</b>	Maximum \$200,000,000 (8,000,000 Units) Minimum \$25,000,000 (1,000,000 Units)
<b>Price:</b>	\$25 per Unit.
<b>Minimum Subscription:</b>	\$5,000 (200 Units)
<b>Payment of Subscription Price:</b>	The subscription price for Units is payable in full on closing.
<b>Partnership:</b>	<p>The Partnership will invest in Flow-Through Shares of resource issuers engaged in oil and gas exploration, development and/or production or mineral exploration, development and/or production or, to a lesser extent and subject to certain limitations, resource issuers involved in renewable energy exploration and development which qualify for Canadian renewable and conservation expenses, as defined in the Tax Act. The Partnership will invest in Flow-Through Shares of Resource Companies with the intention of achieving capital appreciation detailed in the investment strategies outlined in this prospectus and maximizing the tax benefits received by investors.</p>
<b>Investment Strategy:</b>	<p>The Partnership Agreement states that to achieve capital appreciation for Limited Partners, the investment strategy of the Partnership is to acquire Flow-Through Shares issued by Resource Companies that (i) have experienced management, (ii) have an exploration program and/or operational facility (in the case of renewable energy investments) in operation, (iii) offer potential for future growth, and (iv) meet certain specified enterprise value and other criteria. As part of the Partnership's investment strategy, the Partnership may, from time to time, dispose of Flow-Through Shares and other investments and reinvest the net proceeds from such dispositions (after consideration being given to applicable distributions to Limited Partners) in securities of Resource Companies, including Resource Companies in the oil and gas, mining and renewable energy industries and, subject to certain limitations, related resource business issuers, such as pipeline or service companies and utilities. All investments will be made in accordance with the Partnership's investment policies and restrictions contained in the Partnership Agreement (the "Investment Guidelines") and described herein. The Partnership Agreement contains certain investment criteria and restrictions. See "Investment Details" and "The Partnership and The General Partner".</p> <p>The Partnership will endeavour to invest all Proceeds Available For Investment in Flow-Through Shares by December 31, 2008. Subject to certain limitations, Limited Partners with sufficient income may claim certain deductions from income for income tax purposes. See "Illustration of Possible Tax Deductions" for a description of income tax deductions and savings which may be possible.</p>
<b>Uncommitted Funds:</b>	Any Proceeds Available For Investment that have not been committed by the Partnership to purchase Flow-Through Shares on or before December 31, 2008 will be used to repay the Loan Facility in full and the balance, if any, distributed on or

prior to January 15, 2009 on a *pro rata* basis to Limited Partners of record on December 31, 2008. See “Use of Proceeds”.

**Liquidity Transaction:**

To provide potential for liquidity and long-term growth of capital, the General Partner intends to implement the Liquidity Transaction at a date no later than May 31, 2010, pursuant to which the assets of the Partnership would be transferred to Sentry Select Fund, or another mutual fund that is a reporting issuer, on a tax deferred basis, in exchange for mutual fund shares of Sentry Select Fund (“Fund Shares”), or of such other mutual fund, following which such shares will be distributed to the Limited Partners *pro rata* on a tax deferred basis upon the dissolution of the Partnership. Sentry Select Fund is an open-end mutual fund corporation managed by Sentry Select Capital Corp. Sentry Select Fund currently offers six classes of mutual fund shares: Sentry Select Canadian Resource Class (the “Canadian Resource Class”), Sentry Select Balanced Class, Sentry Select Canadian Energy Growth Class, Sentry Select Canadian Income Class, Sentry Select Money Market Class and Sentry Select Mining Opportunities Class. Each class of mutual fund shares constitutes a separate mutual fund (each a “Sentry Select Mutual Fund”). In accordance with the multi class structure implemented by Sentry Select Fund, holders of Fund Shares are entitled to switch between Sentry Select Mutual Funds without triggering immediate tax consequences. If the Partnership completes a Liquidity Transaction with Sentry Select Fund, the Partnership will receive shares of Canadian Resource Class. Sentry Select Fund is a reporting issuer in all provinces and territories of Canada. Pursuant to the Liquidity Transaction, the assets of the Partnership will be transferred to a mutual fund that is a reporting issuer.

Implementation of the Liquidity Transaction will be subject to the mutual agreement of the General Partner and Sentry Select Fund and to obtaining any necessary regulatory approvals, as well as compliance with all applicable laws (which may require Limited Partner approval of the Liquidity Transaction). There can be no assurance that such transaction will receive the necessary regulatory approvals or be implemented as Sentry Select Fund is under no obligation to complete such transaction. The Liquidity Transaction will not be implemented if the General Partner determines that it would prospectively or retrospectively affect the status of the Flow-Through Shares as flow-through shares for income tax purposes. The Partnership Agreement states that the Liquidity Transaction must be implemented by May 31, 2010, failing which the Partnership will be terminated by December 31, 2010 and the Limited Partners will receive their *pro rata* share of the net assets of the Partnership. At that time, the Partnership will primarily own shares of Resource Companies and cash. See “Investment Details — Liquidity Transaction”, “Summary of the Partnership Agreement — Dissolution” and “Risk Factors”.

**The General Partner and NCE Resources Group:**

The General Partner is a corporation formed under the laws of the Province of Ontario. The General Partner is a member of the NCE Resources Group, which is an oil and gas investment management organization specializing in energy investments and providing a full range of technical, operational, administrative and investor services. Since 1984, the NCE Resources Group has invested or managed the investment of more than \$3.9 billion in the acquisition, development and exploration of resource properties and securities of resource issuers, and has entered into drilling, joint venture and other similar arrangements with oil and gas industry participants.

**Investment Advisor:** The General Partner has retained Sentry Select Capital Corp. to provide advice on and manage the investment portfolio of the Partnership. See “The Partnership and the General Partner — Sentry Select Capital Corp.”.

**Use of Proceeds:** **THIS IS A BLIND POOL OFFERING.** The Partnership intends to use the Gross Proceeds from the sale of Units as follows:

	<u>Maximum Offering</u>	<u>Minimum Offering</u>
Gross Proceeds to Partnership . . . . .	\$200,000,000	\$25,000,000
Partnership expenses payable in 2008 . . . . .	\$Nil	\$Nil
Proceeds Available for Investment . . . . .	<u>\$200,000,000</u>	<u>\$25,000,000</u>

The Agents’ commissions (amounting to \$13,500,000 in the case of the Maximum Offering and \$1,687,500 in the case of the Minimum Offering) and expenses of issue (estimated to be \$900,000 in the case of the Maximum Offering and \$312,500 in the case of the Minimum Offering) will be paid from the proceeds of the Loan Facility. See “Investment Details — Loan Facility”.

The Partnership will use the Proceeds Available for Investment to (i) subscribe for Flow-Through Shares of Resource Companies according to the investment criteria and restrictions set out under “Investment Details—Investment Objectives, Criteria and Restrictions” and (ii) fund the ongoing fees and expenses of the Partnership. See “Use of Proceeds” and “Risk Factors”.

**Loan Facility:** To maximize the Gross Proceeds available for the purchase of Flow-Through Shares, prior to the initial Closing of this Offering, the Partnership will enter into the Loan Facility with a Schedule I Canadian chartered bank (the “Lender”). The Loan Facility will permit the Partnership to borrow an amount not exceeding 10% of the Gross Proceeds, which will be used to finance expenses incurred by the Partnership under this Offering (such as Agents’ commissions and expenses of issue) and to provide working capital for the Partnership. The interest rates, fees and expenses under the Loan Facility will be typical of credit facilities of this nature and the Partnership will provide a security interest in all of the assets held by or on behalf of the Partnership in favour of the Lender to secure such borrowings. Prior to the earlier of: (i) the completion of the Liquidity Transaction, (ii) the dissolution of the Partnership, and (iii) the maturity date of the Loan Facility (expected to be on or about May 31, 2010), all amounts outstanding under the Loan Facility, including all interest accrued thereon, will be repaid in full. See “Investment Details — Loan Facility”.

**Cash Distributions:** The General Partner or Sentry Select Capital Corp., on behalf of the Partnership, may sell Flow-Through Shares (subject to applicable hold periods) on behalf of the Partnership at any time if the General Partner or Sentry Select Capital Corp. determines that it is in the best interests of the Partnership to do so. Subject to the Loan Facility, the General Partner will decide if any distributions of Net earnings will be made. Such distributions may not be sufficient to satisfy a Limited Partner’s tax liability for the year arising from such status as a Limited Partner.

**Allocations:** 99.99% of the Income will be allocated to the Limited Partners of record on December 31 of each fiscal year and 0.01% to the General Partner. 100% of the losses will be allocated to the Limited Partners of record on December 31 of each fiscal year. All the amounts renounced to the Partnership will be allocated *pro rata* to the Limited Partners of record on December 31, 2008. The Partnership will make all filings in respect of such allocations as are required by the Tax Act. On

dissolution of the Partnership, after settling any credit balances in the capital accounts of any of the Limited Partners, and satisfying all liabilities of the Partnership including, without limitation, repayment of the Loan Facility, Limited Partners will receive 99.99% of the assets of the Partnership and the General Partner will receive 0.01% of such assets. See “Summary of the Partnership Agreement”.

**Administrative and Operating Expenses:**

The Partnership will pay the costs of this Offering and all of its administrative and operating expenses and the ongoing management fee payable to the General Partner. The General Partner is responsible for its own overhead costs and amounts payable to Sentry Select Capital Corp. in respect of administrative and other services provided to the Partnership on behalf of the General Partner. See “The Partnership and The General Partner”.

**Federal Income Tax Considerations:**

Generally, a taxpayer (other than a “principal business corporation”) who is a Limited Partner at the end of a fiscal year may, in computing income for the taxation year in which the fiscal year ends, subject to the “at-risk” and limited recourse financing rules, deduct an amount equal to 100% of Eligible Expenditures renounced to the Partnership and allocated to the taxpayer by the Partnership in respect of the fiscal year.

Based on certain proposed amendments to the Tax Act, a Limited Partner who is an individual other than a trust may be entitled to claim an ITC of 15% of such Limited Partner’s share of Flow-Through Mining Expenditures. The individual taxpayer’s cumulative CEE at any time in a taxation year is reduced by the amount of the ITC claimed for a preceding year. If a taxpayer’s cumulative CEE at the end of a taxation year is negative, the negative balance must be included in income and the cumulative CEE is reset to nil.

Income, including capital gains, realized by the Partnership will be allocated to Limited Partners of record on December 31 of each fiscal year. The adjusted cost base of the Flow-Through Shares held by the Partnership will generally be deemed to be nil, and as a result, any capital gain realized by the Partnership and allocated to the Limited Partners on a sale of Flow-Through Shares will generally be equal to the proceeds of disposition, less reasonable costs of disposition.

A disposition of Units by Limited Partners may trigger capital gains (or capital losses). One-half of realized capital gains will be included in a Limited Partner’s income for the year of disposition, and one-half of any capital loss may be deducted against taxable capital gains in accordance with the provisions of the Tax Act. In the event that the Liquidity Transaction is not implemented and the Partnership is dissolved, it is anticipated that, following the dissolution of the Partnership, each Limited Partner will acquire a *pro-rata* share of the assets held by the Partnership at that time on a tax-deferred basis, provided that certain requirements in the Tax Act are satisfied.

If the Partnership transfers its assets to Sentry Select Fund, or another mutual fund that is a reporting issuer, pursuant to the Liquidity Transaction, provided the appropriate elections are made and filed in a timely manner, no taxable capital gains will be realized by the Partnership from the transfer. Sentry Select Fund, or such other mutual fund, will acquire each asset of the Partnership at a cost equal to the lesser of the cost amount thereof to the Partnership and the fair market value of the asset on the transfer date. Provided that the dissolution of the Partnership takes place within 60 days of the transfer of assets to Sentry Select Fund, or another mutual fund that is a reporting issuer, the shares of Canadian Resource Class or of

such other mutual fund will be distributed to the Limited Partners with a cost for tax purposes equal to the cost of the Units held by such Limited Partner. As a result, a Limited Partner will not be subject to tax in respect of such transaction.

See “Canadian Federal Income Tax Considerations”, “Illustration of Possible Tax Deductions” and “Risk Factors”.

**Prior to investing, an investor should be satisfied as to the federal and provincial tax consequences of this investment by obtaining advice from the investor’s advisor. An investor who borrows to finance the acquisition of Units should consult a tax advisor as to the consequences of such borrowing.**

**Compensation and Other Payments Payable in Respect of the Management of the Partnership:**

The following table describes the compensation and other payments payable in connection with the sale of Units and the management of the Partnership. Such compensation and other payments were established by negotiation between the General Partner and the Agents.

<u>Recipient:</u>	<u>Nature of Compensation or Payment</u>	<u>Nature of Services Rendered</u>
<b>General Partner:</b>	<p><i>Management Fee</i> — ¼ of 2.0% of the Net Asset Value of the Partnership, calculated and paid quarterly, commencing on the date of the initial Closing (the “Management Fee”)<sup>(1)</sup></p> <p>– 0.01% interest in the Partnership</p>	Managing the business of the Partnership
<p>Note:</p> <p>(1) The General Partner is responsible for all fees paid to and amounts reimbursed to Sentry Select Capital Corp.</p>		
<b>Sentry Select Capital Corp.:</b>	<p>– No compensation is paid by the Partnership. 12.5% of the Management Fee paid to the General Partner is calculated and paid quarterly by the General Partner.</p> <p>– Reimbursement for certain office facilities, equipment and staff. These reimbursements are paid by the General Partner and not reimbursed by the Partnership.</p>	<p>– Providing advice on and managing the investment portfolio of the Partnership.</p> <p>– Providing administrative and other services to the Partnership on behalf of the General Partner.</p>
<b>Agents:</b>	<p>– <i>Agents’ Commission</i> — \$1.6875 per Unit payable on Closing.</p> <p>– <i>Incentives</i> — The Agents will receive from the General Partner an assignment of a 20% interest in the Management Fee payable to the General Partner.</p>	– Obtaining offers to purchase Units on behalf of the Partnership.

This interest will be assigned by the Agents to their sub-agents on a *pro rata* basis in accordance with sales made by such sub-agents.

See “The Partnership and the General Partner — Initial Fees and Expenses” and “The Partnership and The General Partner — Management Fee”.

Sentry Select Capital Corp. is controlled by the Promoter, which controls the General Partner.

**Risk Factors:**

**THIS IS A SPECULATIVE OFFERING. THIS IS A BLIND POOL OFFERING.** There is currently no market through which the Units of the Partnership may be sold and none is expected to develop and purchasers may not be able to resell Units purchased under the prospectus.

The purchase of Units of the Partnership involves a number of significant risk factors. Investors should consider the following risk factors and the additional risk factors outlined under “Risk Factors” and all other information contained in this prospectus before making an investment decision:

- (a) Limited Partners must rely on the discretion and judgment of the General Partner and Sentry Select Capital Corp. for the management of the Partnership’s portfolio, the Partnership and the General Partner have no operating or investment history and the General Partner is expected to have only nominal assets;
- (b) there is no assurance of positive return on investment and investment in Units should be considered only by those who can afford to lose their investment;
- (c) the purchase price per Unit paid by an investor may be less than or greater than the Net Asset Value per Unit at the time of purchase;
- (d) the General Partner and Sentry Select Capital Corp. may not be able to identify a sufficient number of Resource Companies willing to issue Flow-Through Shares to permit the Partnership to commit all Proceeds Available For Investment to purchase Flow-Through Shares by December 31, 2008 and, therefore, capital may be returned to Limited Partners and Limited Partners may be unable to claim anticipated deductions from income for income tax purposes;
- (e) the possibility exists that Resource Companies will not renounce Eligible Expenditures equal to the subscription price paid to them;
- (f) the Partnership will invest in securities of Resource Companies which may result in the value of the portfolio being more volatile than the value of portfolios with a more diversified investment focus and may result in volatility based upon the underlying market for commodities produced by those sectors of the economy;
- (g) the Flow-Through Shares are normally issued to the Partnership at prices greater than the market prices of comparable common shares not qualifying as Flow-Through Shares;
- (h) Resource Companies may not hold or discover commercial quantities of oil, natural gas or minerals, and their profitability may be affected by adverse fluctuations in commodity prices, liability for environmental damage, competition and government regulation;
- (i) in some cases the resale of securities owned by the Partnership may be affected by such factors as investor demand, resale restrictions, general market trends or regulatory restrictions;
- (j) in the case of Illiquid Investments, such securities may be subject to indefinite resale restrictions;

- (k) a Liquid Market may not exist for Flow-Through Shares due to fluctuations in trading volumes and prices and, if the General Partner and Sentry Select Capital Corp. are unable to dispose of all investments prior to the termination of the Partnership, Limited Partners may receive shares of Resource Companies upon the termination of the Partnership, for which there may be an illiquid market or which may be subject to resale restrictions;
- (l) income tax laws in the various jurisdictions of Canada may be changed in a manner which will fundamentally alter the tax consequences to Limited Partners of holding or disposing of Units, including the ability to claim deductions for all expenditures by the Partnership;
- (m) the possibility exists that Limited Partners will receive allocations of income and/or capital gains without receiving cash distributions from the Partnership in that year sufficient to satisfy a Limited Partner's tax liability for the year arising from his, her or its status as a Limited Partner;
- (n) the October 31, 2003 Proposals limiting the claim for losses resulting from the deduction of interest and other expenses in certain circumstances are only draft proposals and may undergo significant revisions prior to being enacted; there is no provision for any carry forward of a loss that cannot be claimed as a result of the application of the October 31, 2003 Proposals. On February 25, 2005, the Minister of Finance (Canada) announced that alternative proposals to replace the October 31, 2003 Proposals would be released for comment at an early opportunity. No such alternative proposals have been released to date. There can be no assurance that such alternative proposals will not adversely affect Limited Partners;
- (o) proposed amendments to the Tax Act may not be enacted;
- (p) the board of directors of the General Partner and Sentry Select Capital Corp., and, management of the General Partner and Sentry Select Capital Corp., may be changed at any time;
- (q) affiliates of the General Partner and Sentry Select Capital Corp. may engage in the promotion, management or investment management of other funds or partnerships or other vehicles, including entities which invest primarily in flow-through shares;
- (r) the Liquidity Transaction may not be implemented by the General Partner and Sentry Select Fund or another mutual fund that is a reporting issuer, as Sentry Select Fund or such other mutual fund is under no obligation to complete such transaction, or may not be approved by the regulators. In completing the Liquidity Transaction, the Partnership will face certain conflicts of interest. An alternative transaction (including the dissolution of the Partnership) may not be available on a tax deferred basis or a Limited Partner's investment may be less liquid. (see "Investment Details — Liquidity Transaction" and "Risk Factors — Liquidity Transaction and Conflicts of Interest"). Investors should consult their own professional advisors to assess the income tax, legal and other aspects of the investment;
- (s) if the Partnership completes a Liquidity Transaction with Sentry Select Fund, the Limited Partners will receive shares of Canadian Resource Class upon the dissolution of the Partnership. These shares of Canadian Resource Class will be subject to various risk factors applicable to shares of mutual fund corporations, including fluctuation of the net asset value of Canadian Resource Class and

risks associated with investments in oil and gas, mineral and other natural resources corporations (see “Investment Details — Liquidity Transaction”);

- (t) Limited Partners may lose limited liability under certain circumstances and the General Partner may not be able to satisfy its obligation to indemnify the Limited Partners in the event of a loss of limited liability (see “Summary of the Partnership Agreement — Limited Liability of Limited Partners”);
- (u) the interest expenses and banking fees incurred in respect of the Loan Facility may exceed the incremental capital gains and tax benefits generated by the incremental investment in Flow-Through Shares. There can be no assurance that the borrowing strategy employed by the Partnership will enhance returns; and
- (v) this prospectus contains forward-looking statements that involve risk and uncertainties. These forward-looking statements relate to, among other things, investment strategy and intentions contained in this Prospectus that are not historical fact. When used in this Prospectus, the words “expects”, “anticipates”, “intends”, “may” and similar expressions generally identify forward- looking statements. These statements reflect the Partnership’s current expectations. They are subject to a number of risks and uncertainties, including, but not limited to, changes in the global economy, in general economic and business conditions, existing governmental regulations and other market factors specific to the resource sector and to the securities of Resource Companies.

See “Risk Factors”.

## ILLUSTRATION OF POSSIBLE TAX DEDUCTIONS

At the end of each calendar year Limited Partners may benefit from deductions for income tax purposes resulting from the expenditure of Proceeds Available For Investment.

Possible tax deductions are illustrated in the following table and are based on the notes and assumptions set forth below, for a Limited Partner who is an individual (other than a trust) who has invested \$5,000 and who continues to hold such Units. These illustrations are examples only. Actual tax deductions may vary significantly and the timing of such deductions may vary from that shown in the table.

The following calculations and assumptions do not constitute and shall not be construed as a forecast, projection, estimate of possible results, contractual undertaking or guarantee. An investment in Units is appropriate only if the investor has the capacity to absorb a loss of the investor's investment. If an investor is not willing to rely on the discretion and judgment of the General Partner, which has no operating or investment history and is expected to have only nominal assets, or Sentry Select Capital Corp., the investor should not subscribe for Units. The anticipated tax benefits resulting from an investment in the Partnership are greatest for an investor whose income is subject to the highest marginal income tax rate. Regardless of any tax benefits that may be obtained, a decision to purchase Units should be based primarily on an appraisal of the merits of the investment and on an investor's ability to bear a loss of his, her or its investment. Investors acquiring Units with a view to obtaining tax advantages should obtain independent tax advice from a tax advisor who is knowledgeable in the area of income tax law.

Only those Subscribers who are Limited Partners at the end of the fiscal year of the Partnership will qualify for income tax deductions available in respect of a particular year. It is assumed that the Limited Partner will hold the Units throughout all periods. Subscribers should be aware that these calculations are based on assumptions by the General Partner which may not be complete or accurate in all respects. The following tables were prepared by the General Partner and are not based on an independent opinion rendered by an accountant or lawyer.

Based on certain proposed amendments to the Tax Act, a taxpayer who is an individual (other than a trust) and Limited Partner at the end of a fiscal year of the Partnership may be entitled to claim an ITC of 15% of the Limited Partner's share of the Partnership's Flow-Through Mining Expenditures in computing such taxpayer's federal tax payable for the taxation year in which the fiscal year of the Partnership ends. The Partnership's Flow-Through Mining Expenditures will generally be CEE related to certain surface "grass roots" mining exploration expenses incurred in Canada and renounced in favour of the Partnership.

The 15% ITC reduces federal tax otherwise payable by the individual. Certain Canadian provinces have investment tax credits which generally parallel the federal ITCs for Flow-Through Mining Expenditures renounced to taxpayers residing in the province in respect of exploration occurring in that province. Limited Partners resident in a province that provides such an investment tax credit may claim the credit in combination with the federal ITC. However, the use of a provincial investment tax credit will generally reduce the amount of expenses eligible for the federal ITC.

An individual (other than a trust) who is a Limited Partner at the end of a fiscal year of the Partnership and a resident in the Province of Ontario, may apply for a 5% focused flow-through share tax credit in respect of the Limited Partner's share of the Partnership's "eligible Ontario exploration expenditures" for the year. Eligible Ontario exploration expenditures are generally flow-through mining expenditures that would qualify for the federal ITC and are incurred in the Province of Ontario by a Resource Company with a permanent establishment in the Province of Ontario. The Limited Partner must be resident in the Province of Ontario on the last day of the taxation year, and be subject to Ontario income tax throughout the taxation year, in respect of which the credit is claimed to be eligible for the Ontario tax credit.

The Provinces of British Columbia, Saskatchewan and Manitoba historically have provided certain enhanced credits for flow-through mining expenditures which generally rely on the federal definition of flow-through mining expenditures.

The Province of Québec allows for a special tax deduction of up to 150% of certain eligible exploration expenses incurred by a qualifying entity for exploration carried out in the Province of Québec. In addition to a

base deduction of 100% for CEE, an individual (including a personal trust) that is resident or subject to tax in the Province of Québec, and is a Limited Partner at the end of a fiscal year of the Partnership may be entitled to an additional deduction of 25% in respect of certain exploration expenses incurred in the Province of Québec by a qualified corporation. Such a Limited Partner may also be entitled to a supplementary deduction of 25% in respect of certain surface mining exploration expenses incurred in the Province of Québec by a qualified corporation. Accordingly, an individual (including a personal trust) that is resident or subject to tax in the Province of Québec, and is a Limited Partner at the end of a fiscal year of the Partnership may be entitled to deduct up to 150% of certain eligible exploration expenses incurred in the Province of Québec by a qualified corporation and renounced by it in favour of the Partnership.

The *Taxation Act* (Québec) provides that where an individual taxpayer (including a personal trust) incurs in a given taxation year “investment expenses” to earn “investment income” in excess of the investment income earned for that year, such excess shall be included in the taxpayer’s income, resulting in an offset of the deduction equal to the amount of such excess. For these purposes, investment expenses include certain deductible interest and losses of an individual (including a personal trust) that is resident or subject to tax in Québec and is a Limited Partner at the end of a fiscal year of the Partnership and 50% of CEE renounced to, allocated to and deducted for Québec tax purposes by such Limited Partner, other than certain CEE incurred in Québec, and investment income includes taxable capital gains not eligible for the capital gains exemption. Such 50% of CEE (other than CEE incurred in Québec) renounced to, allocated to and deducted for Québec tax purposes by such Limited Partner will be included in such Limited Partner’s income for Québec tax purposes only if such Limited Partner has insufficient investment income. Investment expenses which have been included in the taxpayer’s income in a given taxation year may be deducted against net investment income earned in any of the three previous taxation years and any subsequent taxation year.

**MAXIMUM OFFERING**

<b>Year</b>	<b>CEE Deductions</b>	<b>Total Deductions<sup>(3)(6)(7)(8)(9)(10)</sup></b>	<b>Tax Credit<sup>(1)</sup></b>	<b>Capital Gains<sup>(4)(5)</sup></b>
2008 <sup>(2)</sup> .....	\$5,000	\$5,000	\$ —	\$—
2009 and beyond .....	\$ —	\$ —	\$ —	\$579
	<u>\$5,000</u>	<u>\$5,000</u>	<u>\$ —</u>	<u>\$579</u>

**MINIMUM OFFERING**

<b>Year</b>	<b>CEE Deductions</b>	<b>Total Deductions<sup>(3)(6)(7)(8)(9)(10)</sup></b>	<b>Tax Credit<sup>(1)</sup></b>	<b>Capital Gains<sup>(4)(5)</sup></b>
2008 <sup>(2)</sup> .....	\$5,000	\$5,000	\$ —	\$—
2009 and beyond .....	\$ —	\$ —	\$ —	\$647
	<u>\$5,000</u>	<u>\$5,000</u>	<u>\$ —</u>	<u>\$647</u>

The following assumptions form an integral part of the calculations in the above illustration of possible tax deductions:

Notes:

- (1) It is assumed that none of the expenditures will be Flow-Through Mining Expenditures that qualify for an ITC.
- (2) It is assumed \$200,000,000 in the case of the Maximum Offering (\$25,000,000 in the case of the Minimum Offering) is expended on Eligible Expenditures by Resource Companies which are renounced to the Partnership with an effective date in 2008. See “Use of Proceeds” and “Risk Factors”.
- (3) Subject to Footnote 10 below, to the extent the Partnership borrows to pay the Agents’ commissions, expenses of issue, Management Fee and other administrative and operating expenses, the unpaid principal amount will be deemed to be a limited recourse amount of the Partnership and such costs will generally not be deductible until the borrowed amount is repaid. It is assumed that the Partnership

will borrow to pay the Agents' commission and expenses of issue and that the Partnership will realize sufficient capital gains to permit it to repay all amounts borrowed by the Partnership prior to dissolution.

- (4) The capital gains result from the sale of assets of the Partnership in order to repay money borrowed to pay the Agents' commissions and expenses of issue, as well as the Management Fee and certain administrative and operating expenses.
- (5) It is assumed that the Flow-Through Shares held by the Partnership are sold by the Partnership at their original issue price. If Flow-Through Shares are purchased at a premium to the market price, the market price must appreciate in order for the Partnership to sell the shares at their original issue price.
- (6) No allocations of Income or Loss have been taken into account.
- (7) Assumes no portion of the Subscription Price will be financed with limited recourse financing. See "Canadian Federal Income Tax Considerations" and "Summary of the Partnership Agreement — Financing Acquisition of Units".
- (8) Assumes that Limited Partners are not liable for alternative minimum tax. See "Canadian Federal Income Tax Considerations — Alternative Minimum Tax on Individuals".
- (9) A Limited Partner may not claim tax deductions in excess of such Limited Partner's "at-risk" amount. See "Canadian Federal Income Tax Considerations".
- (10) The calculations are prepared on the assumption that the October 31, 2003 Proposals will apply to deny the deduction of any expenses by the Partnership or a Limited Partner in respect of the Flow-Through Shares or Units, respectively. See "Canadian Federal Income Tax Considerations — October 31, 2003 Tax Proposals".
- (11) It is assumed that for Quebec provincial tax purposes only, a Limited Partner who is an individual (including a trust) resident, or subject to tax, in Quebec has investment income that exceeds his, her or its investment expenses for a given year. For these purposes, investment expenses include certain interest, losses of a Limited Partner and 50% of CEE incurred outside Quebec. CEE not deducted in a particular year may be carried over and applied against net investment income earned in any of the three previous taxation years or any subsequent taxation year. See "Risk Factors — Tax Related".

The actual annual tax deductions available to a Limited Partner may vary significantly from those set out above and may be affected by the following factors: the failure of the Partnership to fully invest the Proceeds Available For Investment; amounts renounced by the Resource Companies to the Partnership failing to qualify as CEE, a reduction in CEE which may be renounced to the Limited Partners due to limited recourse borrowings by Limited Partners; or changes in applicable income tax legislation.

The Partnership Agreement states that the Partnership will endeavour to invest all Proceeds Available For Investment in Flow-Through Shares of Resource Companies on or before December 31, 2008. The Partnership Agreement provides that the Partnership will not enter into any Flow-Through Investment Agreement which contemplates that Eligible Expenditures will be renounced with an effective date later than December 31, 2008.

There is no assurance that all Proceeds Available For Investment will be committed to purchase Flow-Through Shares on or before December 31, 2008 or that amounts renounced by Resource Companies to the Partnership will qualify as CEE. Either of these occurrences will reduce the amount of tax deductions to which Limited Partners may be entitled. As well, in the event that Limited Partners acquire Units using limited recourse borrowing for tax purposes, the amount of Eligible Expenditures and/or Losses allocated to the Limited Partners will be reduced. Finally, the alternative minimum tax could limit tax benefits available to Limited Partners.

See also "Canadian Federal Income Tax Considerations" and "Risk Factors".

## **INVESTMENT DETAILS**

### **Investment Objectives, Criteria and Restrictions**

The Partnership Agreement provides that the Partnership will invest in Flow-Through Shares of Resource Companies engaged in oil and gas exploration, development and/or production or mineral exploration, development and/or production or, to a lesser extent and subject to certain limitations, resource issuers involved in renewable energy exploration and development which qualify for Canadian renewable and conservation expenses, as defined in the Tax Act. The objective of the Partnership is to achieve capital appreciation and maximize tax benefits for Limited Partners according to the investment strategies outlined herein. The Partnership Agreement also provides that the Partnership may invest in flow-through special warrants, which entitle the Partnership to acquire, for no additional consideration, shares in the capital of Resource Companies,

provided that such flow-through special warrants qualify as flow-through shares for purposes of the Tax Act. The Partnership will invest a minimum of 80% of the Proceeds Available for Investment in Resource Companies whose shares are listed on a Canadian stock exchange. The Partnership may also invest up to 20% of the Proceeds Available for Investment in Illiquid Investments, including securities of Private Companies.

The Partnership will endeavour to invest all Proceeds Available For Investment in Flow-Through Shares of Resource Companies by December 31, 2008. It will use any uninvested amounts to repay the Loan Facility in full and the balance, if any, will be returned to Limited Partners. Subject to certain limitations, Limited Partners with sufficient income may claim certain deductions from income for income tax purposes. See “Canadian Federal Income Tax Considerations”.

The Partnership will invest in Flow-Through Shares of Resource Companies with a view to acquiring a diversified investment portfolio; however, there is no intention to maintain any specific portfolio mix.

The Partnership’s investment strategy is to acquire Flow-Through Shares issued by Resource Companies that (i) have experienced management, (ii) have an exploration program and/or operational facility (in the case of renewable energy investments) in operation, (iii) offer potential for future growth, and (iv) meet certain enterprise value and other criteria. The Partnership may, from time to time, dispose of Flow-Through Shares and other investments and reinvest the net proceeds from such dispositions in securities of Resource Companies, including Resource Companies in the oil and gas, mining and renewable energy industries and related resource business issuers, such as pipeline or service companies and utilities. All investments will be made in accordance with the Partnership’s investment policies and restrictions contained in the Partnership Agreement (the “Investment Guidelines”) and described herein.

The Partnership Agreement provides that the activities of the Partnership are to be conducted in accordance with the following investment criteria and restrictions:

- (a) **Resource Companies.** The Partnership will invest in Flow-Through Shares of Resource Companies engaged in oil and gas exploration, development and/or production or mineral exploration, development and/or production or resource issuers involved in renewable energy exploration and development which qualify for Canadian renewable and conservation expenses, as defined in the Tax Act, subject to the limitations set out below.
- (b) **Exchange Listing.** The Partnership will invest a minimum of 80% of the Proceeds Available for Investment in securities of Resource Companies which are listed on a Canadian stock exchange. A minimum of 25% of the Proceeds Available for Investment will be invested in Flow-Through Shares of Resource Companies which have common shares listed on the Toronto Stock Exchange.
- (c) **Limit on Illiquid Investments.** The Partnership will not invest more than 20% of the Proceeds Available for Investment in Illiquid Investments.
- (d) **Limitation on Renewable Energy Issuers.** The Partnership will not invest in Flow-Through Shares of Resource Companies that are principally engaged in renewable energy exploration and development and which qualify for Canadian renewable and conservation expenses, as defined in the Tax Act, if immediately following such investment, more than 10% of the Proceeds Available for Investment would have been invested in Flow-Through Shares of such renewable energy resource issuers.
- (e) **Enterprise Value.** The Partnership will invest a minimum of 50% of the Proceeds Available for Investment in Flow-Through Shares of Resource Companies which have an enterprise value (being the market value per share of the Resource Company multiplied by the number of shares outstanding after giving effect to the number of shares purchased by the Partnership and all third party indebtedness owing by the Resource Company) in excess of \$50 million (calculated at the date of execution of the applicable Flow-Through Investment Agreement).
- (f) **Diversification.** The Partnership will not invest more than 20% of the Proceeds Available for Investment in the securities of any one issuer.

- (g) **Control Positions.** No investment will be made by the Partnership in any issuer if, immediately following such investment, the Partnership would own 10% or more of a class of voting securities of such issuer.
- (h) **Conflict of Interest.** The Partnership will not invest in securities of issuers which are members of the NCE Resources Group or in any issuer that is not at arm's length (as such term is defined in the Tax Act) to the Partnership, NCE Resources Group, Sentry Select Capital Corp. or Sentry Select Fund.
- (i) **Borrowing Money.** The Partnership may borrow money for the purpose of funding expenses of the Partnership and, with respect to such borrowings, may mortgage, pledge and hypothecate any of its securities and other assets, provided that the total principal amount of such borrowings does not, at any time, exceed 10% of the Gross Proceeds.

Notwithstanding the foregoing, the percentage limitations contained in paragraphs (b), (c), (d), (e), (f) and (g) above shall apply commencing after the Partnership has invested 100% of the Proceeds Available for Investment.

All investments made by the Partnership will be at arm's length (as such term is defined in the Tax Act) to the Partnership, the General Partner, Sentry Select Capital Corp., Sentry Select Fund and any of their respective officers and directors.

The Limited Partners must approve any amendments of the foregoing investment criteria by Special Resolution.

The purchase price of Flow-Through Shares is normally, depending on market conditions and other relevant factors, at a premium to the market price of the common shares of such issuers.

The General Partner may sell Flow-Through Shares (subject to applicable hold periods) at any time if it believes it is in the best interests of the Partnership to do so.

#### **Flow-Through Investment Agreements**

The Partnership intends to enter into Flow-Through Investment Agreements with Resource Companies to acquire Flow-Through Shares on customary terms and conditions. Pursuant to the terms of such agreements, such Resource Companies will be obligated to incur exploration and development expenditures that qualify as Eligible Expenditures. The Flow-Through Investment Agreements entered into with Resource Companies will require each Resource Company to represent and warrant that neither it nor any person who does not deal at arm's length with such Resource Company is a Limited Partner or the General Partner. The Flow-Through Investment Agreements entered into with Resource Companies will require the Resource Companies to incur and renounce to the Partnership Eligible Expenditures in an amount equal to the subscription price and any Resource Company which fails to do so will be liable to the Partnership if it fails to satisfy such obligations. The Partnership will receive Flow-Through Shares based on the amount paid, once payment is made to the Resource Companies.

The Partnership will endeavour to subscribe for Flow-Through Shares on or before December 31, 2008 so that the aggregate purchase price equals the aggregate Proceeds Available for Investment in contemplation of the Resource Companies incurring Eligible Expenditures and renouncing Eligible Expenditures in an amount equal to the purchase price of the Flow-Through Shares to the Partnership. Pursuant to the terms of the Flow-Through Investment Agreements, such Eligible Expenditures will be required to be renounced to the Partnership with an effective date no later than December 31, 2008. The Flow-Through Investment Agreements entered into by the Partnership during 2008 may permit a Resource Company to incur Eligible Expenditures at any time up to December 31, 2009 provided that the Resource Company agrees to renounce such Eligible Expenditures to the Partnership with an effective date on or before December 31, 2008. See "Risk Factors — Tax-Related".

#### **Loan Facility**

The Partnership will enter into the Loan Facility with the Lender prior to the initial Closing of this Offering. The Lender will be at arm's length to the Partnership, the General Partner and their respective Affiliates.

The Loan Facility will permit the Partnership to borrow up to an amount not exceeding 10% of the Gross Proceeds, which will be used to finance expenses incurred by the Partnership under this Offering (such as Agents' commissions and expenses of issue) and to provide working capital for the Partnership, in order to maximize the Gross Proceeds available for the purchase of Flow-Through Shares. The General Partner anticipates that the interest rates, fees and expenses under the Loan Facility will be typical of credit facilities of this nature and that the Partnership will provide a security interest in all of the assets held by or on behalf of the Partnership in favour of the Lender to secure such borrowings. Other than the borrowing by the Partnership under the Loan Facility, the Partnership will not engage in any other borrowings. Prior to the earlier of: (i) the completion of the Liquidity Transaction, (ii) the dissolution of the Partnership, and (iii) the maturity date of the Loan Facility (expected to be on or about May 31, 2010), all amounts outstanding under the Loan Facility, including all interest accrued thereon, will be repaid in full.

### **Liquidity Transaction**

To provide potential for liquidity and long-term growth of capital, the General Partner intends to implement the Liquidity Transaction, at a date no later than May 31, 2010, pursuant to which the assets of the Partnership would be transferred to Sentry Select Fund, or another mutual fund that is a reporting issuer, on a tax deferred basis in exchange for mutual fund shares of Sentry Select Fund ("Fund Shares"), or of such other mutual fund, following which such shares will be distributed to the Limited Partners *pro rata* on a tax deferred basis upon the dissolution of the Partnership. Sentry Select Fund is an open-end mutual fund corporation managed by Sentry Select Capital Corp. Sentry Select Fund currently offers six classes of mutual fund shares: Sentry Select Canadian Resource Class (the "Canadian Resource Class"), Sentry Select Balanced Class, Sentry Select Canadian Energy Growth Class, Sentry Select Canadian Income Class, Sentry Select Money Market Class and Sentry Select Mining Opportunities Class. Each class of mutual fund shares will constitute a separate mutual fund (each a "Sentry Select Mutual Fund"). In accordance with the multi class structure of Sentry Select Fund, holders of Fund Shares are entitled to switch between Sentry Select Mutual Funds without triggering immediate tax consequences. If the Partnership completes a Liquidity Transaction with Sentry Select Fund, the Partnership will receive shares of Canadian Resource Class. Sentry Select Fund is a reporting issuer in all provinces and territories of Canada. Pursuant to the Liquidity Transaction, the assets of the Partnership will be transferred to a mutual fund that is a reporting issuer.

Implementation of the Liquidity Transaction will be subject to the mutual agreement of the General Partner and Sentry Select Fund and to obtaining any necessary regulatory approvals, as well as compliance with all applicable laws (which may require Limited Partner approval of the Liquidity Transaction). There can be no assurance that such transaction will receive the necessary regulatory approvals or be implemented as Sentry Select Fund is under no obligation to complete such transaction. The Liquidity Transaction will not be implemented if the General Partner determines that it would prospectively or retrospectively affect the status of the Flow-Through Shares as flow-through shares for income tax purposes. The Partnership Agreement states that the Liquidity Transaction must be implemented by May 31, 2010, failing which the Partnership will be terminated by December 31, 2010 and the Limited Partners will receive their *pro rata* share of the net assets of the Partnership. At that time, the Partnership will primarily own shares of Resource Companies and cash. See "Investment Details — Liquidity Transaction", "Summary of the Partnership Agreement — Dissolution" and "Risk Factors".

### **Sentry Select Fund**

Sentry Select Fund is an Ontario mutual fund corporation, that was formed under the *Business Corporations Act* (Ontario) by articles of incorporation on November 16, 1999, as amended by articles of amendment dated February 16, 2006. On February 16, 2006, the name of the corporation was changed from Sentry Select Canadian Resource Fund Ltd. to Sentry Select Corporate Class Ltd., and all of the outstanding shares of the class designated as mutual fund shares were reclassified and redesignated as Canadian Resource Class. The head office and principal place of business of Sentry Select Fund is located at The Exchange Tower, 130 King Street West, Suite 2850, P.O. Box 104, Toronto, Ontario M5X 1A4. The Fund Shares are offered for sale to the public on a continuous basis. Sentry Select Capital Corp. is the manager and portfolio adviser of Sentry Select Fund.

If the Partnership completes a Liquidity Transaction with Sentry Select Fund, the Partnership will receive shares of Canadian Resource Class. The principal investment objectives of the Canadian Resource Class are long-term growth through capital appreciation by investing primarily in equities and other securities of Canadian companies engaged in energy and natural resource industries, such as oil and gas, mining and minerals, forestry and other resources. It may also invest in sectors that are dependent on these industries, such as pipelines, utilities and equipment manufacturers. As part of Sentry Select Fund's business, it acquires assets (primarily shares of public resource companies) from various limited partnerships (of which Affiliates of the General Partner are general partners) which invest in Flow-Through Shares of Resource Companies. It is currently anticipated that pursuant to the Liquidity Transaction, and subject to the mutual agreement of the General Partner and Sentry Select Fund and subject to obtaining any necessary regulatory approvals and compliance with all applicable laws (which may require Limited Partner approval of the Liquidity Transaction), Sentry Select Fund will acquire the assets of the Partnership, provided that the acquisition is consistent with its investment objectives and does not contravene the applicable restrictions contained in National Instrument 81-102 — *Mutual Funds* ("NI 81-102").

Sentry Select Fund is subject to certain standard investment restrictions and practices contained in Canadian securities legislation, including NI 81-102. This legislation is designed, in part, to ensure that investments of Sentry Select Fund are diversified and relatively liquid and to ensure the proper administration of Sentry Select Fund.

The authorized capital of Sentry Select Fund consists of five common shares, all of which are issued and outstanding and owned by Merylyn Driscoll and 100 classes of redeemable mutual fund shares, the Fund Shares. Holders of the Fund Shares are entitled to: (i) receive any dividend declared with respect to the Fund Shares by Sentry Select Fund and (ii) require Sentry Select Fund to redeem all or any of their Fund Shares, provided the holder fulfils certain requirements with respect to redemptions. In accordance with the multi-class structure implemented by Sentry Select Fund, holders of Fund Shares are entitled to switch between Sentry Select Mutual Funds without triggering immediate tax consequences.

The Fund Shares are valued at the close of business each day that the Toronto Stock Exchange is open for trading by determining the total market value of assets and subtracting liabilities. The value of a Fund Share of a particular class is established by dividing such net asset value by the number of Fund Shares of such class (including fractional shares) outstanding on that day. That amount is known as the net asset value per share, which is the basis for all sales, automatic reinvestment of dividends and redemptions of shares. The shares of Sentry Select Fund are valued in Canadian dollars.

The portfolio maintained by Canadian Resource Class is allocated among a variety of energy and natural resource sectors, including senior, intermediate and small oil and gas producers, metals and mining, oil and gas royalty trusts, integrated oil and gas producers and pulp and paper.

In March 2000, Sentry Select Fund acquired all of the assets of NCE Resource (97) Limited Partnership in exchange for 1,127,788 shares of Canadian Resource Class. In June 2000, Sentry Select Fund acquired all of the assets of NCE Flow-Through (98) Limited Partnership in exchange for 2,112,815 shares of Canadian Resource Class. In May 2001, Sentry Select Fund acquired all of the assets of NCE Flow-Through (99) Limited Partnership in exchange for 1,751,159 shares of Canadian Resource Class. In April 2002, Sentry Select Fund acquired all of the assets of NCE Flow-Through (2000-1) Limited Partnership in exchange for 1,027,399 shares of Canadian Resource Class. In May 2002, Sentry Select Fund acquired all of the assets of NCE Flow-Through (2000-2) Limited Partnership in exchange for 851,850 shares of Canadian Resource Class. In April 2003, Sentry Select Fund acquired all of the assets of NCE Flow-Through (2001-1) Limited Partnership and NCE Flow-Through (2001-2) Limited Partnership in exchange for 1,912,693 shares of Canadian Resource Class and 1,313,139 shares of Canadian Resource Class, respectively. In March 2004, Sentry Select Fund acquired all of the assets of NCE Flow-Through (2002-1) Limited Partnership and NCE Flow-Through (2002-2) Limited Partnership in exchange for 1,324,583 shares of Canadian Resource Class and 737,416 shares of Canadian Resource Class, respectively. In February 2005, Sentry Select Fund acquired all of the assets of NCE Flow-Through (2003) Limited Partnership and NCE Flow-Through (2003-2) Limited Partnership in exchange for 1,156,918 shares of Canadian Resource Class and 1,371,751 shares of Canadian Resource Class, respectively. On March 8, 2006, Sentry Select Fund acquired all of the assets of NCE Flow-Through (2004) Limited Partnership and NCE Diversified

Flow-Through (04) Limited Partnership in exchange for 2,052,227 shares of Canadian Resource Class and 1,007,026 shares of Canadian Resource Class, respectively. On February 7, 2007, Sentry Select Fund acquired all of the assets of NCE Diversified Flow-Through (05) Limited Partnership and NCE Diversified Flow-Through (05-2) Limited Partnership in exchange for 3,003,197 shares of Canadian Resource Class and 1,408,040 shares of Canadian Resource Class, respectively. At the time of closing of each acquisition, the assets of the applicable limited partnership were comprised primarily of shares of public Resource Companies and cash. Subsequent to the closing of each acquisition, such limited partnership was dissolved and the shares of Canadian Resource Class were distributed to the limited partners. Holders of shares of Canadian Resource Class are entitled to redeem all or any of their shares at the net asset value per share. The net asset value per Fund Share is generally determined on each business day and orders to purchase or redeem shares are completed at the net asset value per share next determined following receipt of the order.

Each of NCE Diversified Flow-Through (06) Limited Partnership and NCE Diversified Flow-Through (06-2) Limited Partnership intends, subject to the mutual agreement of the general partner and Sentry Select Fund and subject to obtaining any necessary regulatory approvals, to complete a similar liquidity transaction at a date no later than February 28, 2008.

Each of NCE Diversified Flow-Through (07) Limited Partnership and NCE Diversified Flow-Through (07-2) Limited Partnership intends, subject to the mutual agreement of the general partner and Sentry Select Fund and subject to obtaining any necessary regulatory approvals, to complete a similar liquidity transaction at a date no later than May 31, 2009.

John F. Driscoll, David M. Schwartz, John Vooglaid and Ryan Caughey, who are officers and/or directors of the General Partner, are officers and/or directors of Sentry Select Fund (see “The Partnership and the General Partner — Management of the General Partner”). Sentry Select Capital Corp. is the manager of and the advisor to Sentry Select Fund. John F. Driscoll, David M. Schwartz, John Vooglaid and Ryan Caughey, who are officers and/or directors of the General Partner, are officers and/or directors of Sentry Select Capital Corp. On May 11, 2001, Sentry Select Capital Corp. amalgamated with its parent, Sentry Select Capital Corp. (Alberta), a corporation incorporated pursuant to the *Business Corporation Act* (Alberta) on February 27, 1998 under the name Founders Capital Corp. and continued in Ontario under the *Business Corporation Act* (Ontario) on May 8, 2001. Sentry Select Capital Corp. is beneficially owned as to 100% by John F. Driscoll and his family. Pursuant to a management agreement, Sentry Select Capital Corp. is responsible for managing the day-to-day operations of Sentry Select Fund and providing or arranging for investment management and administrative services. The management agreement may be terminated by either party upon 180 days prior notice and in certain other circumstances. Sentry Select Capital Corp. is paid an annual fee of: (i) 2.25% of the average net asset value of each of Canadian Resource Class, Sentry Select Balanced Class, Sentry Select Canadian Energy Growth Class, Sentry Select Canadian Income Class and Sentry Select Mining Opportunities Class; and (ii) 0.50% of the average net asset value of Sentry Select Money Market Class. Such fee accrues daily and is payable monthly. Sentry Select Fund pays all of its operating expenses, including legal, audit, custodial and safekeeping fees, taxes, brokerage commissions, interest, operating and administrative costs, investor services costs and costs of financial and other reports and prospectuses that are used in complying with applicable legislation. Sentry Select Capital Corp. pays the costs of investment management services and the advertising and marketing costs incurred by Sentry Select Fund. Dealers are also paid an annual service fee of: (i) 1.25% of the average value of the net assets held in each of Canadian Resource Class, Sentry Select Balanced Class, Sentry Select Canadian Energy Growth Class, Sentry Select Canadian Income Class and Sentry Select Mining Opportunities Class; and (ii) 0.25% of the average value of the net assets held in Sentry Select Money Market Class, which is payable quarterly by Sentry Select Capital Corp.

As at November 30, 2007, Sentry Select Fund had five (5) common shares and 3,980,457 Canadian Resource Class, 893,643 Sentry Select Balanced Class, 532,795 Sentry Select Canadian Energy Growth Class, 1,113,818 Sentry Select Canadian Income Class, 520,245 Sentry Select Money Market Class and 5,023,502 Sentry Select Mining Opportunities Class shares outstanding, with a net asset value per share of \$38.01, \$9.96, \$7.61, \$9.64, \$10.00 and \$14.00, respectively.

## THE PARTNERSHIP AND THE GENERAL PARTNER

### The Partnership

The Partnership, a limited partnership formed under the laws of the Province of Ontario, is governed by the Partnership Agreement. See “Summary of the Partnership Agreement” for a summary of the Partnership Agreement. Declarations respecting the Partnership have been filed pursuant to the Limited Partnerships Act on January 12, 2005, December 5, 2007 and December 10, 2007. In order to establish the Partnership, the initial Limited Partner was issued one Unit for the sum of \$25.00. After the admission of new Limited Partners to the Partnership, the interest of the initial Limited Partner will be redeemed for the sum of \$25.00.

The Partnership will be managed by the General Partner and Sentry Select Capital Corp. (see “Sentry Select Capital Corp.”). The Limited Partners may not participate in the management or control of the business and affairs of the Partnership or they will lose their protection of limited liability. The Partnership Agreement confers all rights as to allocations, distributions and other matters upon the Limited Partners and the General Partner.

The Partnership’s executive office is located at The Exchange Tower, 130 King Street West, Suite 2850, P.O. Box 104, Toronto, Ontario M5X 1A4.

### The General Partner

The General Partner was incorporated under the laws of the Province of Ontario on December 4, 2007. Its registered and executive office is located at The Exchange Tower, 130 King Street West, Suite 2850, P.O. Box 104, Toronto, Ontario M5X 1A4. It will only act as the general partner of the Partnership and is responsible for the management and control of the Partnership.

The Partnership Agreement provides that Partnership funds shall not be commingled with the General Partner’s funds.

The sole shareholder of the General Partner as of the date hereof is the Promoter. The Promoter is beneficially owned by the Driscoll Family Trust. See “Promoter”.

### Management of the General Partner

The names, municipalities of residence and positions held by each director and officer of the General Partner are set out below:

<u>Name &amp; Municipality of Residence</u>	<u>Position</u>
JOHN F. DRISCOLL, Toronto, Ontario . . . . .	Chairman, President and Chief Executive Officer
JOHN A. BRUSSA, Calgary, Alberta . . . . .	Director
JACK F. MCOUAT, Toronto, Ontario . . . . .	Director
RICHARD J. ZARZECZNY, Stouffville, Ontario . . . . .	Director
DAVID M. SCHWARTZ, Toronto, Ontario . . . . .	Senior Vice-President
JOHN VOGLAID, King City, Ontario . . . . .	Vice-President and Treasurer
RYAN CAUGHEY, Toronto, Ontario . . . . .	Corporate Secretary
GLENN MACNEILL, Toronto, Ontario . . . . .	Vice-President, Investments
KEVIN MACLEAN, Oakville, Ontario . . . . .	Vice-President and Senior Portfolio Manager
LAURA LAU, Toronto, Ontario . . . . .	Senior Portfolio Manager

Each director of the General Partner has served as a director since the date of incorporation of the General Partner and will continue to hold office until the next annual meeting of shareholders of the General Partner, or until his successor is appointed or elected.

The particulars of the principal occupations of each director and officer of the General Partner for the past several years are provided below.

*John F. Driscoll* is the founding President, Chairman and Chief Executive Officer of Sentry Select Capital Corp. He also founded and has been Chairman of NCE Resources Group since 1984, and Chairman and founder of Petrofund Energy Trust from 1988 to 2006 (Petrofund Energy Trust merged with Penn West Energy Trust in June 2006). He is also Chairman of Inter Pipeline Fund, Strategic Energy Fund, Endev Energy Inc. and C.A. Bancorp Inc. since October 2002, May 2002, October 2003 and January 2006, respectively. Mr. Driscoll has been President, since 1981, of J.F. Driscoll Investment Corp., a company specializing in investment management and related advisory and consulting services. Mr. Driscoll received his Bachelor of Science degree from the Boston College Business School and attended the New York Institute of Finance for advanced business studies. He has more than 36 years of diversified business experience. He is a member of the CFA Institute (formerly the Association for Investment Management and Research) and also attained the professional manager designation with the Canadian Institute of Management. He has founded numerous public partnerships as well as public and private energy and investment related companies. During the last 22 years, issuers of which Mr. Driscoll was chairman or Chief Executive Officer have invested or managed the investment of more than \$12.4 billion. He is Vice-Chair of the Royal Ontario Museum Foundation Board of Directors.

*John Brussa* has been a partner of Burnet, Duckworth and Palmer LLP since 1987 and is presently the head of its Tax Department. Mr. Brussa received his Bachelor of Laws Degree from the University of Windsor in 1981 and currently serves as a director of a number of publicly listed resource corporations, a mutual fund trust, an investment dealer and several non-profit or charitable organizations.

*Jack F. McOuat*, P.Eng., was one of the initial founders of Watts, Griffis and McOuat Limited (an engineering and geological consulting firm) in 1962 and was with the firm until his retirement in 2004. Mr. McOuat received his Bachelor of Applied Science Degree (Geological Engineering) from the University of Toronto in 1956 and was awarded an Hon. D. Eng. from the Technical University of Nova Scotia in 1987.

*Richard J. Zarzeczny* is the President of Canadian Enerdata Limited, an energy and economic consulting firm specializing in oil and natural gas market analysis and price forecasting. Mr. Zarzeczny founded Canadian Enerdata Limited in 1984. He is publisher/editor of the Canadian Gas Price Reporter, the leading publication for Canadian natural gas prices and price indices. He graduated from Simon Fraser University in 1980 with a Master of Arts Degree in Economics specializing in econometrics and in 1975 received a Master of Arts Degree in Mathematics from the University of Regina.

*David M. Schwartz* is Senior Vice-President and Chief Operating Officer of Sentry Select Capital Corp. He has over 39 years of experience in the financial and investment industry. He served as Senior Vice-President, Spectrum United Mutual Funds from January, 1991 to December, 1994. Prior to that he was President, The Guardian Group of Funds Ltd., and Senior Vice-President, Investors Group. In April 1995 he joined the NCE Resources Group, and as Senior Vice-President of the General Partner, Mr. Schwartz is responsible for product development, marketing and distribution, as well as dealing with regulatory affairs and executive services. He received his Bachelor of Arts in Economics from McGill University.

*John Vooglaid* is Senior Vice-President and Chief Financial Officer of Sentry Select Capital Corp. Since June, 1988, he has been a Vice-President and Treasurer of NCE Resources Group. From 1978 to June, 1986, he was with the resource audit group of a major public accountancy firm. He earned a Bachelor of Arts (Honours) Degree in Economics from the University of Toronto in 1977. He received his Chartered Accountant's designation in 1982.

*Ryan Caughey* joined Sentry Select Capital Corp. in July 2006 and was appointed Corporate Secretary in December 2006. Mr. Caughey practiced corporate and securities law with Osler, Hoskin & Harcourt LLP from 2003 to 2006. Mr. Caughey obtained his Bachelor of Laws degree in 2002 from Queen's University and his Bachelor of Arts degree in 1998 from the University of Western Ontario.

*Glenn G. MacNeill* is Vice-President, Investments of Sentry Select Capital Corp., having responsibility for Sentry Select Capital Corp.'s investment activities. Mr. MacNeill has more than 30 years of financial and petroleum related experience, including portfolio management, corporate finance and equity/debt analysis. Prior to joining Sentry Select Capital Corp. in April 1999, Mr. MacNeill served as an oil and gas research analyst at

HSBC Securities and an energy equity analyst with Scotia Capital Markets, where he covered integrated oil companies and a selection of petroleum companies. Mr. MacNeill also served as a portfolio manager with Imperial Life/Laurentian Financial Inc. for six years. Mr. MacNeill is currently the portfolio manager of Sentry Select Energy Growth Fund, Sentry Select Canadian Resource Class and all NCE Flow-Through Investment Products. He is supported by a team of analysts and traders in Toronto and two consultants in Calgary. He and his investment team have extensive experience in oil and gas royalty trusts, energy companies and private investment opportunities. Total assets under Mr. MacNeill and his team's direct management total approximately \$600 million, with another \$1.0 billion in energy assets in other Sentry Select Capital Corp. products. Mr. MacNeill is a Professional Engineer and received a Bachelor of Science Degree in Mechanical Engineering from Queen's University in Kingston, Ontario.

*Kevin R. MacLean* is Vice-President and Senior Portfolio Manager of Sentry Select Capital Corp. Mr. MacLean has over 28 years of experience in the Canadian resource sector, with particular emphasis on mining and precious metals and energy. From 1989 to 1997, he was Vice-President and Senior Portfolio Manager at Cavelti Capital Management Ltd., where he managed almost \$500 million in precious metals and resource investments. From 1997 to 2001, he was a Gold Mining Equity Analyst for RBC Capital Markets, and in 2001, received number one analyst rankings in the Precious Metals and Diamonds category by Brendan Woods Analyst Rankings. He obtained a B.Ap.Sc Degree in Engineering Science from the University of Toronto in 1977 and received his CFA designation in 1988.

*Laura Lau* is a Senior Portfolio Manager with Sentry Select Capital Corp. Ms. Lau has over 13 years of experience in the financial services industry. Prior to joining Sentry Select Capital Corp. in May 2004, Ms. Lau worked as an Investment Analyst for three major mutual fund companies. Ms. Lau received her Chartered Financial Analyst designation in 2003. She graduated from the University of Toronto with a Bachelor of Applied Science Degree in Industrial Engineering in 1992. She has completed the Canadian Securities, Derivatives Fundamentals, Options Licensing, Futures Licensing, and Risk Management courses.

None of the officers or directors of the General Partner have entered into non-competition or non-disclosure agreements with the General Partner or the Partnership. None of the officers of the General Partner is an employee of the General Partner or the Partnership. Each of the officers of the General Partner is an employee of Sentry Select Capital Corp., which, pursuant to an arrangement between Sentry Select Capital Corp. and the General Partner, provides investment advisory, administrative and other services to the Partnership on behalf of the General Partner.

Officers and directors of the General Partner and their Affiliates and officers and directors of entities which are members of the NCE Resources Group and their Affiliates may purchase Units, provided that the combined number of Units purchased by such persons does not exceed 25% of the Units sold at the Closing of the Offering. Officers and directors of the General Partner are not paid any fees for their services as officers and directors of the General Partner, other than directors fees, which are paid by the General Partner.

### **Historical Information Regarding the Prior Partnerships**

Management of the General Partner has managed or manages nineteen other flow-through limited partnerships which were formed to invest in flow-through shares of resource companies, specifically, NCE Resource (97) Limited Partnership, NCE Flow-Through (98) Limited Partnership, NCE Flow-Through (99) Limited Partnership, NCE Flow-Through (2000-1) Limited Partnership, NCE Flow-Through (2000-2) Limited Partnership, NCE Flow-Through (2001-1) Limited Partnership, NCE Flow-Through (2001-2) Limited Partnership, NCE Flow-Through (2002-1) Limited Partnership, NCE Flow-Through (2002-2) Limited Partnership, NCE Flow-Through (2003) Limited Partnership, NCE Flow-Through (2003-2) Limited Partnership, NCE Flow-Through (2004) Limited Partnership, NCE Diversified Flow-Through (04) Limited Partnership, NCE Diversified Flow-Through (05) Limited Partnership, NCE Diversified Flow-Through (05-2) Limited Partnership, NCE Diversified Flow-Through (06) Limited Partnership, NCE Diversified Flow-Through (06-2) Limited Partnership, NCE Diversified Flow-Through (07) Limited Partnership, and NCE Diversified Flow-Through (07-2) Limited Partnership (the "Prior Partnerships"). NCE Diversified Flow-Through (06) Limited Partnership, NCE Diversified Flow-Through (06-2) Limited Partnership, NCE Diversified Flow-Through (07) Limited Partnership and NCE Diversified Flow-Through (07-2) Limited Partnership are currently actively managed by

affiliates of the General Partner. The assets of NCE Resource (97) Limited Partnership, NCE Flow-Through (98) Limited Partnership, NCE Flow-Through (99) Limited Partnership, NCE Flow-Through (2000-1) Limited Partnership, NCE Flow-Through (2000-2) Limited Partnership, NCE Flow-Through (2001-1) Limited Partnership, NCE Flow-Through (2001-2) Limited Partnership, NCE Flow-Through (2002-1) Limited Partnership, NCE Flow-Through (2002-2) Limited Partnership, NCE Flow-Through (2003) Limited Partnership, NCE Flow-Through (2003-2) Limited Partnership, NCE Flow-Through (2004) Limited Partnership, NCE Diversified Flow-Through (04) Limited Partnership, NCE Diversified Flow-Through (05) Limited Partnership and NCE Diversified Flow-Through (05-2) Limited Partnership have been acquired by Sentry Select Fund in exchange for shares of Canadian Resource Class on a tax deferred basis.

NCE Resource (97) Limited Partnership raised gross proceeds of \$23.6 million in October, 1997. The subscription price was \$25.00 per unit. The initial net asset value of NCE Resource (97) Limited Partnership, after deducting costs of issue and adjustments, was \$22.06 per limited partnership unit. Limited partners of NCE Resource (97) Limited Partnership received cumulative tax deductions of \$25.00 per unit to December 31, 2005. Effective March 28, 2000, the assets of NCE Resource (97) Limited Partnership were transferred to Sentry Select Fund. The closing net asset value per limited partnership unit exchanged at that time was \$12.00. The net asset value of shares of Canadian Resource Class exchanged on such date was \$10.00 per share and limited partners received 1.200 shares of Canadian Resource Class for each limited partnership unit held.

NCE Flow-Through (98) Limited Partnership raised adjusted gross proceeds of \$33.8 million in November, 1998. The average subscription price, after giving effect to subscription rebates, was \$23.43 per unit. The initial net asset value of NCE Flow-Through (98) Limited Partnership, after deducting rebates and costs of issue, was \$20.59 per unit. Limited partners of NCE Flow-Through (98) Limited Partnership received cumulative tax deductions of \$22.52 per unit to December 31, 2005. Effective June 20, 2000, the assets of the NCE Flow-Through (98) Limited Partnership were transferred to Sentry Select Fund. The closing net asset value per limited partnership unit exchanged at that time was \$17.68. The net asset value of shares of Canadian Resource Class exchanged on such date was \$12.07 per share and limited partners received 1.465 shares of Canadian Resource Class for each limited partnership unit held.

NCE Flow-Through (99) Limited Partnership raised adjusted gross proceeds of \$25.69 million on December 7, 1999. The average subscription price, after giving effect to subscription rebates, was \$23.26 per unit. The initial net asset value, after deducting rebates and costs of issue, was \$20.07 per unit. Limited partners of NCE Flow-Through (99) Limited Partnership received cumulative tax deductions of \$23.30 per unit to December 31, 2005. Effective May 29, 2001, the assets of NCE Flow-Through (99) Limited Partnership were transferred to Sentry Select Fund. The closing net asset value per limited partnership unit exchanged at that time was \$27.73. The net asset value of shares of Canadian Resource Class exchanged on such date was \$17.49 per share and limited partners received 1.585 shares of Canadian Resource Class for each limited partnership unit held.

NCE Flow-Through (2000-1) Limited Partnership raised gross proceeds of \$19.6 million on July 31, 2000. The subscription price was \$25.00 per unit. The initial net asset value, after deducting costs of issue, was \$21.40 per unit. Limited partners of NCE Flow-Through (2000-1) Limited Partnership received cumulative tax deductions of \$24.77 per unit to December 31, 2005. Effective April 30, 2002, the assets of NCE Flow-Through (2000-1) Limited Partnership were transferred to Sentry Select Fund. The closing net asset value per limited partnership unit exchanged at that time was \$19.55. The net asset value of shares of Canadian Resource Class exchanged on such date was \$14.92 per share and limited partners received 1.3096 shares of Canadian Resource Class for each limited partnership unit held.

NCE Flow-Through (2000-2) Limited Partnership raised gross proceeds of \$16.7 million on December 19, 2000. The subscription price was \$25.00 per unit. The initial net asset value, after deducting costs of issue, was \$21.87 per unit. Limited partners of NCE Flow-Through (2000-2) Limited Partnership have received cumulative tax deductions of \$24.95 per unit to December 31, 2005. Effective May 15, 2002, the assets of NCE Flow-Through (2000-2) Limited Partnership were transferred to Sentry Select Fund. The closing net asset value per limited partnership unit exchanged at that time was \$19.34. The net asset value of shares of Canadian Resource Class on such date was \$15.18 per share and limited partners received 1.2747 shares of Canadian Resource Class for each limited partnership unit held.

NCE Flow-Through (2001-1) Limited Partnership raised gross proceeds of \$38.4 million on July 31, 2001. The subscription price was \$25.00 per unit. The initial net asset value, after deducting costs of issue, was \$22.19 per unit. Limited partners of NCE Flow-Through (2001-1) Limited Partnership have received cumulative tax deductions of \$25.00 per unit to December 31, 2005. Effective April 8, 2003, the assets of NCE Flow-Through (2001-1) Limited Partnership were transferred to Sentry Select Fund. The closing net asset value per limited partnership unit exchanged at that time was \$19.10. The net asset value of shares of Canadian Resource Class on such date was \$15.32 per share and limited partners received 1.2465 shares of Canadian Resource Class for each limited partnership unit held.

NCE Flow-Through (2001-2) Limited Partnership raised gross proceeds of \$25.8 million on November 30, 2001. The subscription price was \$25.00 per unit. The initial net asset value, after deducting costs of issue, was \$22.18 per unit. Limited partners of NCE Flow-Through (2001-2) Limited Partnership have received cumulative tax deductions of \$25.00 per unit to December 31, 2005. Effective April 8, 2003, the assets of NCE Flow-Through (2001-2) Limited Partnership were transferred to Sentry Select Fund. The closing net asset value per limited partnership unit exchanged at that time was \$19.48. The net asset value of shares of Canadian Resource Class on such date was \$15.32 per share and limited partners received 1.2716 shares of Canadian Resource Class for each limited partnership unit held.

NCE Flow-Through (2002-1) Limited Partnership raised gross proceeds of \$33.1 million with a final closing having been completed on August 28, 2002. The subscription price was \$25.00 per unit. The initial net asset value, after deducting costs of issue, was \$22.50 per unit. Limited partners of NCE Flow-Through (2002-1) Limited Partnership have received cumulative tax deductions of \$25.00 per unit to December 31, 2005. Effective March 25, 2004, the assets of NCE Flow-Through (2002-1) Limited Partnership were transferred to Sentry Select Fund. The closing net asset value per limited partnership unit exchanged at that time was \$21.64. The net asset value of shares of Canadian Resource Class on such date was \$21.64 per share and limited partners received 1.00 shares of Canadian Resource Class for each limited partnership unit held.

NCE Flow-Through (2002-2) Limited Partnership raised gross proceeds of \$20 million with a final closing having been completed on November 26, 2002. The subscription price was \$25.00 per unit. The initial net asset value, after deducting costs of issue, was \$22.19 per unit. Limited partners of NCE Flow-Through (2002-2) Limited Partnership have received cumulative tax deductions of \$24.76 per unit to December 31, 2005. Effective March 25, 2004, the assets of NCE Flow-Through (2002-2) Limited Partnership were transferred to Sentry Select Fund. The closing net asset value per limited partnership unit exchanged at that time was \$19.95. The net asset value of shares of Canadian Resource Class on such date was \$21.64 per share and limited partners received 0.9219 shares of Canadian Resource Class for each limited partnership unit held.

NCE Flow-Through (2003) Limited Partnership raised gross proceeds of \$38.4 million with a final closing having been completed on June 27, 2003. The subscription price was \$25.00 per unit. The initial net asset value, after deducting costs of issue, was \$22.50 per unit. Limited partners of NCE Flow-Through (2003) Limited Partnership have received cumulative tax deductions of \$25.00 per unit to December 31, 2005. Effective February 9, 2005 the assets of NCE Flow-Through (2003) Limited Partnership were transferred to Sentry Select Fund. The closing net asset value per limited partnership unit exchanged at that time was \$21.71. The net asset value of shares of Canadian Resource Class on such date was \$28.85 per share and limited partners received 0.7525 shares of Canadian Resource Class for each limited partnership unit held.

NCE Flow-Through (2003-2) Limited Partnership raised gross proceeds of \$50 million with a final closing having been completed on October 30, 2003. The subscription price was \$25.00 per unit. The initial net asset value, after deducting costs of issue, was \$22.81 per unit. Limited partners of NCE Flow-Through (2003-2) Limited Partnership have received cumulative tax deductions of \$24.27 per unit to December 31, 2005. Effective February 9, 2005 the assets of NCE Flow-Through (2003-2) Limited Partnership were transferred to Sentry Select Fund. The closing net asset value per limited partnership unit exchanged at that time was \$19.79. The net asset value of shares of Canadian Resource Class on such date was \$28.85 per share and limited partners received 0.6859 shares of Canadian Resource Class for each limited partnership unit held.

NCE Flow-Through (2004) Limited Partnership raised total gross proceeds of \$99.2 million, with a final closing having been completed on April 28, 2004. The subscription price was \$25.00 per unit. The initial net asset value, after deducting costs of issue, was \$23.09 per unit. Limited partners of NCE Flow-Through (2004) Limited

Partnership received cumulative tax deductions of \$25.00 per unit to December 31, 2005. Effective March 8, 2006 the assets of NCE Flow-Through (2004) Limited Partnership were transferred to Sentry Select Fund. The closing net asset value per limited partnership unit exchanged at that time was \$22.29. After taking into account cumulative distributions of \$5.44 per unit, the net asset value of shares of Canadian Resource Class on such date was \$43.10 per share and limited partners received 0.5172 shares of Canadian Resource Class for each limited partnership unit held.

NCE Diversified Flow-Through (04) Limited Partnership raised total gross proceeds of \$50 million, with a final closing having been completed on October 5, 2004. The subscription price was \$25.00 per unit. The initial net asset value, after deducting costs of issue, was \$22.89 per unit. Limited partners of NCE Diversified Flow-Through (04) Limited Partnership received cumulative tax deductions of \$25.00 per unit to December 31, 2005. Effective March 8, 2006 the assets of NCE Diversified Flow-Through (04) Limited Partnership were transferred to Sentry Select Fund. The closing net asset value per limited partnership unit exchanged at that time was \$21.70. After taking into account cumulative distributions of \$4.93 per unit, the net asset value of shares of Canadian Resource Class on such date was \$43.10 per share and limited partners received 0.5035 shares of Canadian Resource Class for each limited partnership unit held.

NCE Diversified Flow-Through (05) Limited Partnership raised total gross proceeds of \$86.9 million, with a final closing having been completed on March 31, 2005. The subscription price was \$25.00 per unit. The initial net asset value, after deducting costs of issue, was \$23.06 per unit. Limited partners of NCE Diversified Flow-Through (05) Limited Partnership received cumulative tax deductions of \$25.00 per unit to December 31, 2006. Effective February 7, 2007 the assets of NCE Diversified Flow-Through (05) Limited Partnership were transferred to Sentry Select Fund. The closing net asset value per limited partnership unit exchanged at that time was \$35.75. After taking into account cumulative distributions of \$1.31 per unit, the net asset value of shares of Canadian Resource Class on such date was \$41.40 per share and limited partners received 0.8636 shares of Canadian Resource Class for each limited partnership unit held.

NCE Diversified Flow-Through (05-2) Limited Partnership raised total gross proceeds of \$75 million, with a final closing having been completed on October 5, 2005. The subscription price was \$25.00 per unit. The initial net asset value, after deducting costs of issue, was \$23.15 per unit. Limited partners of NCE Diversified Flow-Through (05-2) Limited Partnership received cumulative tax deductions of \$25.00 per unit to December 31, 2006. Effective February 7, 2007 the assets of NCE Diversified Flow-Through (05-2) Limited Partnership were transferred to Sentry Select Fund. The closing net asset value per limited partnership unit exchanged at that time was \$19.43. The net asset value of shares of Canadian Resource Class on such date was \$41.40 per share and limited partners received 0.4693 shares of Canadian Resource Class for each limited partnership unit held.

The net asset value of shares of Canadian Resource Class as of November 30, 2007 was \$38.01 per share.

NCE Diversified Flow-Through (06) Limited Partnership raised total gross proceeds of \$192.7 million, with a final closing having been completed on March 21, 2006. The subscription price was \$25.00 per unit. The initial net asset value, after deducting costs of issue, was \$23.20 per unit. Limited partners of NCE Diversified Flow-Through (06) Limited Partnership received cumulative tax deductions of \$25.00 per unit to December 31, 2006. The net asset value per unit as of November 30, 2007 was \$17.98.

NCE Diversified Flow-Through (06-2) Limited Partnership raised total gross proceeds of \$65 million, with a final closing having been completed on September 7, 2006. The initial net asset value, after deducting costs of issue, was \$23.02 per unit. Limited partners of NCE Diversified Flow-Through (06-2) Limited Partnership received cumulative tax deductions of \$25.00 per unit to December 31, 2006. The net asset value per unit as of November 30, 2007 was \$21.30.

NCE Diversified Flow-Through (07) Limited Partnership raised total gross proceeds of \$198.2 million, with a final closing having been completed on February 22, 2007. The initial net asset value, after deducting costs of issue, was \$23.22 per unit. Cumulative tax deductions will be calculated at the end of the first fiscal year of the partnership, being December 31, 2007. As a result, such information is not currently available. The net asset value per unit as of November 30, 2007 was \$15.86.

NCE Diversified Flow-Through (07-2) Limited Partnership raised total gross proceeds of \$50 million, with a final closing having been completed on September 27, 2007. The initial net asset value, after deducting costs of

issue, was \$22.94 per unit. Cumulative tax deductions will be calculated at the end of the first fiscal year of the partnership, being December 31, 2007. As a result, such information is not currently available. The net asset value per unit as of November 30, 2007 was \$17.01.

For illustrative purposes, an annual compounded rate of return after tax savings for the Prior Partnerships listed below is included in the table set out below, calculated on the basis of certain assumptions that are set out in the footnotes to the table. Generally, it is assumed that an investor is able to deduct the subscription price per unit against income for income tax purposes and the subsequent disposition of an investment will result in a capital gain. The indicated after-tax rates of return are based on a number of assumptions set out in the notes to the chart and do not take into account the time value of money. The actual after-tax rates of return may be different. Actual after-tax rates of return for an investor will vary depending on a number of factors including date of disposition<sup>(1)</sup>, subscription rebates paid, marginal tax rates, receipt of distributions, actual capital gain inclusions<sup>(1)</sup> and actual deductions or credits received and the timing of such inclusions, deductions or credits. The Prior Partnerships have raised total gross proceeds in excess of \$1.1 billion.

Historical rates of return after tax saving for the Prior Partnerships, which invest primarily in resource issuers involved in oil and gas exploration, development and/or production, will vary over time, primarily as a result of changes in the values of underlying portfolio securities. Certain of the investment criteria for the Partnership differ from the investment criteria of the Prior Partnerships, including the fact that the Partnership does not have any limitation on investment in Resource Companies engaged in mineral exploration, development and/or production. **For this and other reasons, historical performance of the Prior Partnerships may not be indicative for the Partnership.**

Investors In	Per Unit		
	Gross Proceeds Raised (\$ million)	Cumulative Tax Deductions <sup>(2)</sup> (\$/Unit)	Annual Compounded Rate of Return During Investment Period After Tax Savings <sup>(3)(4)</sup> (%)
NCE Resource (97) Limited Partnership . . . . .	23.6	25.00	-6.70%
NCE Flow-Through (98) Limited Partnership <sup>(5)</sup> . . . . .	33.8	22.52	29.48%
NCE Flow-Through (99) Limited Partnership <sup>(5)</sup> . . . . .	25.7	23.30	50.88%
NCE Flow-Through (2000-1) Limited Partnership . . . . .	19.6	24.77	17.01%
NCE Flow-Through (2000-2) Limited Partnership . . . . .	16.7	24.95	22.82%
NCE Flow-Through (2001-1) Limited Partnership . . . . .	38.4	25.00	15.88%
NCE Flow-Through (2001-2) Limited Partnership . . . . .	25.8	25.00	20.04%
NCE Flow-Through (2002-1) Limited Partnership . . . . .	33.1	25.00	25.35%
NCE Flow-Through (2002-2) Limited Partnership . . . . .	20.0	24.76	26.11%
NCE Flow-Through (2003) Limited Partnership . . . . .	38.4	25.00	27.35%
NCE Flow-Through (2003-2) Limited Partnership . . . . .	50.0	24.27	26.78%
NCE Flow-Through (2004) Limited Partnership . . . . .	99.2	25.00	27.02%
NCE Diversified Flow-Through (04) Limited Partnership . . . . .	50.0	25.00	33.05%
NCE Diversified Flow-Through (05) Limited Partnership . . . . .	86.9	25.00	47.40%
NCE Diversified Flow-Through (05-2) Limited Partnership . . . . .	75.0	25.00	8.93%
NCE Diversified Flow-Through (06) Limited Partnership . . . . .	192.7	25.00	n.a. <sup>(6)</sup>
NCE Diversified Flow-Through (06-2) Limited Partnership . . . . .	65.0	25.00	n.a. <sup>(6)</sup>
NCE Diversified Flow-Through (07) Limited Partnership . . . . .	198.2	n.a.	n.a. <sup>(6)</sup>
NCE Diversified Flow-Through (07-2) Limited Partnership . . . . .	50.0	n.a.	n.a. <sup>(6)</sup>

For comparative purposes, the table below sets out the annual compounded pre-tax historical rates of return for the TSX Oil & Gas Index, the TSX Oil & Gas Producers Index and the S&P/TSX Index during the investment period of each of the following Prior Partnerships.

<u>During Investment Period of<sup>(3)</sup></u>	<u>Annual Compounded Pre-Tax Return</u>		
	<u>TSX Oil &amp; Gas Index<sup>(7)(8)</sup></u>	<u>TSX Oil &amp; Gas Producers Index<sup>(7)(8)</sup></u>	<u>S&amp;P/TSX Index<sup>(7)(8)</sup></u>
NCE Resource (97) Limited Partnership . . . . .	11.04%	15.27%	14.73%
NCE Flow-Through (98) Limited Partnership . . . . .	22.36%	18.67%	34.31%
NCE Flow-Through (99) Limited Partnership . . . . .	47.29%	48.35%	3.09%
NCE Flow-Through (2000-1) Limited Partnership . . . . .	25.21%	25.96%	- 15.81%
NCE Flow-Through (2000-2) Limited Partnership . . . . .	21.90%	20.97%	- 9.63%
NCE Flow-Through (2001-1) Limited Partnership . . . . .	6.61%	5.94%	- 9.97%
NCE Flow-Through (2001-2) Limited Partnership . . . . .	9.30%	8.77%	- 9.98%
NCE Flow-Through (2002-1) Limited Partnership . . . . .	21.00%	21.43%	19.58%
NCE Flow-Through (2002-2) Limited Partnership . . . . .	32.16%	34.42%	22.79%
NCE Flow-Through (2003) Limited Partnership . . . . .	35.85%	40.25%	20.50%
NCE Flow-Through (2003-2) Limited Partnership . . . . .	46.56%	57.57%	16.36%
NCE Flow-Through (2004) Limited Partnership . . . . .	108.23%	115.35%	42.53%
NCE Diversified Flow-Through (04) Limited Partnership . . . . .	76.37%	81.87%	33.42%
NCE Diversified Flow-Through (05) Limited Partnership . . . . .	44.41%	40.38%	36.08%
NCE Diversified Flow-Through (05-2) Limited Partnership . . . . .	6.81%	1.95%	22.28%

Notes:

- (1) The capital gains inclusion rate was reduced twice in the 2000 calendar year. Prior to February 28, 2000, three quarters of a limited partner's capital gain was a taxable capital gain; after February 27, 2000 and prior to October 18, 2000 two-thirds of a limited partner's gain was a taxable capital gain; and after October 17, 2000 and currently, one-half of a limited partner's capital gain is a taxable capital gain.
- (2) Cumulative tax deductions are determined as at December 31, 2006. Subject to the discussion in "Canadian Federal Income Tax Considerations", certain offering expenses and loss amounts are deductible over a five year period. Tax deductions reduce an investor's adjusted cost base for income tax purposes.
- (3) The rate of return has been calculated on an annual compounded basis for the following investment periods:

<u>Prior Partnership</u>	<u>Investment Period</u>
NCE Resource (97) Limited Partnership . . . . .	October 1, 1997 to March 28, 2000
NCE Flow-Through (98) Limited Partnership . . . . .	November 2, 1998 to June 20, 2000
NCE Flow-Through (99) Limited Partnership . . . . .	December 7, 1999 to May 29, 2001
NCE Flow-Through (2000-1) Limited Partnership . . . . .	August 1, 2000 to April 30, 2002
NCE Flow-Through (2000-2) Limited Partnership . . . . .	December 19, 2000 to May 15, 2002
NCE Flow-Through (2001-1) Limited Partnership . . . . .	July 31, 2001 to April 8, 2003
NCE Flow-Through (2001-2) Limited Partnership . . . . .	November 30, 2001 to April 8, 2003
NCE Flow-Through (2002-1) Limited Partnership . . . . .	September 3, 2002 to March 25, 2004
NCE Flow-Through (2002-2) Limited Partnership . . . . .	November 26, 2002 to March 25, 2004
NCE Flow-Through (2003) Limited Partnership . . . . .	May 28, 2003 to February 9, 2005
NCE Flow-Through (2003-2) Limited Partnership . . . . .	October 30, 2003 to February 9, 2005
NCE Flow-Through (2004) Limited Partnership . . . . .	April 28, 2004 to March 8, 2006
NCE Diversified Flow-Through (04) Limited Partnership . . . . .	October 5, 2004 to March 8, 2006
NCE Diversified Flow-Through (05) Limited Partnership . . . . .	February 24, 2005 to February 7, 2007
NCE Diversified Flow-Through (05-2) Limited Partnership . . . . .	October 5, 2005 to February 7, 2007

- (4) The rate of return has been calculated on an annual compounded basis during the investment period of each of the applicable Prior Partnerships, assuming: (i) that the full subscription price (average subscription price in the case of NCE Flow-Through (98) Limited Partnership and NCE Flow-Through (99) Limited Partnership where subscription rebates were provided) per unit invested was deducted by investors for income tax purposes such that the calculation is based upon the net amount invested after accounting for the assumed tax savings; (ii) a combined federal and provincial marginal income tax rate of 47% and one-half of capital gains are taxable in

computing an investor's income; (iii) each unit had an adjusted cost base of nil; and (iv) disposition proceeds equal to the net asset value per unit of NCE Resource (97) Limited Partnership on March 28, 2000, NCE Flow-Through (98) Limited Partnership on June 20, 2000, NCE Flow-Through (99) Limited Partnership on May 29, 2001, NCE Flow-Through (2000-1) Limited Partnership on April 30, 2002, NCE Flow-Through (2000-2) Limited Partnership on May 15, 2002, NCE Flow-Through (2001-1) Limited Partnership on April 8, 2003, NCE Flow-Through (2001-2) Limited Partnership on April 8, 2003, NCE Flow-Through (2002-1) Limited Partnership on March 25, 2004, NCE Flow-Through (2002-2) Limited Partnership on March 25, 2004, NCE Flow-Through (2003) Limited Partnership on February 9, 2005, NCE Flow-Through (2003-2) Limited Partnership on February 9, 2005, NCE Flow-Through (2004) Limited Partnership on March 8, 2006, NCE Diversified Flow-Through (04) Limited Partnership on March 8, 2006, NCE Flow-Through (05) Limited Partnership on February 7, 2007 and NCE Flow-Through (05-2) Limited Partnership on February 7, 2007 (being the respective dates of the liquidity alternative rollover transaction) were \$12.00, \$17.68, \$27.73, \$19.55, \$19.34, \$19.10, \$19.48, \$21.64, \$19.95, \$21.71, \$19.79, \$22.29, \$21.70, \$35.75 and \$19.43, respectively. Actual returns may differ from those set out above.

- (5) In the case of NCE Flow-Through (98) Limited Partnership and NCE Flow-Through (99) Limited Partnership, calculations are based on the average subscription price after giving effect to subscription rebates.
- (6) The investment period of this Prior Partnership has not been completed.
- (7) The TSX indices rates of return are based on the change in the value of the applicable index over the investment period and do not include any reinvestment of dividends or distributions and are calculated on an annual compounded pre-tax basis.
- (8) Source: TSX Market Data Services.

### **Initial Fees and Expenses**

The expenses of this Offering are estimated to be \$900,000 in the case of the Maximum Offering and \$312,500 in the case of the Minimum Offering and include the costs of creating and organizing the Partnership, the costs of printing and preparing this prospectus, legal expenses of the Partnership, marketing expenses and legal and other out-of-pocket expenses incurred by the Agents and other incidental expenses. Such costs will be paid by the Partnership from the proceeds of the Loan Facility.

In addition, commissions of \$1.6875 per Unit will be paid to the Agents as described under "Plan of Distribution".

### **Management Fee**

The General Partner will manage the ongoing business and administrative affairs of the Partnership. As stated in the Partnership Agreement, the General Partner will be paid the Management Fee. The Management Fee will be paid quarterly based on the Net Asset Value of the Partnership on the Valuation Date for the preceding quarter.

The Net Asset Value of the Partnership and per Unit will be calculated at each Valuation Date and will be independently audited by the Partnership's auditors, in accordance with Canadian generally accepted auditing standards, as at December 31 in each year.

The Partnership will pay the costs of this Offering and all of the Partnership's administrative and operating expenses which include administration fees, expenses relating to investment transactions (including finder's fees, if any), taxes, legal, audit and valuation fees, Limited Partner reporting costs, registrar and transfer agency costs, printing and mailing costs and costs to be incurred in connection with the Partnership's continuous public filing obligations, and the ongoing management fee payable to the General Partner. The General Partner is responsible for its own overhead costs, including office facilities, equipment and employees, and for amounts to be paid to Sentry Select Capital Corp. for administrative and other services provided by it to the Partnership on behalf of the General Partner. The General Partner is also responsible for amounts payable to Sentry Select Capital Corp. in respect of certain services provided to the Partnership. See "The Partnership and The General Partner — Sentry Select Capital Corp."

The Agents will receive a 20% interest in the Management Fee payable to the General Partner as an incentive (see “Plan of Distribution”). This interest will be assigned by the Agents to their sub-agents on a *pro rata* basis in accordance with sales made by such sub-agents.

### **Sentry Select Capital Corp.**

Sentry Select Capital Corp. is a portfolio manager which has been retained by the General Partner to provide advice on and manage the investment portfolio of the Partnership pursuant to an Investment Management Agreement among the General Partner, Sentry Select Capital Corp. and Petro Assets Inc. Sentry Select Capital Corp. will receive 12.5% of the Management Fee, which will be calculated and paid quarterly by the General Partner out of the Management Fee paid to the General Partner. The fees due to Sentry Select Capital Corp. under the Investment Management Agreement are paid by the General Partner and are not reimbursed by the Partnership.

Sentry Select Capital Corp. will also provide the General Partner with administrative and other services, office facilities, equipment and staff as required and the General Partner will reimburse Sentry Select Capital Corp. for such services, the cost of which will be borne by the General Partner and not reimbursed by the Partnership.

The principal office of Sentry Select Capital Corp. is located at The Exchange Tower, 130 King Street West, Suite 2850, P.O. Box 104, Toronto, Ontario M5X 1A4.

Sentry Select Capital Corp. provides investment management and portfolio management services to mutual funds, including Sentry Select Fund, and closed-end trusts. The officers of Sentry Select Capital Corp. who will be primarily responsible for managing the Partnership’s portfolio are Glenn G. MacNeill, Kevin R. MacLean, J. Alexander (Sandy) McIntyre, Gordon R. Higgins and Laura Lau.

As of November 30, 2007 Sentry Select Capital Corp. had assets under management of approximately \$8 billion (with over \$3 billion in natural resources sector related investments).

#### *Glenn G. MacNeill, Vice-President, Investments*

Mr. MacNeill is Vice-President, Investments of Sentry Select Capital Corp., having responsibility for Sentry Select Capital Corp.’s investment activities. Mr. MacNeill has more than 30 years of financial and petroleum related experience, including portfolio management, corporate finance and equity/debt analysis. Prior to joining Sentry Select Capital Corp. in April 1999, Mr. MacNeill served as an oil and gas research analyst at HSBC Securities and an energy equity analyst with Scotia Capital Markets, where he covered integrated oil companies and a selection of petroleum companies. Mr. MacNeill also served as a portfolio manager with Imperial Life/Laurentian Financial Inc. for six years. Mr. MacNeill is currently the portfolio manager of Sentry Select Energy Growth Fund, Sentry Select Canadian Resource Class and all NCE Flow-Through Investment Products. He is supported by a team of analysts and traders in Toronto and two consultants in Calgary. He and his investment team have extensive experience in oil and gas royalty trusts, energy companies and private investment opportunities. Total assets under Mr. MacNeill and his team’s direct management total approximately \$600 million, with another \$1.0 billion in energy assets in other Sentry Select Capital Corp. products. Mr. MacNeill is a Professional Engineer and received a Bachelor of Science Degree in Mechanical Engineering from Queen’s University in Kingston, Ontario.

#### *Kevin R. MacLean, Vice-President and Senior Portfolio Manager*

Mr. MacLean has over 28 years of experience in the Canadian resource sector, with particular emphasis on mining and precious metals and energy. From 1989 to 1997, he was Vice-President and Senior Portfolio Manager at Cavelti Capital Management Ltd., where he managed almost \$500 million in precious metals and resource investments. From 1997 to 2001, he was a Gold Mining Equity Analyst for RBC Capital Markets, and in 2001, received number one analyst rankings in the Precious Metals and Diamonds category by Brendan Woods Analyst Rankings. He obtained a B.Ap.Sc Degree in Engineering Science from the University of Toronto in 1977 and received his CFA designation in 1988.

*J. Alexander (Sandy) McIntyre, Senior Vice-President and Senior Portfolio Manager*

Mr. McIntyre is Senior Vice-President and Senior Portfolio Manager of Sentry Select Capital Corp. Mr. McIntyre has over 30 years of investment management experience and specializes in oil and gas royalty trusts, commercial and industrial income trusts and REITs. Mr. McIntyre and his team of analysts manage approximately \$3.2 billion in income fund assets. Prior to joining Sentry Select Capital Corp. in 2000, Mr. McIntyre spent 20 years with Jones Heward Investment Management Inc., a wholly owned subsidiary of the Bank of Montreal, where he was a member of the Investment Policy Committee with responsibility for high yield investments, including royalty and income trusts. He received a Bachelor of Arts from the University of Toronto in 1974, where he majored in English and Philosophy.

*Gordon R. Higgins, Vice-President, Equities*

Mr. Higgins is Vice-President, Equities of Sentry Select Capital Corp. Prior to joining Sentry Select Capital Corp. in May 2004, Mr. Higgins was Vice-President, North American Equities at Howson Tattersall/Lancet Asset Management and, prior to that, was Vice-President, Canadian Equities of Elliott & Page/Manulife Insurance. He graduated from the University of Toronto in 1983 with a Bachelor of Commerce degree and received his Masters in Business Administration from York University in 1987. Mr. Higgins also holds both the Chartered Accountant and Chartered Financial Analyst designations.

*Laura Lau, Senior Portfolio Manager*

Ms. Lau is a Senior Portfolio Manager with Sentry Select Capital Corp. Ms. Lau has over 13 years of experience in the financial services industry. Prior to joining Sentry Select Capital Corp. in May 2004, Ms. Lau worked as an Investment Analyst for three major mutual fund companies. Ms. Lau received her Chartered Financial Analyst designation in 2003. She graduated from the University of Toronto with a Bachelor of Applied Science Degree in Industrial Engineering in 1992. She has completed the Canadian Securities, Derivatives Fundamentals, Options Licensing, Futures Licensing, and Risk Management courses.

**Investment Advisory Arrangements**

Sentry Select Capital Corp. will identify, analyze and select investment opportunities, structure and negotiate prospective investments, make investments for the Partnership in securities, monitor the performance of Resource Companies, and determine the timing, terms, and method of disposition of investments. Pursuant to the Investment Management Agreement, Sentry Select Capital Corp. has agreed to act at all times on a basis which is fair and reasonable to the Partnership, to act honestly and in good faith with a view to the best interests of the Limited Partners and, in connection therewith, to exercise the degree of care, diligence, and skill that a reasonably prudent portfolio manager would exercise in comparable circumstances. The Investment Management Agreement provides that Sentry Select Capital Corp. will not be liable in any way for any failure, depreciation or loss of any investment or investments of the Partnership if it has satisfied the duties and the standard of care, diligence, and skill set forth above. Sentry Select Capital Corp. will incur liability, however, in cases of willful misconduct, bad faith, negligence or disregard of its duties or standards of care, diligence and skill.

Sentry Select Capital Corp. will, prior to December 31, 2008, endeavour to invest the Proceeds Available for Investment primarily in Flow-Through Shares of Resource Companies. Decisions as to the purchase and sale of portfolio securities and decisions as to the execution of all portfolio transactions will be made by Sentry Select Capital Corp. In the purchase and sale of securities for the Partnership, Sentry Select Capital Corp. will seek to obtain overall services and prompt execution of orders on favourable terms.

The Investment Management Agreement, unless terminated as described below, will continue until the termination of the Partnership. Either Sentry Select Capital Corp. or the General Partner may terminate the Investment Management Agreement, upon 30 days written notice (or such lesser period as is provided for in the Investment Management Agreement) of such termination delivered to Sentry Select Capital Corp. or the General Partner, as applicable.

In the event that the Investment Management Agreement is terminated as provided above, the General Partner shall appoint, in its sole discretion, a successor investment advisor to carry out the activities of Sentry Select Capital Corp.

The services of the senior officers of Sentry Select Capital Corp. are not exclusive to the Partnership. As the Partnership and Sentry Select Capital Corp.'s other clients may hold securities in one or more of the same issuers, conflicts of interest may arise from time to time in allocating investment opportunities, timing investment decisions and exercising rights in respect of and otherwise dealing with such securities and issuers. Sentry Select Capital Corp. will address such conflicts of interest with regard to the investment objectives of each of the parties involved and will act in accordance with the duty of care owed to each of them.

Sentry Select Capital Corp. also acts as the manager of Sentry Select Fund.

### **Independent Review Committee**

On December 19, 2007, the directors of the General Partner appointed Michael Gourley (Chair), Marie Rounding and David Gavsie as members of its independent review committee, in accordance with National Instrument 81-107 — *Independent Review Committee for Investment Funds* ("NI 81-107"). The General Partner will refer to the committee all conflict of interest matters, including any policies and procedures, for a recommendation or approval, as applicable, regarding whether the proposed action of the General Partner in respect of a conflict of interest matter achieves a fair and reasonable result.

The General Partner has established written policies and procedures for dealing with conflict of interest matters, maintaining records in respect of such matters and providing assistance to the independent review committee in carrying out its obligations. The independent review committee is required to be comprised of a minimum of three independent members, and is required to conduct regular assessments and provide reports to the General Partner and the Limited Partners in respect of its functions at least annually.

Sentry Select Capital Corp. is the manager of the General Partner's investment portfolio and is also the manager of a number of publicly offered investment funds. Sentry Select Capital Corp. has implemented procedures necessary to comply with NI 81-107. Sentry Select Capital Corp. is under a statutory duty imposed by the *Securities Act* (Ontario) to act honestly and in good faith and in the best interests of the funds managed by Sentry Select Capital Corp. and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the same circumstances.

The Partnership will pay the fees and expenses of the independent review committee which relate to the Partnership.

### **NCE Resources Group**

The General Partner is a member of the NCE Resources Group, which was formed in 1984 as an oil and gas investment management organization specializing in energy investments and providing a full range of technical, operational, administrative and investor services. Since 1984, the NCE Resources Group has invested or managed the investment of more than \$3.9 billion in the acquisition, development and exploration of resource properties and securities of resource issuers and has entered into drilling, joint venture and other similar arrangements with oil and gas industry participants. No member of the NCE Resources Group has guaranteed the performance of the Partnership.

### **Policy on Proxy Voting**

Subject to compliance with the provisions of applicable securities law, Sentry Select Capital Corp., in its capacity as manager of the Partnership's investment portfolio, has the right to vote proxies relating to the securities of Resource Companies in the Partnership's investment portfolio. In all cases, proxies must be voted in a manner consistent with the best interests of the Partnership and its Limited Partners.

### ***Proxy Voting Guidelines***

The General Partner has developed guidelines to illustrate how it intends to vote on both routine issues and on issues that are not routine and, in fact, may be potentially contentious. Generally, Sentry Select Capital Corp. attempts to vote all proxies and will do so in accordance with the General Partner's policy on proxy voting.

On routine, or commonly raised issues, the General Partner will vote according to management's recommendations. This standing policy will be deviated from if the General Partner believes there is sufficient and worthy reason to suspect that the management recommendation should not be supported in that it is not in the best interests of the shareholders of that particular company. In this case, the matter would be considered by the portfolio manager for the fund, who will make the decision.

On non-routine issues, and issues which may be potentially contentious, the matter is delegated to the portfolio manager for the fund for further consideration and, if necessary, the matter will be directed to Sentry Select Capital Corp.'s investment team. At that time, the issue is reviewed in detail. It is then the investment team's decision on whether to consult with, and obtain the opinion of, external industry experts or independent proxy research services. Ultimately, the investment team is responsible for making the judgment as to how to vote or to refrain from voting.

These proxy voting guidelines are not viewed as a strict set of rules but, rather, are utilized as a directive regarding the treatment of most issues that result in a vote. Ultimately, these guidelines communicate the General Partner's general voting practice on most matters.

### ***Disclosure of Proxy Voting Guidelines and Record***

A copy of the General Partner's proxy voting guidelines and the most recent proxy voting record for the Partnership for the most recent period ended June 30 of each year beginning in 2008 will be sent, upon request, to securityholders of the Partnership at any time after August 31 of that year.

### **USE OF PROCEEDS**

The Partnership intends to use the Gross Proceeds from the sale of Units as follows:

	<u>Maximum Offering</u>	<u>Minimum Offering</u>
Gross Proceeds to Partnership . . . . .	\$200,000,000	\$25,000,000
Partnership expenses payable in 2008 . . . . .	\$ Nil	\$ Nil
Proceeds Available for Investment . . . . .	<u>\$200,000,000</u>	<u>\$25,000,000</u>

The Agents' commissions amounting to \$13,500,000 in the case of the Maximum Offering and \$1,687,500 in the case of the Minimum Offering and the expenses of issue (estimated to be \$900,000 in the case of the Maximum Offering and \$312,500 in the case of the Minimum Offering) will be paid from the proceeds of the Loan Facility. See "Investment Details — Loan Facility".

The Partnership will use the Proceeds Available for Investment to subscribe for Flow-Through Shares in accordance with the investment criteria and restrictions set out under "Investment Details — Investment Objectives, Criteria and Restrictions".

Any Proceeds Available For Investment that have not been committed by the Partnership to purchase Flow-Through Shares on or before December 31, 2008, will be used to repay the Loan Facility in full and the balance, if any, will be distributed on or prior to January 15, 2009 on a *pro rata* basis to Limited Partners of record on December 31, 2008.

Pending the investment of the Proceeds Available for Investment in Resource Companies, all such Proceeds Available for Investment will be invested in High Quality Money Market Instruments.

**An investment in Units is appropriate only for investors who have a capacity to absorb a loss of their investment. If an investor is not willing to rely on the sole discretion and judgment of the General Partner, which has no operating or investment history and is expected to have only nominal assets, or Sentry Select Capital Corp., such investor should not subscribe for Units. The tax benefits from an investment are greatest for an individual investor where such individual's income is subject to the highest marginal tax rate. Regardless of any tax benefits that may be obtained, a decision to purchase Units should be based primarily on an appraisal of the merits of the investment and on an investor's ability to bear a loss of his, her or its investment. Investors should obtain independent tax advice from a tax advisor who is knowledgeable in the area of income tax law in order to determine the applicable tax advantages.**

## CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Macleod Dixon LLP, counsel to the Partnership and the General Partner, and Blake, Cassels & Graydon LLP, counsel to the Agents, the following is a summary, as of the date of this prospectus, of the principal Canadian federal income tax consequences for a Limited Partner purchasing Units pursuant to this Offering. This summary only applies to Limited Partners who are and remain, at all relevant times, resident in Canada for purposes of the Tax Act and who will hold their Units as capital property. Units will generally be considered to be capital property to a Limited Partner unless such Limited Partner holds Units in the course of carrying on a business or has acquired the Units as an adventure in the nature of trade. This summary also assumes that: (i) Flow-Through Shares of Resource Companies to be acquired by the Partnership will be capital property to the Partnership; (ii) all partners of the Partnership are and will be resident in Canada at all relevant times; and (iii) interests in the Partnership that represent more than 50% of the fair market value of all interests in the Partnership are not and will not be held by a "financial institution" (as that term is defined in the Tax Act) at all relevant times.

Unless stated otherwise, this summary assumes that recourse for any financing by a Limited Partner of the Subscription Price for Units is not limited and is not deemed to be limited for purposes of the Tax Act. Generally speaking, any Limited Partner who acquires Units with a financing where the recourse against the Limited Partner is limited, which has a term in excess of ten years (which may include a demand loan) or in respect of which interest is not paid annually within 60 days after the end of each taxation year at a rate equal to or greater than the lesser of the prescribed rate under the Tax Act in effect (i) at the time the indebtedness arose; and (ii) from time to time during the term of the indebtedness, will have, or will be deemed to have, incurred a limited recourse amount such that all or a portion of the deductions set out herein may not be available to the Limited Partners (see "Canadian Federal Income Tax Considerations — Limitation on Deductibility of Expenses or Losses of the Partnership"). Limited Partners who intend to borrow to finance the purchase of Units should consult their own tax advisors.

This summary assumes that a Limited Partner will at all relevant times deal at arm's length, for purposes of the Tax Act, with the Partnership and with each of the Resource Companies with which the Partnership has entered into a Flow-Through Investment Agreement. This summary is not applicable to a Limited Partner (i) that is a "financial institution" for the purposes of subsection 142.2(1) of the Tax Act, (ii) that is a "principal business corporation" for purposes of subsection 66(15) of the Tax Act, (iii) whose business includes trading or dealing in rights, licenses or privileges to explore for, drill for or take minerals, petroleum, natural gas or other related hydrocarbons, (iv) an interest in which is a "tax shelter investment" for purposes of subsection 143.2(1) of the Tax Act, or (v) that make a functional currency reporting election.

This summary is based upon the assumption that the Partnership is not, and will not at any relevant time be, a "specified person", for purposes of subsection 6202.1(5) of the regulations to the Tax Act (the "Regulations") in relation to any Resource Company with which it has entered into a Flow-Through Investment Agreement.

This summary assumes that Sentry Select Fund (or such other mutual fund referred to in the definition of Liquidity Transaction) will qualify as a "mutual fund corporation" for purposes of the Tax Act at all material times and that Sentry Select Fund (or such other mutual fund) will not be an "investment corporation" for purposes of the Tax Act.

The income tax consequences for a Limited Partner will depend upon a number of factors, including whether the Units held by the Limited Partner are characterized as capital property, the province or territory in which the Limited Partner resides, carries on business or has a permanent establishment, the amount that would be the Limited Partner's taxable income but for the interest in the Partnership, and the legal status of the Limited Partner as an individual, corporation, trust or partnership.

**This is only a general summary and investors should not consider it to be legal or tax advice. Each investor should obtain independent advice from a tax advisor who is knowledgeable in the area of income tax consequences of investing in the Partnership based on the investor's own particular circumstances. This summary does not address the deductibility of interest by a Limited Partner in respect of any borrowing used to acquire Units of the Partnership. Limited Partners that have used borrowed funds to acquire Units should consult their own tax advisors in this regard.**

This summary is based upon the current provisions of the Tax Act, the Regulations and counsel's understanding of the current administrative practices of the Canada Revenue Agency ("CRA"). The summary also takes into account all specific proposals to amend the Tax Act and Regulations publicly announced by the Minister of Finance (Canada) prior to the date hereof (the "Tax Proposals"). There is no certainty that the Tax Proposals will be enacted in the form proposed, if at all. This summary does not otherwise take into account or anticipate any changes in laws whether by judicial, governmental or legislative decision or action nor does it take into account provincial or foreign income tax legislation or considerations.

### **Computation of Income**

The Partnership itself is not liable for income tax but is required to file an annual information return. The Partnership is required to compute its Income (or Loss) in accordance with the provisions of the Tax Act for each of its fiscal periods as if it were a separate person resident in Canada, but without taking into account, among other things, the amount of CEE renounced to it in respect of a subscription for Flow-Through Shares. Subject to the restrictions described below under "Limitation on Deductibility of Expenses or Losses of the Partnership", each Limited Partner will be required to include (or be entitled to deduct) in computing income, a proportionate share of the Income (or Loss) of the Partnership as allocated pursuant to the Partnership Agreement for the fiscal period of the Partnership ending in the Limited Partner's taxation year. A Limited Partner's share of the Partnership's Income (or Loss) must be included in determining the Limited Partner's income (or loss) for the year, whether or not any distribution of Income has been made by the Partnership. The fiscal year of the Partnership ends on December 31 and will end as a result of the dissolution of the Partnership.

Amounts renounced to the Partnership as CEE will be taken into account directly by the Limited Partners in computing their income as described below. The Income of the Partnership will include the taxable portion of capital gains (one-half of a capital gain) that may arise on the disposition of Flow-Through Shares. The Tax Act deems the cost to the Partnership of any Flow-Through Share which it acquires to be nil and, therefore, the amount of such capital gain will generally equal the proceeds of disposition of the Flow-Through Shares, net of any reasonable costs of disposition. The Income of the Partnership will also include any interest earned on funds held by the Partnership prior to investment in Flow-Through Shares.

The costs associated with the organization of the Partnership will not be fully deductible by the Partnership in determining its Income for the fiscal period in which they are incurred. Subject to the discussion below under the heading "October 31, 2003 Tax Proposals", organization expenses incurred by the Partnership are eligible capital expenditures, three-quarters of which may be deducted by the Partnership at the rate of 7% per year on a declining balance basis. Counsel has been advised that the Partnership will borrow sufficient funds to pay the Agents' commissions and expenses of issue that it will incur in respect of this Offering and the Management Fee. The unpaid principal amount of such borrowing will be deemed to be a limited recourse amount of the Partnership the effect of which will be to reduce, for purposes of the Tax Act, the amount of the expenses paid with the borrowing by such unpaid principal amount. As a result, the Partnership will not be permitted to deduct any portion of the amount by which such expenses are reduced in computing its Income in the year the expenses are incurred. As the principal amount of such borrowing is repaid, the expenditures will be deemed to have been incurred to the extent of the repayment, provided the repayment is not part of a series of loans or other indebtedness. Therefore, subject to the discussion below under the heading "October 31, 2003 Tax Proposals",

such Agents' commissions and expenses of issue (to the extent that they are reasonable in amount) will generally be deductible by the Partnership as to 20% in the year of repayment, and as to 20% in each of the four subsequent years. The Partnership will not be entitled to deduct any amount in respect of such expenses in the fiscal year ending on its dissolution. Subject to the discussion below under the heading "October 31, 2003 Tax Proposals", after dissolution of the Partnership, Limited Partners will be entitled to deduct, at the same rate, their *pro rata* share of any such expenses that were not deductible by the Partnership. The adjusted cost base of a Limited Partner's Units will be reduced on dissolution of the Partnership by the Limited Partner's share of such expenses. Counsel has been advised and for purposes of this summary it is assumed that the Partnership will have repaid all amounts borrowed by the Partnership, including all interest accrued thereon, prior to dissolution and therefore that all expenses paid for with borrowed funds will have been deemed to have been incurred by the Partnership prior to such time.

### **Specified Investment Flow-Through Entity Rules (the "SIFT Rules")**

The SIFT Rules apply to certain publicly traded income trusts and partnerships. Units will not be listed or traded on an exchange and provided that there is no trading system or organized facility on which the Units are listed or traded (excluding a facility that is operated solely to carry out the issuance or redemption, acquisition or cancellation of Units), the Partnership should not be subject to the SIFT Rules. If the SIFT Rules were to apply to the Partnership, the tax consequences to the Partnership and the Limited Partners may be materially and, in some respects, adversely different from those described in this prospectus.

### **October 31, 2003 Tax Proposals**

Pursuant to draft proposed amendments to the Tax Act released by the Department of Finance on October 31, 2003 (the "October 31, 2003 Proposals"), a taxpayer, which would include the Partnership and the Limited Partners for this purpose, will only have a loss for a taxation year from a particular source that is a business or property if, in that year, it is reasonable to expect that the taxpayer will realize a cumulative profit from the business or property. The October 31, 2003 Proposals expressly provide that profit for this purpose will not include capital gains or losses. In February, 2005, the Minister of Finance (Canada) announced that alternative proposals to replace the October 31, 2003 Proposals would be released for comment at an early opportunity. No such alternative proposals have been released to date. There can be no assurance that such alternative proposals will not adversely affect Limited Partners.

### **Eligible Expenditures**

Generally, an issuer of Flow-Through Shares may incur Eligible Expenditures, which are available for renunciation on or after the date it is incurred, commencing on the date of the Flow-Through Investment Agreement. Provided that certain conditions in the Tax Act are complied with, the Partnership will be deemed to have incurred, on the effective date of renunciation, the Eligible Expenditures that have been renounced to the Partnership by a Resource Company pursuant to a Flow-Through Investment Agreement entered into by the Partnership and the Resource Company.

If certain conditions in the Tax Act are met, certain Eligible Expenditures incurred in a particular calendar year may be renounced effective December 31 of the preceding calendar year and as such the Eligible Expenditures will be deemed to be CEE to Limited Partners effective on December 31 of such preceding calendar year. The Flow-Through Investment Agreements entered into during 2008 may permit a Resource Company to incur certain Eligible Expenditures at any time up to December 31, 2009 provided that the Resource Company agrees, and is entitled, to renounce such Eligible Expenditures to the Partnership on or before March 31, 2009 with an effective date of December 31, 2008. To the extent Resource Companies do not incur the requisite amount of Eligible Expenditures on or before December 31, 2009, the Partnership's CEE, and consequently the CEE of the Limited Partners, will be adjusted downwards effective in the prior year. However, none of the Limited Partners will be charged interest before May 1, 2010 by the CRA on any unpaid tax resulting from such a reduction. The Resource Companies in such circumstances would be responsible for the payment of a special tax under Part XII.6 of the Tax Act to the extent that funds are not expended by the end of February of the particular year (being 2009 in the aforementioned example) and a penalty will be imposed on

such Resource Companies to the extent that the renounced expenditures are not actually incurred by the end of 2009.

Counsel has been advised that each Flow-Through Investment Agreement will contain covenants and representations of the Resource Company to the effect that the Eligible Expenditures incurred by the Resource Company in an amount equal to the aggregate purchase price payable for the Flow-Through Shares acquired under such Flow-Through Investment Agreement can be renounced to the Partnership with an effective date of not later than December 31, 2008. Counsel has been advised that the Flow-Through Investment Agreements will require that the Resource Companies expend the full amount committed by the Partnership on or before December 31, 2009 and renounce such expenditures to the Partnership on or before March 31, 2009 with an effective date of not later than December 31, 2008.

A Limited Partner who continues to be a Limited Partner at the end of a particular fiscal period of the Partnership, will be entitled to include in the computation of the Limited Partner's cumulative CEE the Limited Partner's share of the CEE renounced to the Partnership effective in that fiscal period calculated on a *pro rata* basis based on the number of Units held by such Limited Partner at the end of the applicable fiscal period, or in the event of the dissolution of the Partnership, on the date of dissolution. A Limited Partner's share of CEE incurred by the Partnership in a fiscal year is limited to the Limited Partner's "at-risk" amount in respect of the Partnership at the end of the fiscal year. If the Limited Partner's share of the CEE is so limited, any excess will be added to the Limited Partner's share, as otherwise determined, of the CEE incurred by the Partnership for the immediately following fiscal year (and will be potentially subject to the application of the "at-risk" rules in that year). In the computation of income for tax purposes from all sources for a taxation year, an individual or a corporation may deduct up to 100% of cumulative CEE. Certain restrictions apply in respect of the deduction of cumulative CEE following an acquisition of control of, or certain corporate reorganizations involving, a corporate Limited Partner.

Cumulative CEE not deducted may be carried forward indefinitely subject to certain restrictions applicable to corporations that undergo an acquisition of control or enter into certain other specified transactions. Cumulative CEE at any time is reduced by deductions of CEE by a Limited Partner made in prior taxation years, by a Limited Partner's share of any amount of assistance or benefits, in any form, that the Limited Partner or the Partnership receives or is entitled to receive in respect of CEE incurred or that can reasonably be related to Canadian exploration activities. CEE is also reduced by any ITCs for Flow-Through Mining Expenditures deducted by the Limited Partner in taxation years ending before that time. If, at the end of a taxation year, the reductions in calculating cumulative CEE exceed the additions thereto, the excess must be included in income for the taxation year and the cumulative CEE account will then be adjusted to a nil balance.

Any undeducted addition to a Limited Partner's cumulative CEE which has been allocated to a Limited Partner will remain with the Limited Partner after a disposition of the Limited Partner's Units. A Limited Partner's ability to deduct such expenses will not be restricted as a result of a prior disposition of Units unless a claim in respect of cumulative CEE has been previously reduced by virtue of the application of the "at-risk" rules. In such instances, the Limited Partner's future ability to deduct such expenses relating to the Partnership may be eliminated.

Certain corporations with a "taxable capital amount" as that term is defined in the Tax Act of not more than \$15,000,000 may, generally speaking, renounce up to \$1,000,000 annually of certain CDE to Subscribers for Flow-Through Shares ("Qualifying CDE"). Upon renunciation to the Partnership, Qualifying CDE is deemed to constitute CEE to the Partnership and becomes allocable by the Partnership to Limited Partners as CEE.

#### **Limitation on Deductibility of Expenses or Losses of the Partnership**

Subject to the "at-risk" rules and the October 31, 2003 Proposals discussed above, a Limited Partner's share of the business losses of the Partnership for any fiscal year may be applied against the Limited Partner's income from any other source to reduce net income for the relevant taxation year and, to the extent it exceeds other income for that year, generally may be carried back three years and forward twenty years and applied against taxable income of such other years.

The ability of a Limited Partner to deduct losses of the Partnership resulting from the deduction of Agents' commissions and expenses of issue upon the repayment of the funds borrowed to pay such expenses may be limited by the "at-risk" rules until the amount of Partnership Income (including the full amount of any Partnership capital gains) allocated to such Limited Partner less the amount of any distributions from the Partnership exceeds the aggregate of all losses of the Partnership allocated to the Limited Partner.

The Tax Act limits the amount of deductions, including CEE and losses, that a Limited Partner may claim as a result of an investment in the Partnership to the amount that the Limited Partner has contributed to the Partnership or otherwise has "at-risk" in respect thereof. Generally, a Limited Partner's "at-risk" amount will, subject to the detailed provisions of the Tax Act, be the amount actually paid for Units plus the amount of any Partnership Income (including the full amount of any Partnership capital gains) allocated to such Limited Partner for completed fiscal periods less the aggregate of the amount of any CEE renounced to the Limited Partner, the amount of any Partnership losses allocated to the Limited Partner and the amount of any distributions from the Partnership. A Limited Partner's "at-risk" amount may be reduced by certain benefits or in circumstances where amounts are owed to the Partnership by the Limited Partner.

The Tax Act contains additional rules that restrict the deductibility of certain amounts by persons who acquire a "tax shelter investment" for purposes of the Tax Act. The Units are "tax shelter investments" and have been registered with the CRA under the "tax shelter" registration rules. If any Limited Partner has funded the acquisition of Units with a financing for which recourse is or is deemed to be limited (a "limited recourse amount") for purposes of the Tax Act or has the right to receive certain amounts where such rights were granted for the purpose of reducing the impact of any loss that a Limited Partner may sustain by virtue of acquiring, holding or disposing of an interest in Units, the CEE, or other expenses incurred by the Partnership may be reduced by the amount of such financing to the extent that the financing can reasonably be considered to relate to such amounts. The Partnership Agreement provides that where CEE of the Partnership is so reduced the amount of CEE that would otherwise be allocated by the Partnership to the Limited Partner who incurs the limited-recourse financing shall be reduced by the amount of the reduction. Where the reduction of other expenses reduces the Loss of the Partnership, the Partnership Agreement provides that the General Partner will have the right to make a corresponding reduction in CEE and to the extent necessary an appropriate adjustment to the Income or Loss allocated to that Limited Partner. The cost of a Unit to a Limited Partner may also be reduced by the total of limited recourse amounts and "at-risk adjustments" that can reasonably be considered to relate to such Units held by the Limited Partner. Any such reduction may reduce the "at-risk" amount of the Limited Partner thereby reducing the amount of deductions otherwise available to the Limited Partner to the extent that deductions are not reduced at the Partnership level as described above.

A limited recourse amount means the unpaid principal of any indebtedness for which recourse is limited, either immediately or in the future and either absolutely or contingently. A limited recourse amount is also deemed to include:

- (a) debt bearing interest at less than the lesser of the rate prescribed by the Tax Act at the time the debt is incurred or the rate prescribed from time to time;
- (b) debt in respect of which bona fide written arrangements were not made, at the time the debt was incurred, for repayment of principal and interest within a reasonable period not exceeding 10 years (which may include a demand loan); and
- (c) debt in respect of which interest is not paid within 60 days after the end of the debtor's tax year.

**If an investor proposes to finance the acquisition of Units, such investor should consult with such investor's own tax advisors.**

### **Federal Investment Tax Credits**

A taxpayer who is an individual (other than a trust) and is a Limited Partner at the end of a fiscal period of the Partnership may, in computing such taxpayer's federal tax payable for the taxpayer's taxation year in which the fiscal period of the Partnership ends, be entitled to claim a non-refundable ITC of 15% of such Limited Partner's share of "Flow-Through Mining Expenditures" computed for the Partnership, for such fiscal period, as

if it were a person and its fiscal period were its taxation year. “Flow-Through Mining Expenditures” are generally CEE related to certain surface “grass roots” mining exploration expenses that are: (i) incurred or deemed to be incurred before 2009; and (ii) renounced in favour of the Partnership under a Flow-Through Investment Agreement made before March 31, 2008.

The 15% ITC reduces federal tax otherwise payable by the individual. Subject to the detailed rules in the Tax Act, the ITC may be carried back three years and forward 20 years. The individual’s taxpayer’s cumulative CEE at any time in a taxation year is reduced by the amount of the ITC claimed for a preceding year. If a taxpayer’s cumulative CEE at the end of a taxation year is negative, the negative balance must be included in income and is reset to nil. An amount equal to the ITC claimed will be deducted from the Limited Partner’s cumulative CEE account at the beginning of the following taxation year and if the Limited Partner’s cumulative CEE account is negative at the end of such following taxation year, the negative amount must be included in computing income in such following year.

### **Income Tax Withholdings and Instalments**

Limited Partners who are employees and have income tax withheld at source from remuneration paid by an employer may request the CRA to authorize a reduction of such withholding. The CRA, however, has a discretionary power whether or not to accede to such a request.

Limited Partners who are required to pay income tax on an instalment basis may, depending on the method used for calculating their instalments, take into account their share of the CEE and any Income or Loss of the Partnership in determining their instalment remittances.

### **Disposition of Units in Partnership**

Subject to any adjustment required by the tax shelter investment rules and the other detailed provisions of the Tax Act, a Limited Partner’s adjusted cost base of a Unit for income tax purposes will consist of the Subscription Price of the Unit, increased by any share of Income allocated to the Limited Partner (including the full amount of any capital gains realized by the Partnership) for fiscal periods ending before that time and reduced by any share of Losses (including the full amount of any capital losses realized by the Partnership) and Eligible Expenditures allocated to the Limited Partner for fiscal periods ending before that time and the amount of any Partnership distributions made to the Limited Partner before that time. The adjusted cost base of a Limited Partner’s Units will be reduced on dissolution of the Partnership by the amount of the expenses of issue incurred by the Partnership in respect of this Offering (including Agents’ commissions) that are deductible by the Limited Partner as described above under “Computation of Income”. Where, at the end of a fiscal period of the Partnership, including the deemed fiscal period that ends at the time immediately before dissolution of the Partnership, the adjusted cost base to a Limited Partner of a Unit becomes a negative amount, the negative amount is deemed to be a gain from the disposition of the Unit at the end of the fiscal period and the adjusted cost base of the Limited Partner’s Units will be increased by the amount of such gain.

Generally, one-half of any capital gain (the “taxable capital gain”) realized upon a disposition by a Limited Partner of Units in the Partnership will be included in the Limited Partner’s income for the year of disposition, and one-half of any capital loss so realized (the “allowable capital loss”) must be deducted by the Limited Partner against taxable capital gains for the year of disposition. Subject to the detailed rules in the Tax Act, any excess of allowable capital losses over taxable capital gains of the Limited Partner may be carried back up to three taxation years or forward indefinitely and deducted against net taxable capital gains in those other years.

Capital gains realized by an individual or certain trusts may result in a liability to pay alternative minimum tax under the Tax Act. A Limited Partner that is a “Canadian controlled private corporation” for purposes of the Tax Act may be liable to pay a refundable tax of 6½% on taxable capital gains.

A Limited Partner who is considering disposing of Units during a fiscal period of the Partnership should obtain tax advice before doing so since ceasing to be a Limited Partner before the end of the Partnership’s fiscal year may affect certain adjustments to his, her or its adjusted cost base and his, her or its entitlement to a share of the Partnership’s Income or Loss and Eligible Expenditures.

## **Dissolution of Partnership**

Generally, the liquidation of the Partnership and the distribution of its assets to Limited Partners will constitute a disposition by the Partnership of such assets for proceeds equal to their fair market value and a disposition by Limited Partners of their Units for an equivalent amount. In the event the Liquidity Transaction is not implemented the Partnership will dissolve and the Limited Partners will receive their *pro rata* share of the net assets of the Partnership. In the event that the Partnership is dissolved, counsel has been advised that prior to such dissolution, all amounts outstanding under the Loan Facility, including all interest accrued thereon, will be repaid in full. Following a dissolution of the Partnership, certain costs incurred by the Partnership in marketing the Units, including expenses of issue and Agents' commissions that were deductible by the Partnership at a rate of 20% per annum, subject to prorating for a short taxation year and subject also to the discussion above under the heading "October 31, 2003 Tax Proposals", will, to the extent they remain undeducted by the Partnership at the time of its dissolution, be deductible by the Limited Partners (based on their proportionate interest in the Partnership), on the same basis as they were deductible by the Partnership. A Limited Partner's adjusted cost base in his, her or its Units will be reduced by the aggregate of such undeducted expenses allocated to the Limited Partner. A Limited Partner's adjusted cost base in his, her or its Units should also be adjusted to reflect his, her or its share of the Partnership's Income, Losses and Eligible Expenditures for the Partnership's final fiscal period. In circumstances where Limited Partners receive on the dissolution of the Partnership, a proportionate undivided interest in each asset of the Partnership and certain other requirements of the Tax Act are met, the Partnership is deemed to have disposed of its property at its cost amount and the Limited Partners are deemed to have disposed of their Units for the greater of the adjusted cost base of their Units and the aggregate of the adjusted cost bases of the undivided interests distributed to the Limited Partners plus the amount of money distributed to the Limited Partners. Provided that under the relevant law, shares may be partitioned, it is the CRA's position that shares may be partitioned on a tax-deferred basis. The cost to a Limited Partner of his, her or its undivided interest in a share will generally be his, her or its *pro rata* share of the cost of the Partnership of that share. Since the adjusted cost base of Flow-Through Shares to the Partnership generally will be nil, a Limited Partner will generally acquire the partitioned Flow-Through Shares at nil cost. Consequently, a subsequent disposition of Flow-Through Shares by such a Limited Partner will result in the Limited Partner realizing substantially the whole of the proceeds of disposition as a capital gain.

## **Transfer of Partnership Assets to a Mutual Fund Corporation**

If the Partnership transfers its assets to Sentry Select Fund, or another mutual fund that is a reporting issuer, pursuant to the Liquidity Transaction, provided the appropriate elections are made and filed in a timely manner, no taxable capital gains will be realized by the Partnership from the transfer. Sentry Select Fund, or another mutual fund that is a reporting issuer, will acquire each asset of the Partnership at the cost amount equal to the lesser of the cost amount thereof to the Partnership and the fair market value of the asset on the transfer date. Provided that the dissolution of the Partnership takes place within 60 days of the transfer of assets to Sentry Select Fund, or another mutual fund that is a reporting issuer, the shares of Canadian Resource Class, or of such other mutual fund, will be distributed to the Limited Partners with a cost for tax purposes equal to the adjusted cost base of the Units held by such Limited Partner and the Limited Partner will be deemed to have disposed of the Units for proceeds of disposition equal to the same amount. As a result, a Limited Partner will generally not be subject to tax in respect of such transaction.

## **Tax Status of Sentry Select Fund**

All income of Sentry Select Fund, including taxable capital gains (net of allowable capital losses) realized by Sentry Select Fund (which will include capital gains realized in respect of Flow-Through Shares received from any particular limited partnership) will be subject to tax at the corporate rates applicable to mutual fund corporations. A mutual fund corporation is not eligible for a general rate reduction. Taxes payable by Sentry Select Fund on capital gains for taxation years throughout which it is a mutual fund corporation will be refundable on a formula basis when Sentry Select Fund shares are redeemed or when Sentry Select Fund pays "capital gains dividends". Taxable dividends received by Sentry Select Fund from taxable Canadian corporations in taxation years throughout which Sentry Select Fund is a mutual fund corporation, will generally be subject to tax under Part IV of the Tax Act, at the rate of 33 $\frac{1}{3}$ % of which one dollar will be refundable for each three

dollars of taxable dividends paid by Sentry Select Fund. Other types of income, such as interest, foreign investment income or income from derivatives will be subject to tax in Sentry Select Fund which tax will reduce the amount of income available to be paid out to shareholders of Sentry Select Fund as dividends or the value of shares realized on a redemption.

Capital gains may arise in Sentry Select Fund when it adjusts its assets as a result of an exchange of shares by a shareholder of one class of shares of Sentry Select Fund for shares of another class of Sentry Select Fund. In particular, significant capital gains may arise in Sentry Select Fund when a holder of Canadian Resource Class shares exchanges such shares for shares of another class of Sentry Select Fund, as certain of the underlying assets of Sentry Select Fund corresponding to the Canadian Resource class, which generally have a very low adjusted cost base, may have to be sold to adjust the assets of Sentry Select Fund as a result of the exchange. Sentry Select Fund may pay capital gains dividends to shareholders of any of its funds, including Canadian Resource Class, so that it can receive a refund of any capital gains taxes it has paid.

### **Taxation of Shareholders of Sentry Select Fund**

An ordinary dividend paid by Sentry Select Fund, whether received in cash or reinvested in additional shares, will be included in computing the taxable income of an individual shareholder for purposes of the Tax Act as a dividend from a taxable Canadian corporation, subject to the gross-up and dividend tax credit provisions of the Tax Act, including the enhanced dividend tax credit for dividends paid out of income that has been taxed at the general rate of tax. Ordinary dividends received from Sentry Select Fund by a corporate shareholder will be included in computing its income, but the corporation will be entitled to deduct an equivalent amount in computing its taxable income, unless it is a “specified financial institution” for purposes of the Tax Act that acquired shares in the ordinary course of its business. However, a shareholder that is a “private corporation” for purposes of the Tax Act, or other corporation controlled by or for the benefit of an individual or related group of individuals, may be liable for refundable tax under Part IV of the Tax Act on taxable dividends for which it is entitled to a deduction in computing its taxable income.

Sentry Select Fund may also elect to pay capital gains dividends in accordance with the Tax Act to its shareholders representing capital gains realized in a year throughout which it is a mutual fund corporation. If Sentry Select Fund so elects, capital gains dividends will be treated as realized capital gains in the hands of shareholders, subject to the general rules relating to the taxation of capital gains.

The value of the shares of Sentry Select Fund acquired by a shareholder will reflect any accrued but unrealized gains in respect of any other assets, including Flow-Through Shares having nil tax cost, held or undistributed income earned by Sentry Select Fund at the time the shares are acquired. Such gains, when realized and made payable to a shareholder as a capital gains dividend and such income made payable to a shareholder as an ordinary dividend will be included in the shareholder’s income as described above.

If a shareholder exercises the right to exchange shares of one class for shares of another class of Sentry Select Fund, the exchange will be deemed not to be a disposition with the result that no gain or loss will be realized by a shareholder on the exchange and the cost to the holder of the newly acquired shares will be equal to the adjusted cost of the exchanged shares.

An actual or deemed disposition by a holder of shares of Sentry Select Fund that are capital property (other than upon an exchange for shares of another class of Sentry Select Fund), including a redemption of such shares, will result in a capital gain (or capital loss) to the extent that the proceeds of disposition, net of disposition costs, exceed (or are less than) the adjusted cost base of those shares immediately before the disposition. One-half of such a capital gain must be included in computing the income of a shareholder for the year in which the disposition occurs, subject to the general rules relating to the taxation of capital gains, and one-half of a capital loss may be deducted by a shareholder from taxable capital gains realized in the year, for the three previous years or any subsequent year.

Sentry Fund Shares acquired by a Limited Partner upon the dissolution of the Partnership will generally have an adjusted cost base equal to the adjusted cost base of the Units held by such Limited Partner.

A shareholder that is a “Canadian controlled private corporation” throughout the year for the purposes of the Tax Act may be liable to pay a refundable tax of 6⅓% on its aggregate investment income for the year, which includes an amount in respect of its taxable capital gains.

### **Alternative Minimum Tax on Individuals**

Under the Tax Act, tax payable by an individual (including certain trusts) is the greater of the tax otherwise determined and an alternative minimum tax. In calculating taxable income for the purpose of computing the alternative minimum tax, certain deductions and credits otherwise available are disallowed and certain amounts not otherwise included, such as 80% of net capital gains, are included. The disallowed items include deductions claimed by the individual in respect of his, her or its share of Eligible Expenditures renounced to the Partnership in a particular fiscal period thereof to the extent such deductions exceed his, her or its share of the Partnership’s Income. In computing adjusted taxable income for alternative minimum tax purposes, an exemption of \$40,000 is allowed to the taxpayer who is an individual other than most *inter vivos* trusts. The federal rate of alternative minimum tax is 15% for the 2008 and subsequent taxation years.

Whether and to what extent the tax liability of a particular Limited Partner will be increased as a result of the application of the alternative minimum tax rules will depend on the amount of his, her or its income, the sources from which it is derived, and the nature and amounts of any deductions he or she claims.

Any additional tax payable by an individual for the year resulting from the application of the alternative minimum tax will be deductible in any of the seven immediately following taxation years in computing the amount that would, but for the alternative minimum tax, be his, her or its tax otherwise payable for any such year.

### **Tax Shelter**

The federal tax shelter identification number in respect of the Partnership is TS ● . The identification number issued for this tax shelter is to be included in any income tax return filed by the investor (i.e., Limited Partner). Issuance of the identification number is for administrative purposes only and does not in any way confirm the entitlement of any investor to claim any tax benefits associated with the tax shelter. The Quebec tax shelter identification number is QAF- ● . Quebec investors should consult their own tax advisors.

The General Partner will file all necessary tax shelter information returns and, where applicable, provide each Limited Partner with copies thereof.

### **PLAN OF DISTRIBUTION**

Pursuant to an agency agreement (the “Agency Agreement”) dated ● , 2008, among the General Partner, the Partnership and the Agents, the Agents have been appointed as the Partnership’s sole and exclusive agents to obtain subscriptions for the Units on a reasonable efforts basis at a price of \$25.00 per Unit. The Agents will receive commissions of \$1.6875 for each Unit sold in payment of services rendered in connection with the Offering.

A Subscriber must pay \$25.00 per Unit at the time of subscription.

The General Partner will assign a 20% interest in the Management Fee payable to the General Partner to the Agents as an incentive (see “The Partnership and the General Partner — Management Fee”). This interest will be assigned by the Agents to their sub-agents on a *pro rata* basis in accordance with sales made by such sub agents.

The Agents may form selling groups consisting of persons registered to sell securities in jurisdictions where the Units may be lawfully offered for sale, and may determine the commission payable to the members of the selling groups. Units will only be offered for sale by persons registered to sell securities in the applicable jurisdiction. While the Agents have agreed to sell the Units offered hereby on a reasonable efforts basis, they are not obligated to purchase any such Units. The Agents have the right to terminate the Agency Agreement and withdraw all subscriptions for Units on behalf of Subscribers on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events.

Subscriptions for Units may be rejected or allotted in whole or in part. The General Partner and the Agents may close the subscription books at any time without notice. The initial Closing of this Offering will take place once the conditions precedent to the completion of this Offering set forth below have been satisfied. If such conditions are met, all subscription monies will be released to the Partnership and if a Subscriber's subscription has been accepted such Subscriber will become a Limited Partner. If, for any reason, the initial Closing does not occur within 90 days from the date of issuance of a MRRS decision document in respect of the final prospectus, this offering may not continue and subscription proceeds received will be returned to the Subscribers, without interest or deduction, unless consent is obtained from Canadian securities regulators and those who have subscribed for Units on or before such date. If the Maximum Offering is not achieved when the initial Closing is completed, the unsold Units may continue to be offered for sale and one or more additional Closings may occur until ● , 2008.

The initial Closing of this Offering will take place once the following conditions precedent to the completion of this Offering have been satisfied:

- (a) subscriptions for the purchase of the Minimum Offering have been received and accepted by the General Partner;
- (b) the Declarations required to be filed pursuant to the Limited Partnerships Act to form the Partnership as a limited partnership, and all requisite extra provincial filings required to be made to initially register the Partnership as an extra provincial limited partnership, have been filed;
- (c) all conditions contained in the Agency Agreement have been satisfied or waived; and
- (d) the agreement with respect to the Loan Facility has been executed and delivered to the Partnership.

If the conditions have not been met within 90 days of the date of issuance of a MRRS decision document for the final prospectus, then each Subscriber will be refunded such Subscriber's subscription monies without interest. If such conditions are met, all subscription monies with interest, if any, will be released to the Partnership and if a Subscriber's subscription has been accepted such Subscriber will become a Limited Partner.

On the date of each Closing, one global certificate representing all of the Units which are purchased by investors will be issued in registered form to CDS or its nominee. Any purchase or transfer of the Units must be made through participants in the CDS depository service ("CDS Participants"), which includes securities brokers and dealers, banks, and trust companies. Indirect access to the Book-Entry Only System is also available to other institutions that maintain custodial relationships with a CDS Participant, either directly or indirectly. Each purchaser of a Unit will receive a customer confirmation of purchase from the CDS Participant from whom such Units are purchased in accordance with the practices and procedures of such CDS Participant.

No holder of a Unit will be entitled to a certificate or other instrument from the General Partner or CDS evidencing that person's interest in or ownership of Units, nor, to the extent applicable, will such holder be shown on the records maintained by CDS, except through an agent who is a CDS Participant. Distributions on Units, if any, will be made by the Partnership to CDS which will then be forwarded by CDS to its participants and thereafter to the holders of the Units.

The General Partner, on behalf of the Partnership, has the option to terminate the Book-Entry Only System through CDS, in which case CDS will be replaced or Unit certificates in fully registered form will be issued to Limited Partners as of the effective date of such termination.

The Partnership may continue to offer Units pursuant to this prospectus after the minimum number of Units has been sold. The Agency Agreement provides for subsequent Closings; however, the Partnership will not offer more than 8,000,000 Units which will raise Gross Proceeds of \$200,000,000 and there will be no subsequent Closings after ● , 2008.

All subscription proceeds from subscriptions will be received by the Agents or such other registered dealers of brokers as are authorized by the Agents pending the initial Closing and any subsequent Closing.

Officers and directors of the General Partner and their Affiliates and officers and directors of entities which are members of the NCE Resources Group and their Affiliates may purchase Units, provided however that the

combined number of Units purchased by such persons does not exceed 25% of the Units sold at each Closing of the Offering.

The Agents may, from time to time, be involved in raising money for Resource Companies and the Partnership may or may not commit funds in connection with any such transaction. The Agents may earn fees on such transactions. In addition, the Agents may, from time to time, be involved in sourcing Resource Companies in which the Partnership invests and may receive a fee payable by the Resource Company or the Partnership in connection therewith.

### **SUMMARY OF THE PARTNERSHIP AGREEMENT**

The Partnership Agreement is incorporated herein by reference. A full copy of the Partnership Agreement is available as indicated under “Material Contracts”. **The following is a summary only and each investor is encouraged to obtain and review a copy of the Partnership Agreement.**

The rights and obligations of the Limited Partners and the General Partner are governed by the laws of the Province of Ontario and the Partnership Agreement.

#### **Investment Criteria and Restrictions**

Investment criteria and restrictions adopted by the Partnership may only be changed by a Special Resolution duly passed by the Limited Partners. See “Investment Details — Investment Objectives, Criteria and Restrictions”.

#### **Limited Partners**

Upon the acceptance of a subscription by the General Partner, each Subscriber will become a Limited Partner effective as at the Closing. If an interest in a Subscription is a “tax shelter investment” for purposes of the Tax Act such Subscription will be rejected. Subsequent purchasers of Units will become Limited Partners upon complying with the conditions of transfer set out in the Partnership Agreement and the transfer agent entering the prescribed information on the record.

#### **Non-Residents**

Each Limited Partner will be required to represent and warrant that he, she or it is not a “non-resident” or, in the case of a partnership, a partnership other than a “Canadian partnership”, in either case, for purposes of the Tax Act and will be required to covenant to maintain such status for the entire time that it holds Units. A Limited Partner will be deemed to have disposed of his, her or its Units for proceeds of disposition equal to the Net Asset Value per Unit at the last published Valuation Date prior to the date on which such Limited Partner ceases to be a resident of Canada or a “Canadian partnership”, as applicable, for purposes of the Tax Act.

#### **Limitation Regarding Ownership of Units**

At no time may “financial institutions” (for purposes of subsection 142.2(1) of the Tax Act) (each a “financial institution”) be the beneficial owners of more than 45% of the number of outstanding Units. If the General Partner becomes aware that the beneficial owners of 45% or more of the Units then outstanding are, or may be, financial institutions or that such a situation is imminent, the General Partner shall not accept a subscription for Units from or issue or register a transfer of Units to a person unless the person provides a declaration in form and contents satisfactory to the General Partner that the person is not a financial institution. If, notwithstanding the foregoing, the General Partner determines that more than 45% of the number of outstanding Units are held by financial institutions, the General Partner may send a notice to Limited Partners that are financial institutions, chosen in inverse order to the order of acquisition or registration or in such other manner as the General Partner may consider equitable and practicable requiring them to sell their Units or a portion thereof within a specified period of not less than 15 days.

#### **Fiscal Year**

The Partnership will use the calendar year as its fiscal year.

## Units

The interest of the Limited Partners in the Partnership is divided into an unlimited number of Units, of which a maximum of 8,000,000 Units may be issued pursuant to this Offering. Each Unit is equal to each other Unit and has the same rights and obligations attaching to it as each other Unit, except as disclosed under “Allocations and Distributions of Capital and Non-Capital Items”. Each Unit carries the right to one vote at all meetings of Limited Partners of the Partnership. For each Unit purchased, a Limited Partner will be required to contribute \$25 to the capital of the Partnership at Closing. There are no restrictions as to the maximum number of Units that a Limited Partner is entitled to hold in the Partnership, however, the minimum subscription for each Limited Partner is 200 Units. No fractional Units will be issued pursuant to this Offering.

The acceptance by the General Partner (on behalf of the Partnership) of a Subscriber’s offer to purchase Units (made through a registered dealer or broker), whether in whole or in part, constitutes a subscription agreement between the Subscriber and the Partnership, upon the terms and conditions set out in this Prospectus and the Partnership Agreement. The foregoing subscription agreement shall be evidenced by delivery of the final prospectus to the Subscriber, provided that the subscription has been accepted, in whole or in part, by the General Partner on behalf of the Partnership, and pursuant to the subscription agreement, each Subscriber, among other things: (i) consents to the disclosure of certain information to, and the collection and use by, the General Partner and its service providers of all such information about such Subscriber that the General Partner or the service providers require in order to maintain the record of Limited Partners pursuant to applicable laws or for applicable tax purposes, including the name and address of such Subscriber or address for service and the social insurance number or corporation account number of such Subscriber, as the case may be, for the purpose of administering such Subscriber’s subscription of Units; (ii) acknowledges that it is bound by the terms of the Partnership Agreement and is liable for all obligations of a Limited Partner; (iii) makes the representations, warranties, and covenants contained in the Partnership Agreement, including, without limitation, that the Subscriber, as an investor, is not a “non-resident” or, in the case of a partnership, a partnership other than a “Canadian partnership”, in either case, for purposes of the Tax Act or a “non-Canadian” for purposes of the Investment Canada Act, that it will maintain such status during such time as the Units are held by it, and that the acquisition of the Units has not been financed with borrowing for which recourse is, or is deemed to be, limited for purposes of the Tax Act (see “Summary of the Partnership Agreement — Representations, Warranties and Covenants of the Limited Partners”); (iv) irrevocably nominates, constitutes, and appoints the General Partner as its true and lawful attorney with the full power and authority as set out in the Partnership Agreement (see “Summary of the Partnership Agreement — Power of Attorney”); (v) irrevocably authorizes the General Partner to transfer the assets of the Partnership to Sentry Select Fund and implement the dissolution of the Partnership in connection with the Liquidity Transaction; (vi) irrevocably authorizes the General Partner to file on its behalf all elections, determinations or designations under applicable income tax or other legislation in respect of the business of the Partnership, including the dissolution of the Partnership; and (vii) covenants and agrees that all documents executed and other actions taken on behalf of the Limited Partners pursuant to the power of attorney set out in the Partnership Agreement will be binding upon such Subscriber, and each Subscriber agrees to ratify any of such documents or actions upon request by the General Partner.

## Financing Acquisition of Units

Pursuant to the Partnership Agreement, Limited Partners may not finance any portion of the Subscription Price with borrowing that would be a “limited recourse amount” for tax purposes. A limited recourse amount means the unpaid principal amount of any indebtedness for which recourse is limited, either immediately or in the future and either absolutely or contingently, and also includes any borrowing which is deemed to be a limited recourse amount. Borrowing will not be deemed to be a limited recourse amount if:

- (a) bona fide arrangements, evidenced in writing, are made at the time the debt arose for the repayment by the borrower of the principal and interest on the debt within a reasonable period of time, not greater than ten years;
- (b) the debt is not part of a series of loans and repayments that ends more than ten years after it begins; and

- (c) interest on the debt is payable at least annually, and is actually paid no later than 60 days after the end of the borrower's taxation year, at a rate equal to or greater than the lesser of:
  - (i) the prescribed interest rate for tax purposes in effect at the time when the debt arose; and
  - (ii) the prescribed interest rate for tax purposes applicable from time to time during the term of the debt.

A Limited Partner that is a limited partnership is prohibited from borrowing to pay the Subscription Price since any borrowing will be deemed to be a limited-recourse amount regardless of its repayment terms. If a Limited Partner has a borrowing that is a limited-recourse amount which is reasonably related to CEE which is incurred or deemed to be incurred by the Partnership, the General Partner will have the right to, and will, make a corresponding reduction in the CEE and, to the extent necessary, an appropriate adjustment to the Income or Loss, as applicable, which is allocated to that Limited Partner.

### **Transfer of Units**

Units may be transferred or sold at any time as provided in the Partnership Agreement. However, a Unit is not transferable to a "non-Canadian" for purposes of the Investment Canada Act or to a "non-resident" or a partnership which is not a "Canadian partnership", in either case, for purposes of the Tax Act. In addition, a Unit is not transferable to a person an interest in which is a "tax shelter investment" for purposes of the Tax Act.

The transferee, by executing the Transfer Form and Power of Attorney, agrees to be bound by the Partnership Agreement as a Limited Partner. A transferee who executes the transfer makes representations, warranties and covenants that are analogous to those that must be made by Subscribers pursuant to the Offering. In particular, in addition to various representations and warranties as to capacity, authorization and related matters, such a transferee must represent and warrant that the transferee is not a "non-resident" or, in the case of a transferee that is a partnership, that the transferee is a "Canadian partnership", in either case, for purposes of the Tax Act. Such a transferee must also represent and warrant that, except as disclosed in writing to the General Partner, the transferee is not a "financial institution" for purposes of subsection 142.2(1) of the Tax Act. Such a transferee must also represent and warrant that the acquisition of the Units from the transferor was not financed through borrowings for which recourse is or is deemed to be limited for purposes of the Tax Act and that an interest in the transferee is not a "tax shelter investment" for purposes of the Tax Act. Such a transferee also must represent and warrant that the transferee is not a "non-Canadian" for the purposes of the Investment Canada Act. Such a transferee must also represent and warrant that, except as disclosed in writing to the General Partner, the transferee is not a Resource Company that has entered into or to the best of the transferee's knowledge proposes to enter into a Flow-Through Investment Agreement with the Partnership nor does the transferee not deal at arm's length with any such Resource Company. Such a transferee must also covenant to maintain the correctness of such representations and warranties for the entire time the transferee holds the Units and not to transfer the Units to any further transferee that cannot make the same representations, warranties and covenants.

A transferee may become a substituted Limited Partner and thereby become entitled to all the rights of a Limited Partner by complying with the conditions of transfer set out in the Partnership Agreement. In essence, these provide that the transferee must deliver to the registrar the transferor's Unit certificate, if any, and an executed Transfer Form and Power of Attorney (pursuant to which, among other things, the transferee will appoint the General Partner his, her or its attorney to sign the Partnership Agreement (see "Summary of the Partnership Agreement — Power of Attorney")) before he or she can be registered as a substituted Limited Partner or receive a certificate in his, her or its name.

Proceeds Available For Investment, if any, which are returned to Limited Partners pursuant to the provisions of the Partnership Agreement will be distributed to Limited Partners of record on December 31, 2008. Accordingly, transferees that become substituted Limited Partners after December 31, 2008 will not be entitled to such distributions. See "Use of Proceeds".

## **Powers of the General Partner**

Subject to the Partnership Agreement and any delegation of its powers properly authorized thereunder, the General Partner has the power and exclusive authority to manage the business and affairs of the Partnership, to make all decisions regarding the business of the Partnership and to bind the Partnership. The General Partner is required to exercise its powers and discharge its duties under the Partnership Agreement honestly, in good faith and in the best interests of the Limited Partners and the Partnership. The General Partner shall exercise the degree of care, the diligence and the skill that a reasonably prudent general partner would exercise in similar circumstances in discharging its duties. Certain restrictions are imposed on the General Partner and certain actions require the approval of the Limited Partners by Special Resolution. The General Partner cannot dissolve the Partnership, wind up its affairs, or effect a sale or other disposition of its assets except in accordance with the provisions of the Partnership Agreement.

The officers of the General Partner shall devote time and effort necessary to adequately promote the interests of the Partnership and the mutual interests of the Limited Partners. The General Partner may not engage in any business other than acting as the general partner of the Partnership.

## **Fees and Expenses**

The Partnership shall pay all expenses, fees, costs and disbursements incurred in connection with the creation of the General Partner and the Partnership, the registration of the Partnership as a limited partnership in all jurisdictions where required and the Offering and sale of Units to the public. The Partnership will also pay all of the Partnership's ongoing administrative and operating expenses, which expenses will include, without limitation, administration fees, expenses relating to investment transactions, taxes, legal, audit and valuation fees, Limited Partner reporting costs, registrar and transfer agency costs, printing and mailing costs and costs to be incurred in connection with the Partnership's continuous public filing obligations and the ongoing management fee payable to the General Partner. The General Partner is entitled to a quarterly management fee commencing on the date of the initial Closing equal to  $\frac{1}{4}$  of 2.0% of the Net Asset Value of the Partnership, calculated and paid quarterly based on the Net Asset Value of the Partnership on the Valuation Date for the preceding quarter. The General Partner is responsible for all fees paid to Sentry Select Capital Corp.

The General Partner is responsible for its own overhead costs, including office facilities, equipment and employees, and for amounts payable to Sentry Select Capital Corp. in respect of administrative and other services provided to the Partnership on behalf of the General Partner. See "The Partnership and General Partner".

## **Resignation or Removal of General Partner**

The General Partner may resign as the general partner of the Partnership at any time after receiving approval by Ordinary Resolution and on not less than 180 days written notice to all Limited Partners. Except in the case of the dissolution of the Partnership, at the time of resignation, a qualified successor to the General Partner shall have been appointed in accordance with the terms of the Partnership Agreement. In the event of the bankruptcy, dissolution, liquidation, insolvency or winding-up or the making of any assignment for the benefit of creditors of the General Partner or the appointment of a trustee, receiver, receiver and manager or liquidator, or following any event permitting a trustee, receiver or receiver and manager to administer the affairs of the General Partner, provided that the trustee, receiver, receiver and manager or liquidator performs its functions for 60 consecutive days, a new general partner shall be appointed by the Limited Partners by Ordinary Resolution within 180 days' notice of such event. The Limited Partners may at any time remove the General Partner by Ordinary Resolution and appoint a new general partner in its place if the General Partner commits fraud, or willful misconduct in the performance of, or willful disregard or breach of, the obligations or duties of the General Partner under the Partnership Agreement. In addition, the Limited Partners may also remove the General Partner and appoint a successor at any time after December 31, 2010 if the Partnership has not been liquidated prior thereto, provided such removal has been approved by Special Resolution.

## **Indemnification of Limited Partners and Liability of General Partner**

The General Partner will indemnify and hold harmless each Limited Partner from any and all losses, liabilities, expenses and damages suffered by such Limited Partner where the liability of such Limited Partner is not limited (see “Summary of the Partnership Agreement — Limited Liability of Limited Partners”), only if such loss of limited liability was caused by an act or omission of the General Partner or by fraud, negligence or willful misconduct in the performance of, or willful disregard or breach of, the obligations or duties of the General Partner under the Partnership Agreement except where the lack or loss of limited liability is also caused by an act or omission of such Limited Partner or a change in any applicable legislation. Such indemnity will apply only with respect to losses in excess of the agreed capital contribution of the Limited Partner. The General Partner will also indemnify and hold harmless the Partnership and each Limited Partner from any costs, damages, liabilities, expenses or losses suffered or incurred by the Partnership and/or the Limited Partner, as the case may be, resulting from or arising out of fraud, negligence or willful misconduct in the performance of, or willful disregard or breach of, the obligations or duties of the General Partner under the Partnership Agreement. The amount of any such indemnity will be limited to the extent of the assets of the General Partner and will under no circumstance include the assets of the General Partner’s parent corporation or any Affiliate of the General Partner. Except for the foregoing matters, the General Partner will not otherwise be called upon or be liable to indemnify the Partnership or any Limited Partner.

The General Partner has unlimited liability for the undertakings, liabilities and obligations of the Partnership. The General Partner will not be liable to the Limited Partners for any mistakes or errors in judgment, or for any act or omission believed by it in good faith to be within the scope of the authority conferred upon it by the Partnership Agreement (other than an act or omission which is in contravention of the Partnership Agreement or which results from or arises out of negligence or willful misconduct in the performance of, or willful disregard of, the obligations or duties of the General Partner under the Partnership Agreement) or for any loss or damage to any of the property of the Partnership attributable to an event beyond the control of the General Partner or its Affiliates. The General Partner has limited financial resources which will affect its ability to indemnify Limited Partners. See “Risk Factors — Reliance on the General Partner”.

## **Indemnity of the General Partner by the Limited Partners**

Each Limited Partner shall indemnify and hold harmless the Partnership, the General Partner and each other Limited Partner from and against all losses, liabilities, expenses and damages suffered or incurred by the Partnership, the General Partner or the other Limited Partners by reason of misrepresentation or breach of any of the warranties or covenants of such Limited Partner set out in the Partnership Agreement.

## **Rights of the Limited Partners**

Under the Partnership Agreement, a Limited Partner has the right to:

- (a) be given on reasonable demand, true and full information concerning all matters affecting the Partnership and to be given a complete and formal account of the Partnership’s affairs;
- (b) one vote per Unit at Partnership meetings, which vote may be exercised personally or by proxy (see “Summary of the Partnership Agreement — Meetings and Voting” for details of voting restrictions); and
- (c) receive allocations, distributions and entitlements, as the case may be, of Income, Loss, Net earnings and Eligible Expenditures.

## **Allocation of Income, Loss and Eligible Expenditures**

99.99% of Income for each fiscal year will be allocated to the Limited Partners of record on December 31 of each such fiscal year and 0.01% to the General Partner at the end of each fiscal. 100% of the Loss for each fiscal year will be allocated at the end of each fiscal year to the Limited Partners of record on December 31 of each such fiscal year.

The Partnership will allocate all Eligible Expenditures renounced to it by Resource Companies with an effective date in a particular fiscal year *pro rata* to the Limited Partners of record at the end of that fiscal year, and will make such filings in respect of such allocations as are required by the Tax Act. The Partnership will, to the extent possible, allocate such unallocated Eligible Expenditures *pro rata* among the remaining Limited Partners. If Eligible Expenditures of the Partnership are reduced by the limited-recourse amount applicable to a particular Limited Partner, such reduction shall first reduce that Limited Partner's *pro rata* share of the Eligible Expenditures and, to the extent necessary, an appropriate adjustment to the Income or Loss, as applicable, which is allocated to such Limited Partner will be made.

### **Cash Distributions**

The General Partner or Sentry Select Capital Corp., on behalf of the Partnership, may sell Flow-Through Shares (subject to applicable hold periods) at any time if the General Partner or Sentry Select Capital Corp. determines that it is in the best interests of the Partnership to do so. Subject to the Loan Facility, the Partnership will only make distributions as determined by the General Partner in its discretion. Any such distribution may or may not be sufficient to satisfy a Limited Partner's tax liability for the year arising from his, her or its status as a Limited Partner.

### **Allocations and Distributions of Capital and Non-Capital Items**

Any distribution of capital that is to be made among the Limited Partners pursuant to the Partnership Agreement will be made in proportion to the credit balances in their respective capital accounts as at the end of a fiscal year or in the event of dissolution of the Partnership on the date of dissolution.

Any allocation of Income or Loss or distribution of cash of a non-capital nature that is to be made among the Limited Partners pursuant to the Partnership Agreement will be made in proportion to the number of Units held by them at the end of a fiscal year or in the event of dissolution of the Partnership on the date of dissolution.

### **Limited Liability of Limited Partners**

The liability of each Limited Partner for the debts, liabilities and obligations of the Partnership is limited to the amount of his, her or its capital contribution and his, her or its *pro rata* share of undistributed Income of the Partnership. A Limited Partner who: (i) takes part in the control or management of the business of the Partnership; (ii) takes an active part in the business of the Partnership; (iii) is also a general partner of the Partnership; or (iv) whose name or a significant part of whose corporate name appears in the firm name of the Partnership, may lose his, her or its limited liability. The limitation of liability will also be lost as a result of false statements in the record or in public filings made pursuant to the Limited Partnerships Act and other legislation which are known to be false by a Limited Partner and which such Limited Partner fails to have corrected within a reasonable amount of time. Limited Partners may also lose the protection of limited liability if the Partnership operates, owns property, incurs obligations, or otherwise carries on business in a province or territory of Canada which does not recognize the limited liability conferred under the Limited Partnerships Act. The Partnership has registered as an extra provincial or extra territorial limited partnership in all of the provinces and territories of Canada, respectively.

In order to protect the Partnership's assets and to preserve the limited liability of the Limited Partners, in certain circumstances the General Partner will indemnify and hold harmless each Limited Partner from any and against all losses, liabilities, expenses and damages suffered by such Limited Partner where the liability of such Limited Partners is not limited, except where the lack or loss of limited liability is caused by an act or omission of the Limited Partner or a change in any applicable legislation. (see "Summary of the Partnership Agreement — Indemnification of Limited Partners and Liability of General Partner"). However the General Partner has no significant financial resources or assets and it is unlikely that the General Partner will be able to satisfy any claims pursuant to the above described indemnity.

No Limited Partner will be obligated to pay any additional assessment on or with respect to the Units held by him or her generally unless a Limited Partner loses his, her or its limited liability. However, where a Limited Partner has received a distribution from the Partnership, he or she may be liable to return to the Partnership or,

if the Partnership has been dissolved, to its creditors, a maximum of the amount distributed to him or her with interest, as may be necessary to discharge the liabilities of the Partnership to all creditors who extended credit or whose claims otherwise arose before such distribution.

### **Meetings and Voting**

The General Partner may convene a meeting of the Limited Partners of the Partnership at any time and is required to convene a meeting on receipt of a request in writing of Limited Partners holding, in aggregate, 20% or more of the Units outstanding. Each Limited Partner is entitled to one vote for each Unit held. The General Partner is entitled to one vote in its capacity as General Partner. A quorum consists of two or more Limited Partners present in person or by proxy and representing not less than 1% of the Units outstanding, except a meeting called to consider a Special Resolution at which two or more Limited Partners present in person or by proxy and representing not less than 20% of the Units then outstanding will constitute a quorum. If a quorum is not present at a meeting within 30 minutes after the time fixed for the meeting, the meeting, if convened pursuant to a request of Limited Partners, will be cancelled, but otherwise will be adjourned to another day which is between 10 and 21 days after the date of the first meeting and will be selected by the chair and notice will be given to the Limited Partners of such adjourned meeting. The Limited Partners present at any adjourned meeting will constitute a quorum. The General Partner and its Affiliates may not vote or have their Units voted in respect of any matter in which the General Partner or any of its Affiliates has a material interest and shall not be entitled to vote on a Special Resolution.

### **Special Resolutions**

By Special Resolution the Limited Partners may, (i) amend the Partnership Agreement in accordance with the terms thereof, (ii) remove the General Partner and appoint a successor as provided in Section 15.3 of the Partnership Agreement; (iii) waive any default on the part of the General Partner on such terms as they may determine and release the General Partner from any claims in respect thereof; (iv) approve a proposal providing an alternative to the dissolution of the Partnership as set out in Section 2.6 of the Partnership Agreement; (v) approve the dissolution of the Partnership as required in subsection 9.1(a) of the Partnership Agreement; (vi) authorize the sale, lease, transfer or other disposition of all or substantially all of the assets of the Partnership; and (vii) approve any transaction proposed to be made outside the normal course the business of the Partnership.

### **Accounting and Reporting**

The General Partner will file and, if required by applicable law, deliver within the prescribed period of time to each Limited Partner, such financial statements (including the annual audited financial statements and interim unaudited financial statements) and other reports as are from time to time required by applicable law, subject to any exemption from such requirements that is available or may be obtained from regulatory authorities pursuant to applicable securities laws. The financial statements will be prepared in accordance with Canadian generally accepted accounting principles.

The General Partner shall forward information in a suitable form to enable the Limited Partner to complete his, her or its income tax reporting relating to his, her or its interest in the Partnership by March 31 (or as soon as possible thereafter) each year to each Limited Partner of record on December 31 of the preceding fiscal year. The General Partner shall keep adequate books and records reflecting the activities of the Partnership. A Limited Partner or his, her or its duly authorized representative shall have the right to examine the books and records of the Partnership during normal business hours at the offices of the General Partner.

Pursuant to National Instrument 81-106 — *Investment Fund Continuous Disclosure* (“NI 81-106”), investment funds are required to calculate their net asset value in accordance with Canadian generally accepted accounting principles. Canadian generally accepted accounting principles were modified by the introduction of section 3855 of the Canadian Institute of Chartered Accountants Handbook which applies to financial years beginning on or after October 1, 2006. The Canadian Securities Administrators have provided relief from the requirement of NI 81-106 that investment funds calculate their net asset values in accordance with Canadian generally accepted accounting principles for any purpose, other than for purposes of financial statements in

respect of the financial years commencing on and after October 1, 2006. As a result, the net asset value of the Partnership will be calculated in accordance with the definition of Net Asset Value for all other purposes, but will be calculated in accordance with Canadian generally accepted accounting principles for the purposes of its financial statements. The financial statements of the Partnership will include a reconciliation of the net asset value contained in the financial statements to the net asset value used for other purposes. Unless this relief is extended, such relief will terminate on the earlier of September 30, 2008 or the date on which changes to NI 81-106 come into effect with respect to calculating net asset value.

The Net Asset Value per Unit is calculated on a weekly basis and is published on Sentry Select Capital Corp.'s Internet site ([www.sentryselect.com](http://www.sentryselect.com)) on a monthly basis.

### **Representations, Warranties and Covenants of Limited Partners**

By purchasing Units pursuant to the Offering, each Subscriber represents, warrants and covenants to the General Partner and all the other Limited Partners that:

- (a) the Subscriber has the capacity and good and sufficient power, authority and right to enter into the Partnership Agreement;
- (b) if the Subscriber is an individual, the Subscriber has obtained the age of majority and has the legal capacity and competence to execute the Partnership Agreement and to take all actions required pursuant thereto;
- (c) if the Subscriber is a corporation or other body corporate, the Subscriber has the legal capacity and competence to execute the Partnership Agreement and to take all actions required pursuant thereto and all necessary approvals by directors, shareholders and members of the Subscriber, or otherwise, have been given to authorize it to execute the Partnership Agreement and to take all actions required pursuant thereto;
- (d) the Subscriber, or any other beneficial owner of the Units registered in his, her or its name, is not a "non-resident" of Canada for purposes of the Tax Act;
- (e) if the Subscriber is a partnership, the Subscriber is a "Canadian partnership" for purposes of the Tax Act;
- (f) the Subscriber is not a "non-Canadian" for purposes of the Investment Canada Act;
- (g) no interest in the Subscriber is a "tax shelter investment" for purposes of the Tax Act;
- (h) the Subscriber has not financed his, her or its acquisition of Units with a financing for which recourse is or is deemed to be limited for purposes of the Tax Act;
- (i) except as disclosed in writing to the General Partner, the Subscriber is not a Resource Company which has entered into, or to the best of the Subscriber's knowledge proposes to enter into, a Flow-Through Investment Agreement with the Partnership nor does the Subscriber not deal at arm's length with any such Resource Company;
- (j) except as disclosed in writing to the General Partner, the Subscriber is not a "financial institution" for purposes of section 142.2 of the Tax Act; and
- (k) the Subscriber will ensure that his, her or its status as described above will not be modified and he, she or it will not transfer his, her or its Units in whole or in part to any person who would be unable to make such representations and warranties.

### **Power of Attorney**

By purchasing Units pursuant to the Offering (pursuant to the Subscriber's offer made through such Subscriber's registered dealer or broker), each Subscriber acknowledges that such Subscriber has irrevocably nominated, constituted and appointed the General Partner, with full power of substitution, as his, her or its true and lawful attorney and agent, with full power and authority in his, her or its name, place and stead to execute,

swear to, acknowledge, deliver, make, record and file when, as and where required or appropriate, any and all of the following:

- (a) the Partnership Agreement and all documents and instruments necessary or appropriate to form, qualify or continue the qualification of the Partnership as a valid and subsisting limited partnership in any jurisdiction where the Partnership may carry on business or own or lease property in order to establish or maintain the limited liability of the Limited Partners and to comply with the applicable laws of any such jurisdiction;
- (b) all documents, instruments and certificates necessary to reflect any amendments to the Partnership Agreement which are approved pursuant to Article 13 thereof;
- (c) all conveyances, agreements, documents and other instruments necessary to facilitate and implement of the Liquidity Transaction;
- (d) all conveyances, agreements, documents and other instruments necessary to facilitate and implement the dissolution and termination of the Partnership, if such dissolution and termination of the Partnership is authorized pursuant to the Partnership Agreement;
- (e) all instruments, agreements or documents executed by the General Partner in carrying on the Business of the Partnership as authorized in the Partnership Agreement;
- (f) all applications, elections, determinations or designations under the Tax Act or any other taxation or other legislation or similar laws of Canada or of any other jurisdiction in respect of the affairs of the Partnership or of a Partner's interest in the Partnership including all applications, elections, determinations or designations under the Tax Act or other legislation or similar laws of Canada or of any other jurisdiction with respect to any other governmental credit, grant or benefit, the sale or transfer of any of the assets of the Partnership, the distribution of the assets of the Partnership, or the dissolution and termination of the Partnership;
- (g) any instrument or document which may be required to effect the continuation of the Partnership, or the admission of an additional or substitute Partner;
- (h) any instrument or document required or appropriate to be filed with any governmental body or respecting the business, property and assets of the Partnership or the Partnership Agreement;
- (i) any instrument required in connection with the dissolution of the Partnership;
- (j) any instrument with respect to the disposition of a Limited Partner's Units if such Limited Partner becomes a "non-resident" of Canada or, in the case of a Limited Partner that is a partnership, if such Limited Partner ceases to be a "Canadian partnership", in either case, for purposes of the Tax Act; and
- (k) any application or further application for orders from relevant securities regulatory authorities exempting the Partnership from any continuous disclosure requirements, including the requirement to prepare and file management reports of fund performance, annual information forms and any other statements and reports as are from time to time required by applicable law.

By purchasing Units, each Subscriber acknowledges and agrees that he, she or it has given such power of attorney and will ratify any and all actions taken by the General Partner pursuant to such power of attorney.

#### **Amendments**

The General Partner may make certain amendments to the Partnership Agreement without the consent of the Limited Partners which, in the opinion of counsel to the General Partner, are necessary to protect the Limited Partners or which cure any ambiguity or correct or supplement any provision which may be defective or inconsistent with another provision, if such amendments do not, in the opinion of counsel to the General Partner, adversely affect the rights of the Limited Partners. The General Partner will notify the Limited Partners of the full details of any amendments within 30 days after the effective date of the amendment. The Limited Partners may, by Special Resolution, amend the Partnership Agreement provided that no amendment may be made that would have the effect of reducing the General Partner's share of the Income or assets of the

Partnership or the fees payable to the General Partner (unless the General Partner, in its sole discretion, consents thereto), reducing the interest in the Partnership of the Limited Partners (unless all of the Limited Partners consent thereto), changing in any manner the allocation of Income or Loss for tax purposes, changing the liability of any Limited Partner, allowing any Limited Partner to exercise control over or management of the business of the Partnership, changing the right of a Limited Partner or the General Partner to vote at any meeting or changing the Partnership from a limited partnership to a general partnership. The unanimous consent of all Partners is required to amend the amendment provisions of the Partnership Agreement.

### **Liquidity Transaction**

To provide the Limited Partners with liquidity and the potential for long-term growth of capital, the General Partner currently intends to implement, at a date no later than May 31, 2010, the Liquidity Transaction pursuant to which the assets of the Partnership will be transferred to Sentry Select Fund, or another mutual fund that is a reporting issuer, in exchange for shares of Canadian Resource Class or shares of such other mutual fund. Limited Partners would receive such shares on a tax deferred basis, following the dissolution of the Partnership. The Liquidity Transaction would be implemented on not less than 21 days' prior written notice to Limited Partners. The Liquidity Transaction will require the mutual agreement of the General Partner and Sentry Select Fund, which is under no obligation to complete such transaction, and obtaining the approval of all necessary regulatory authorities, which may not be obtained, and compliance with all applicable laws (which may require the specific approval of the Limited Partners). The Liquidity Transaction will not be implemented if the General Partner determines that it would prospectively or retrospectively affect the status of the Flow-Through Shares as flow-through shares for income tax purposes. The Partnership Agreement provides that the Liquidity Transaction must be implemented by May 31, 2010, failing which the Partnership will be terminated by December 31, 2010 and the Limited Partners will receive their *pro rata* share of the net assets of the Partnership. At that time, the Partnership will primarily own shares of Resource Companies and cash.

The terms of the Liquidity Transaction will provide for the receipt by the Partnership of all necessary regulatory approvals and the requirements of applicable law, regulations and policies (including specifically Ontario Securities Commission Rule 61-501 — *Insider Bids, Issuer Bids, Business Combinations and Related Party Transactions* and, if promulgated, Multilateral Instrument 61-101 — *Protection of Minority Securityholders in Special Transactions*) which may result in specific Limited Partner approval of the Liquidity Transaction being required. The completion of any such transaction will also be subject to the receipt of exemptions, if any, under National Instrument 81-102 to the extent that the assets of the Partnership being transferred to Sentry Select Fund may conflict with the investment restrictions of that National Instrument. There can be no assurances that the Liquidity Transaction will receive the necessary regulatory approvals.

### **Dissolution**

Except in the event that the Partnership is dissolved earlier upon the occurrence of certain events stated in the Partnership Agreement, unless the Liquidity Transaction is implemented by the General Partner, the Partnership will be terminated by December 31, 2010 and the Limited Partners will receive their *pro rata* share of the net assets of the Partnership. See “Investment Details — Liquidity Transaction”.

The General Partner or its designee shall ensure that, to the extent practicable, the assets of the Partnership are converted to cash prior to termination of the Partnership. Should the liquidation of certain securities not be practicable or appropriate prior to such termination date, those securities will be distributed to the Partners in specie on such date. The market for such securities may be limited due to factors such as fluctuations in trading volumes and prices and such securities may be subject to resale restrictions which may restrict the ability of the Partnership or, in the case of an in specie distribution, the Limited Partners from disposing of such shares until applicable statutory hold periods have expired. The Partnership Agreement provides that the Partnership and the General Partner will prior to the termination of the Partnership use their best efforts to obtain such regulatory relief as may be appropriate to eliminate any such resale restrictions. However, the granting of such relief is at the discretion of applicable regulatory authorities. See “Risk Factors — Underlying Securities”.

## RISK FACTORS

**THIS IS A SPECULATIVE OFFERING. THIS IS A BLIND POOL OFFERING.** The purchase of Units involves a number of risk factors. Limited Partners may not receive any return on or repayment of their capital contributions to the Partnership. An investment in Units is appropriate only for investors who have the capacity to absorb a loss of their investment. Investors who are not willing to rely on the discretion and judgment of the General Partner, which has no operating or investment history and is expected only to have nominal assets, and Sentry Select Capital Corp., should not subscribe for Units. The anticipated tax benefits resulting from an investment in the Partnership are greatest for an investor whose income is subject to the highest marginal income tax rate. Regardless of any tax benefits that may be obtained, a decision to purchase Units should be based primarily on an appraisal of the merits of the investment and on an investor's ability to bear a loss of his, her or its investment. Investors acquiring Units with a view to obtaining tax advantages should obtain independent tax advice from a tax advisor who is knowledgeable in the area of income tax law. In addition to the factors set forth elsewhere in this prospectus, prospective investors should consider the following risks.

### Liquidity of Units

There is currently no public market through which the Units of the Partnership may be sold and none is expected to develop, and purchasers may not be able to resell Units purchased under the prospectus. Consequently, Limited Partners may not be able to liquidate their Units in a timely manner, if at all, or pledge their Units as collateral for loans.

### Blind Pool

**THIS IS A BLIND POOL OFFERING.** The Partnership has not entered into any Flow-Through Investment Agreements to acquire Flow-Through Shares or selected any Resource Companies in which to invest and will not enter into any such agreements until after the initial Closing.

### Reliance on the General Partner and Sentry Select Capital Corp.

The Partnership and the General Partner of the Partnership have no previous operating or investment history. Investors who are not willing to rely on the discretion and judgment of the General Partner and Sentry Select Capital Corp. should not subscribe for Units. The board of directors of the General Partner and Sentry Select Capital Corp., and, therefore, management of the General Partner and Sentry Select Capital Corp., may be changed at any time.

The General Partner has unlimited liability for the obligations of the Partnership and has agreed to indemnify the Limited Partners against losses, costs or damages suffered if the Limited Partner's respective liabilities are not limited as provided herein, provided that the loss of limited liability was caused by an act or omission of the General Partner or by the negligence or willful misconduct in the performance of, or willful disregard or breach of, the obligations or duties of the General Partner under the Partnership Agreement. However, such indemnity will apply with respect to losses in excess of the agreed capital contribution of the Limited Partner and the amount of this protection is limited by the extent of the net assets of the General Partner and such assets may not be sufficient to fully cover any actual loss. The General Partner is expected to have only nominal assets and, therefore, the indemnity of the General Partner may have nominal value. Reference is made to "The Partnership and the General Partner" and to the financial statements of the General Partner included in this prospectus.

Limited Partners must rely entirely on the discretion of the General Partner and Sentry Select Capital Corp. in entering into any investment agreements with Resource Companies, in determining (in accordance with the Partnership's investment strategy and investment guidelines) the composition of the portfolio of securities of Resource Companies to be owned by the Partnership, and in determining whether to dispose of securities (including Flow-Through Shares) owned by the Partnership. Flow-Through Shares are normally issued to the Partnership at prices greater than the market prices of comparable common shares not qualifying as Flow-Through Shares, and Limited Partners must rely entirely on the discretion of the General Partner and Sentry Select Capital Corp. in negotiating the pricing of those securities.

## **Subscription Price**

The price per Unit paid by investors may be less or greater than the Net Asset Value per Unit at the time of purchase.

## **Underlying Securities**

Generally, the value of Units will vary in accordance with the value of the securities acquired by the Partnership and in some cases the value of securities owned by the Partnership may be affected by such factors as investor demand, resale restrictions, general market trends or regulatory restrictions. Fluctuations in the market values of such securities may occur for a number of reasons beyond the control of the General Partner or the Partnership and there is no assurance that a Liquid Market will exist for securities acquired by the Partnership. If the General Partner is unable to dispose of all investments prior to the termination of the Partnership, Limited Partners may receive shares of Resource Companies upon the termination of the Partnership, for which there may be an illiquid market or which may be subject to indefinite resale restrictions.

Securities purchased by the Partnership are normally purchased at prices greater than the market prices of comparable common shares not qualifying as Flow-Through Shares and will be subject to resale restrictions under applicable securities legislation.

Unless the continuation of the Partnership is approved by Special Resolution, if the General Partner and Sentry Select Capital Corp. are unable to dispose of all investments prior to the termination of the Partnership and the Liquidity Transaction is not implemented, Limited Partners may receive shares of Resource Companies upon liquidation of the Partnership, for which there may be an illiquid market or which may be subject to indefinite resale restrictions. In the case of Illiquid Investments, the Flow-Through Shares may be subject to indefinite resale restrictions. See “Investment Details — Liquidity Transaction” and “Summary of the Partnership Agreement — Dissolution”.

## **Resource Companies**

Because the Partnership will invest in securities of Resource Companies engaged in oil and gas or mineral exploration, development and/or production or to a lesser extent and subject to certain limitations, resource issuers involved in renewable energy exploration and development which qualify for Canadian renewable and conservation expenses, for purposes of the Tax Act, the Net Asset Value of the Partnership may be more volatile than that of portfolios with a more diversified investment focus.

The business activities of Resource Companies are speculative and may be adversely affected by factors outside their control, including global political and economic events which could significantly influence the prices for commodities, such as oil, natural gas and base and precious metals. Resource development and exploration involves a high degree of risk which even the combination of the experience and knowledge of management of the Resource Companies may not be able to avoid. There is no assurance that commercial quantities of oil, natural gas or minerals will be discovered. Other risks to be considered include possible significant fluctuations in the commodity prices and/or in the costs of production; possible land claims; government regulations, including regulations relating to prices, royalties, allowable production, importing and exporting of petroleum products and environmental protection; risks and hazards relating to operations which may damage persons, property or the environment; competition; and title risks. The effect of these factors cannot be accurately predicted.

## **Flow-Through Shares**

There can be no assurance that there will be a sufficient number of Resource Companies willing to issue Flow-Through Shares to permit the Partnership to commit all Proceeds Available For Investment to purchase Flow-Through Shares on or before December 31, 2008. Any Proceeds Available For Investment that have not been committed by the Partnership to purchase Flow-Through Shares on or before December 31, 2008, will be distributed on or prior to January 15, 2009 on a pro rata basis to Limited Partners of record on December 31, 2008. If Proceeds Available For Investment are returned in this manner, Limited Partners will not be entitled to

claim the anticipated deductions from income for income tax purposes in respect of these funds. See “Use of Proceeds”.

### **Liquidity Transaction**

There can be no assurance that the Liquidity Transaction will be implemented by the General Partner or that Sentry Select Fund, or another mutual fund that is a reporting issuer, will agree to complete the Liquidity Transaction, as it is under no obligation to do so, or that it will receive the necessary regulatory approvals for such a transaction. If the Partnership completes a Liquidity Transaction with Sentry Select Fund, then each former Limited Partner will receive shares of Canadian Resource Class initially and future investment returns will be dependent on the performance of Canadian Resource Class.

### **Fund Shares**

If the Partnership completes a Liquidity Transaction with Sentry Select Fund, the Limited Partners will receive shares of Canadian Resource Class upon the dissolution of the Partnership. These shares of Canadian Resource Class will be subject to various risk factors applicable to shares of mutual fund corporations which invest in securities of Canadian companies engaged in the energy and natural resource industries, such as oil and gas, mining and minerals, forestry and other resources. These risks are similar to the risks described under “Underlying Securities” above.

An investment in shares of Canadian Resource Class will also be subject to the following additional risk factors. The net asset value of Canadian Resource Class may fluctuate with changes in the market of its investments. Such changes in market value may occur as a result of various factors, including general, economic and market conditions. A large part of the portfolio of Canadian Resource Class will be invested in equities of companies in the oil and gas and mining industries and, accordingly, the holding of such shares will be subject to certain risks inherent in the nature of such investments (see “Resource Companies” above). A portion of the assets of Canadian Resource Class will be invested in equity securities of small and medium size companies which may involve greater risks than investments in larger, more established companies. As well, the liquidity of the securities comprising Canadian Resource Class’ portfolio may be limited. Consequently, in order to fund redemptions, Sentry Select Fund may have to liquidate its shareholdings of Canadian Resource Class in more liquid, large and medium size companies. As well, to the extent that the liquidity of Canadian Resource Class’ portfolio is limited, its ability to realize profits and/or minimize losses may be limited, which could adversely affect its net asset value. The capacity of Sentry Select Fund to redeem shares of Canadian Resource Class may be limited from time to time. There will be no assurance as to the amount of return a Limited Partner will receive on the redemption of shares of Canadian Resource Class received upon the dissolution of the Partnership after completion of the Liquidity Transaction, as the net asset value per share may be more or less than its net asset value as at the date of closing of the Liquidity Transaction.

### **Loan Facility**

The Partnership may borrow an amount not exceeding 10% of the Gross Proceeds for the financing of expenses incurred by the Partnership under this Offering in order to maximize the Gross Proceeds available for the purchase of Flow-Through Shares. The interest expense and banking fees incurred in respect of the Loan Facility may exceed the incremental capital gains and tax benefits generated by the incremental investment in Flow-Through Shares. There can be no assurance that the borrowing strategy employed by the Partnership will enhance returns.

### **Tax-Related**

An investor should invest in Units only if the investor has the capacity to absorb a loss of the investor’s investment. Investors who are not willing to rely on the discretion and judgment of the General Partner, which has no operating or investment history and is expected to have only nominal assets, and of Sentry Select Capital Corp., should not subscribe for Units. The tax benefits resulting from an investment in the Partnership are greatest for an investor whose income is subject to the highest marginal income tax rate. Regardless of any tax benefits that may be obtained, a decision to purchase Units should be based primarily on an appraisal of the

merits of the investment and on an investor's ability to bear a loss of his, her or its investment. Investors acquiring Units with a view to obtaining tax advantages should obtain independent tax advice from a tax advisor who is knowledgeable in the area of income tax law. The tax consequences of holding or disposing of Units or the Flow-Through Shares issued to the Partnership may be fundamentally altered by changes in federal or provincial income tax legislation. The October 31, 2003 Proposals limiting the claim for losses resulting from the deduction of interest and other expenses in certain circumstances are only draft proposals and may undergo significant revisions prior to being enacted based on the announcement by the Minister of Finance (Canada) in February, 2005 that alternative proposals to replace the October 31, 2003 Proposals would be released for comment at an early opportunity. No such alternative proposals have been released to date. There can be no assurance that such alternative proposals will not adversely affect Limited Partners.

The Proceeds Available For Investment may not be invested in Flow-Through Shares, Resource Companies may not incur or renounce the amount of CEE required to be incurred or renounced under the Flow-Through Investment Agreements in a timely manner, if at all, or amounts renounced by Resource Companies to the Partnership may not qualify as CEE. Each Limited Partner will represent that he or she has not acquired Units with limited recourse borrowing for purposes of the Tax Act, however there is no assurance that this will not occur. Any of the above occurrences would reduce the amount of the Eligible Expenditures and/or Losses allocated to Limited Partners and in certain circumstances may require the Limited Partners to amend their tax returns filed for previous years. There may be disagreements with the CRA with respect to certain tax consequences of an investment in Units of the Partnership. The alternative minimum tax could limit tax benefits available to Limited Partners. See "Canadian Federal Income Tax Considerations".

While Limited Partners will receive the tax benefits associated with Eligible Expenditures in the years in which the Partnership invests in Flow-Through Shares and will benefit to the extent that gains on the disposition of Flow-Through Shares by the Partnership are capital gains rather than income gains for tax purposes, the sale of Flow-Through Shares by the Partnership will trigger larger tax liabilities in the year the gain is recognized than the sale of comparable common shares that do not constitute Flow-Through Shares. As a result, there is a risk that Limited Partners will receive allocations of income and/or capital gains for a year without receiving distributions from the Partnership in that year sufficient to pay any tax they may owe as a result of being a Limited Partner during that year. See "Summary of the Partnership Agreement — Cash Distributions".

There can be no assurance that the Tax Proposals will be enacted as proposed.

If a Limited Partner finances the acquisition of Units with a financing for which recourse is, or is deemed to be, limited, the CEE or other expenses incurred by the Partnership may be reduced by the amount of such financing. The October 31, 2003 Proposals may adversely affect a Limited Partner who finances the subscription price of Units.

Since the Partnership intends to borrow to fund the Agents' commissions and other expenses of issue, such indebtedness will be deemed to be a limited recourse amount for purposes of the Tax Act. As a result, such expenses would not be deductible until the year in which the indebtedness is repaid and any resulting losses may be subject to the application of the October 31, 2003 Proposals (or any alternative proposals to replace such proposals) at that time.

The *Taxation Act* (Québec) provides that where an individual taxpayer (including a personal trust) incurs in a given taxation year "investment expenses" to earn investment income in excess of the investment income earned for that year, such excess shall be included in the taxpayer's income, resulting in an offset of the deduction equal to the amount of such excess. For these purposes, investment expenses include certain deductible interest and losses of an individual (including a personal trust) that is resident or subject to tax in Québec and is a Limited Partner at the end of a fiscal year of the Partnership and 50% of CEE (other than CEE incurred in Québec) renounced to, allocated to and deducted for Québec tax purposes by such Limited Partner, other than CEE incurred in Québec and investment income includes taxable capital gains not eligible for the capital gains exemption. The remaining 50% of CEE (other than CEE incurred in Québec) renounced to, allocated to and deducted for Québec tax purposes by such Limited Partner will be included in such Limited Partner's income for Québec tax purposes only if such Limited Partner has insufficient investment income. Investment expenses which have been included in the taxpayer's income in a given taxation year may be

deducted against net investment income earned in any of the three previous taxation years and any subsequent taxation year.

### **Possible Loss of Limited Liability and Liability for Return of Capital**

Maintaining limited liability requires Limited Partners to comply with certain legal requirements in jurisdictions in which the Partnership will operate and there is a risk that Limited Partners could lose their limited liability in certain circumstances. The General Partner will operate the Partnership in such a manner as to ensure, to the greatest extent possible, the limited liability of the Limited Partners. See “Summary of the Partnership Agreement — Limited Liability of Limited Partners”.

Where a Limited Partner receives a distribution from the Partnership, such Limited Partner may be liable to return to the Partnership or, if the Partnership is dissolved, to its creditors a maximum of the amount distributed to such Limited Partner with interest, as may be necessary to discharge the liabilities of the Partnership to all creditors who extended credit or whose claims otherwise arose before such distribution.

### **Conflicts of Interest**

Various conflicts of interest exist or may arise between the Partnership, the General Partner and Sentry Select Capital Corp. and/or other partnerships or entities of which Affiliates of the General Partner or Sentry Select Capital Corp. are general partners or act as manager.

Sentry Select Capital Corp. and its Affiliates and the directors and officers of Sentry Select Capital Corp. and the General Partner and their respective Affiliates (other than the General Partner) may engage in the promotion, management or investment management of any other fund, partnership or other entity, including specifically Sentry Select Fund and any other funds, partnerships or entities which invest primarily in flow-through shares (see “Conflicts of Interest”).

### **Forward-looking Statements**

This prospectus contains forward-looking statements that involve risk and uncertainties. These forward-looking statements relate to, among other things, investment strategy and intentions contained in this Prospectus that are not historical fact. When used in this Prospectus, the words “expects”, “anticipates”, “intends”, “may” and similar expressions generally identify forward-looking statements. These statements reflect the Partnership’s current expectations. They are subject to a number of risks and uncertainties, including, but not limited to, changes in the global economy, in general economic and business conditions, existing governmental regulations and other market factors specific to the resource sector and to the securities of Resource Companies.

## **MATERIAL CONTRACTS**

Material contracts which have been entered into by the Partnership or the General Partner since its formation, other than contracts entered into in the ordinary course of business, are as follows:

- (a) the Partnership Agreement referred to under “Summary of the Partnership Agreement”;
- (b) the Agency Agreement among the Partnership, the General Partner and the Agents referred to under “Plan of Distribution”; and
- (c) the Investment Management Agreement among the General Partner, Sentry Select Capital Corp. and Petro Assets Inc. and referred to under “Sentry Select Capital Corp.”.

Copies of the contracts referred to above may be inspected during normal business hours at the offices of the General Partner at 130 King Street West, Suite 2850, P.O. Box 104, Toronto, Ontario M5X 1A4 throughout the period of distribution and for 30 days thereafter. The Partnership Agreement is accessible for download from the Internet as a document of the Partnership under SEDAR at [www.sedar.com](http://www.sedar.com) and on Sentry Select Capital Corp.’s Internet site ([www.sentryselect.com](http://www.sentryselect.com)), and will be provided without charge upon written request to the General Partner at 130 King Street West, Suite 2850, P.O. Box 104, Toronto, Ontario M5X 1A4, Facsimile (416) 364-1197.

## **INTEREST OF MANAGEMENT IN MATERIAL TRANSACTIONS**

The General Partner is a wholly owned subsidiary of Petro Assets Inc., the promoter of the Partnership. Some directors and officers of Petro Assets Inc. also are directors and/or officers of the General Partner. Petro Assets, the sole shareholder of the General Partner, and the Driscoll Family Trust, a trust established for the family of John F. Driscoll, an officer and director of the General Partner, has an indirect interest in the Management Fee to be paid to the General Partner. See “Management of the General Partner”.

## **CONFLICTS OF INTEREST**

Various conflicts of interest exist or may arise between the Partnership and the General Partner and other partnerships or entities of which Affiliates of the General Partner are general partners or for which Affiliates of the General Partner act as managers. Some of these conflicts arise as a result of the power and authority of the General Partner to manage and operate the business and affairs of the Partnership.

The General Partner will not engage in any business other than acting as the general partner of the Partnership. The General Partner’s Affiliates and other members of the NCE Resources Group may engage in any business ventures (the “Conflicting Ventures”), including, without limitation, acting as general partners of other limited partnerships or entities that invest in Flow-Through Shares of Resource Companies. Neither the Partnership nor any Partners shall by virtue of the Partnership Agreement or otherwise have any right, title or interest in or to such Conflicting Ventures. Any conflicts of interest that arise involving the Partnership or the General Partner, shall be dealt with on a basis consistent with objectives of the Partnership and the duty of the General Partner to deal honestly, in good faith and in the best interests of the Limited Partners and the Partnership. The Partnership will not invest in Resource Companies that are members of the NCE Resources Group.

There may be a conflict of interest between the Partnership and Sentry Select Fund. After the completion of the Partnership’s investment in Flow-Through Shares, the Partnership may liquidate some or all of its share portfolio and invest the proceeds in other securities. The Canadian Resource Class of Sentry Select Fund invests in Canadian companies engaged in energy and natural resource industries. As such, the Canadian Resource Class of Sentry Select Fund and the Partnership may hold shares in the same companies, may seek to acquire or dispose of shares in the same companies and may otherwise be engaged in conflicting portfolio transactions. There are no agreements between the Partnership and Sentry Select Fund concerning such conflicts. The General Partner and Sentry Select Capital Corp., which acts as the manager of Sentry Select Fund and investment advisor to the Partnership, are Affiliates of each other. See “Investment Details — Liquidity Transaction” for information concerning Sentry Select Fund and “The Partnership and the General Partner — Sentry Select Capital Corp.”.

## **REGISTRAR AND TRANSFER AGENT**

The registrar and transfer agent of the Partnership is Computershare Investor Services Inc. at its principal office located at Toronto, Ontario.

## **AUDITORS**

The independent auditors of the General Partner and of the Partnership are Deloitte & Touche LLP, Chartered Accountants, 181 Bay Street, Bay-Wellington Tower, Brookfield Place, Suite 1400, Toronto, Ontario M5J 2V1.

## **PROMOTER**

Petro Assets Inc. may be considered to be the promoter of the Partnership within the meaning of relevant Canadian securities legislation. Petro Assets Inc. has an indirect interest in the Management Fee paid or to be paid to the General Partner. See “Interest of Management in Material Transactions”.

## **LEGAL MATTERS**

Certain legal matters in connection with the issuance and sale of the Units offered by this prospectus will be passed upon on behalf of this Partnership by Macleod Dixon LLP and on behalf of the Agents by Blake, Cassels & Graydon LLP.

### **PURCHASERS' STATUTORY RIGHTS**

Securities legislation in several of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of his, her or its province or territory. The purchaser should refer to any applicable provisions of the securities legislation of his, her or its province or territory for the particulars of these rights or consult with a legal adviser.

### AUDITORS' CONSENT

We have read the prospectus of NCE Diversified Flow-Through (08) Limited Partnership (the "Partnership") dated ● , 2008 relating to the issue and sale of Limited Partnership Units of the Partnership. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the Board of Directors of NCE Diversified Management (08) Corp. (the "General Partner"), the General Partner of the Partnership, on the balance sheet of the Partnership as at ● , 2008. Our report is dated ● , 2008.

Toronto, Ontario  
● , 2008

(Signed) ●  
Chartered Accountants  
Licensed Public Accountants

## AUDITORS' REPORT

To the Board of Directors of NCE Diversified Management (08) Corp.,  
the General Partner of NCE Diversified Flow-Through (08) Limited Partnership:

We have audited the balance sheet of NCE Diversified Flow-Through (08) Limited Partnership (the "Partnership") as at ● , 2008. This financial statement is the responsibility of the Partnership's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, this financial statement presents fairly, in all material respects, the financial position of the Partnership as at ● , 2008 in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario  
● , 2008

(Signed) ●  
Chartered Accountants  
Licensed Public Accountants

**NCE DIVERSIFIED FLOW-THROUGH (08) LIMITED PARTNERSHIP  
BALANCE SHEET — AS AT    ●    , 2008**

**ASSETS**

CASH ..... \$25

**PARTNER'S CAPITAL**

INITIAL LIMITED PARTNER (Note 1) ..... \$25

Approved on behalf of NCE Diversified Flow-Through (08) Limited Partnership by the Board of Directors of its General Partner, NCE Diversified Management (08) Corp.:

(Signed) JOHN F. DRISCOLL  
Director

(Signed) RICHARD J. ZARZECZNY  
Director

## NCE DIVERSIFIED FLOW-THROUGH (08) LIMITED PARTNERSHIP

### NOTES TO THE BALANCE SHEET

AS AT • 2008

#### 1. FORMATION OF THE PARTNERSHIP

Provident (2005) Fund was formed on January 12, 2005 as a limited partnership under the laws of the Province of Ontario. On December 5, 2007, the general partner of the partnership was changed to NCE Diversified Management (08) Corp. On December 10, 2007, the name of the partnership was changed to NCE Diversified Flow-Through (08) Limited Partnership (the "Partnership"). The Partnership has been inactive between the date of formation and the date of the balance sheet, other than the issuance of one partnership unit for cash.

#### 2. NATURE OF BUSINESS

The Partnership intends to invest in flow-through shares ("Flow-Through Shares") of resource issuers engaged in oil and gas exploration, development and/or production or mineral exploration, development and/or production or to a lesser extent, and subject to certain limitations, resource issuers involved in renewable energy exploration and development which qualify for Canadian renewable and conservation expenses, as defined in the Income Tax Act (Canada) (collectively, "Resource Companies"), with the objective of achieving capital appreciation. The Partnership will invest a minimum of 80% of the Proceeds Available for Investment in Resource Companies whose shares are listed on a Canadian stock exchange. A minimum of 25% of the Proceeds Available for Investment will be invested in Flow-Through Shares of Resource Companies which have common shares listed on the Toronto Stock Exchange. The Partnership may also invest up to 20% of the Proceeds Available for Investment in Illiquid Investments, including securities of Private Companies. The Partnership will make investments in accordance with the investment strategy of acquiring Flow-Through Shares issued by Resource Companies that (i) have experienced management, (ii) have an exploration program and/or operational facility (in the case of renewable energy investments) in operation, (iii) offer potential for future growth, and (iv) meet certain enterprise value and other criteria.

The Partnership will endeavour to invest all proceeds available for investment in Flow-Through Shares of Resource Companies on or before December 31, 2008. Limited partners who have sufficient income, subject to certain limitations, will be entitled to claim certain deductions from income for income tax purposes.

The Partnership intends to enter into a loan facility with a Schedule I Canadian chartered bank (the "Lender"). The loan facility will permit the Partnership to borrow an amount not exceeding 10% of the total gross proceeds, which will be used to finance expenses of the offering incurred by the Partnership (such as agents' commissions and expenses of issue) and to provide working capital for the Partnership, in order to maximize the allocation of gross proceeds towards the purchase of Flow-Through Shares issued by Resource Companies. The Partnership will provide a security interest in the assets held by the Partnership and all amounts outstanding under the loan facility, including all interest accrued thereon, will be repaid in full.

An investment vehicle of this nature is subject to various risk factors, including but not limited to, reliance on NCE Diversified Management (08) Corp. (the "General Partner"), a company with no operating or investment history and nominal assets, for investment advisory services and the availability before December 31, 2008 of a sufficient number of resource companies willing to issue flow-through shares. In addition, there is currently no market through which the units of the Partnership may be sold and none is expected to develop. The interest expenses and banking fees incurred in respect of the loan facility may exceed the incremental capital gains and tax benefits generated by the incremental investment in Flow-Through Shares issued by Resource Companies. There can be no assurance that the borrowing strategy employed by the Partnership will enhance returns.

**NCE DIVERSIFIED FLOW-THROUGH (08) LIMITED PARTNERSHIP**

**NOTES TO THE BALANCE SHEET (Continued)**

**AS AT • 2008**

**2. NATURE OF BUSINESS (Continued)**

The net asset value of the Partnership will be calculated on each Thursday during the year (or, if a Thursday is not a business day, the business day following such Thursday), on December 31 in each year and, for the purposes of calculating the management fee payable to the General Partner, on the last business day of each calendar quarter except December, in which month the calculation shall occur on December 31 (the "Valuation Date"). The net asset value of the Partnership is directly related to the market value of the investments made by the Partnership and, therefore, will fluctuate depending on market and economic conditions. There can be no guarantee against loss resulting from an investment in Partnership units and there can be no assurance that the Partnership's investment practices will be successful or that its investment objective will be attained.

Income will be allocated at the end of each fiscal year on the basis of 99.99% to the limited partners of record on December 31 of each such fiscal year and 0.01% to the General Partner. Losses will be allocated at the end of each fiscal year on the basis of 100% to the limited partners of record on December 31 of each such fiscal year. Canadian Exploration Expense ("CEE") renounced to the Partnership will each be allocated *pro rata* to the limited partners of record on December 31, 2008. The Partnership will make all filings in respect of such allocations as are required by the Income Tax Act (Canada). On dissolution of the Partnership, after settling any credit balances in the capital accounts of any of the limited partners and satisfying all liabilities of the Partnership including, without limitation, the loan facility, limited partners will be entitled to 99.99% of the assets of the Partnership and the General Partner will be entitled to 0.01% of such assets.

**3. MANAGEMENT FEES AND OTHER EXPENSES**

The General Partner will manage the ongoing business and administrative affairs of the Partnership. In consideration for these services and pursuant to the terms of the Partnership Agreement, the Partnership will pay to the General Partner a quarterly management fee (the "Management Fee") equal to  $\frac{1}{4}$  of 2.0% of the net asset value of the Partnership commencing the date of the initial closing. The Management Fee will be paid quarterly based on the net asset value of the Partnership on the Valuation Date for the preceding quarter.

The General Partner has retained Sentry Select Capital Corp. ("Sentry Select") to provide portfolio management advice. Sentry Select and the General Partner have the same controlling shareholder.

The Partnership will pay the costs of the initial offering of Partnership units as well as all of its administrative and operating expenses and the ongoing Management Fee payable to the General Partner. The General Partner is responsible for its own overhead costs and amounts payable in respect of administrative and other services provided to the Partnership on behalf of the General Partner.

## CERTIFICATES OF PARTNERSHIP AND PROMOTER

DATED: December 19, 2007

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), Part 9 of the *Securities Act* (Alberta), Part XI of *The Securities Act*, 1988 (Saskatchewan), Part VII of *The Securities Act* (Manitoba), Part XV of the *Securities Act* (Ontario), section 63 of the *Securities Act* (Nova Scotia), Part II of the *Securities Act* (Prince Edward Island), Part XIV of the *Securities Act* (Newfoundland and Labrador), Part 6 of the *Securities Act* (New Brunswick), Part 3 of the *Securities Act* (Yukon Territory), the *Securities Act* (Northwest Territories) and the *Securities Act* (Nunavut) and the respective regulations thereunder. This prospectus, as required by the *Securities Act* (Québec) and the regulations thereunder, does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed.

(Signed) JOHN F. DRISCOLL  
Chief Executive Officer

(Signed) JOHN VOGLAID  
Vice-President and Treasurer  
(in the capacity of Chief Financial Officer  
of the General Partner)

### ON BEHALF OF THE BOARD OF DIRECTORS OF THE GENERAL PARTNER

(Signed) JACK MCOUAT  
Director

(Signed) RICHARD ZARZECZNY  
Director

### PROMOTER

PETRO ASSETS INC.

(Signed) JOHN F. DRISCOLL  
President

## CERTIFICATE OF AGENTS

Dated: December 19, 2007

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), Part 9 of the *Securities Act* (Alberta), Part XI of *The Securities Act*, 1988 (Saskatchewan), Part VII of *The Securities Act* (Manitoba), Part XV of the *Securities Act* (Ontario), section 64 of the *Securities Act* (Nova Scotia), Part II of the *Securities Act* (Prince Edward Island), Part XIV of the *Securities Act* (Newfoundland and Labrador), Part 6 of the *Securities Act* (New Brunswick), Part 3 of the *Securities Act* (Yukon Territory), the *Securities Act* (Northwest Territories) and the *Securities Act* (Nunavut) and the respective regulations thereunder. To our knowledge, this prospectus, as required by the *Securities Act* (Québec) and the regulations thereunder, does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed.

RBC DOMINION SECURITIES INC.

CIBC WORLD MARKETS INC.

(Signed) EDWARD V. JACKSON

(Signed) RONALD W.A. MITCHELL

BMO NESBITT  
BURNS INC.

NATIONAL BANK  
FINANCIAL INC.

TD SECURITIES  
INC.

SCOTIA CAPITAL  
INC.

(Signed) FAROOQ N.P.  
MOOSA

(Signed) MICHAEL D. SHUH

(Signed) CAMERON  
GOODNOUGH

(Signed) BRIAN D.  
MCCHESNEY

CANACCORD CAPITAL  
CORPORATION

HSBC SECURITIES  
(CANADA) INC.

RAYMOND  
JAMES LTD.

DUNDEE SECURITIES  
CORPORATION

GMP SECURITIES  
L.P.

(Signed) BINA N.  
PATEL

(Signed) BRENT  
LARKAN

(Signed) J. GRAHAM  
FELL

(Signed) BRETT  
WHELAN

(Signed) PETER  
VERBURG

BERKSHIRE  
SECURITIES INC.

BLACKMONT  
CAPITAL INC.

JORY  
CAPITAL INC.

RICHARDSON  
PARTNERS FINANCIAL  
LIMITED

WELLINGTON WEST  
CAPITAL INC.

(Signed) DAVID  
MACLEOD

(Signed) CHARLES  
A.V. PENNOCK

(Signed) PATRICK M.  
COONEY

(Signed) DAVID  
FINNBOGASON

(Signed) KEVIN M.  
HOOKE

DESJARDINS  
SECURITIES INC.

IPC SECURITIES  
CORPORATION

LAURENTIAN BANK  
SECURITIES INC.

RESEARCH CAPITAL  
CORPORATION

(Signed) BETH SHAW

(Signed) KELLY KLATIK

(Signed) PIERRE GODBOUT

(Signed) DAVID J. KEATING

# Sentry Select