

FRONTIERALT 2007 ENERGY & PRECIOUS METALS FLOW THROUGH LP

NOTICE

October 30, 2009

PART I – Mutual Fund Rollover Transaction

The Liquidity Transaction

This notice is being sent to you by frontierAlt Energy & Precious Metals Inc. (the “**General Partner**”), the general partner of frontierAlt 2007 Energy & Precious Metals Flow Through LP (the “**Partnership**”), to advise you that the Partnership will be proceeding with a transaction (the “**Transaction**”) pursuant to which the net assets of the Partnership (the “**Assets**”) will be transferred to frontierAlt Capital Class Fund Limited (the “**Mutual Fund Corporation**”), an open end mutual fund corporation, on a tax-deferred basis, in exchange for Series A Shares of frontierAlt Resource Capital Class Fund (the “**Resource Fund Shares**”). frontierAlt Resource Capital Class Fund (the “**Resource Fund**”) is a class of shares of the Mutual Fund Corporation and is a mutual fund for securities law purposes. Pursuant to the Transaction, limited partners of the Partnership (the “**Limited Partners**”) will receive Resource Fund Shares upon the dissolution of the Partnership in exchange for, and with a value equal to, the value of the units of the Partnership (“**Units**”) that they held at the time of such transfer of Assets. The general partner of the Partnership (the “**General Partner**”) will be implementing the Transaction in accordance with the amended and restated limited partnership agreement that governs the Partnership. The Transaction has been mutually agreed to by the Partnership and the Mutual Fund Corporation pursuant to an asset transfer agreement made as of the 29th day of October, 2007 (the “**Transfer Agreement**”).

The effective date of the Transaction (the “**Effective Date**”) is expected to be on or about November 30, 2009. Within 30 days of the Effective Date, the Partnership will be dissolved. On the date of dissolution of the Partnership, the Resource Fund Shares that the Partnership received in exchange for the transfer of its Assets will be distributed to the Limited Partners on a pro rata basis, and the affairs of the Partnership will be wound up. Prior to the Effective Date, the Partnership will pay all its liabilities and any assets remaining that can not be transferred to the Mutual Fund Corporation on a tax-deferred basis will be distributed to the Limited Partners. Upon completion of the Transaction, the investment portfolio of the Resource Fund will include the portfolio of the Partnership and the existing portfolio of the Resource Fund. Information with respect to the portfolio of the Resource Fund can be found on the website of frontierAlt Funds Management Limited (“**frontierAlt**” or the “**Manager**”), the manager of the Resource Fund, at www.frontierAlt.com. None of the information contained on this website is or shall be deemed to be incorporated by reference in this Notice.

Implementation of the Liquidity Transaction

Completion of the Transaction will be subject to the receipt of all necessary regulatory approvals and other customary closing conditions. In accordance with the provisions of the Transfer Agreement, on the Effective Date of the sale of the Assets to the Mutual Fund Corporation, the Partnership will receive Resource Fund Shares having an aggregate net asset value equal to the net asset value of the Partnership. For that purpose, the net asset value of the Partnership will be determined on the same basis as the net asset value of the Resource Fund Shares, as described under “Determination of Net Asset Value” below. Appropriate elections under applicable income tax legislation will be made to effect the Transaction on a tax-deferred basis. The costs and expenses relating to the Transaction will be borne by the Partnership.

The Partnership will distribute the Resource Fund Shares to the Limited Partners and then the Partnership will be dissolved.

PART II – The Partnership, the Mutual Fund Corporation and the Resource Fund

frontierAlt 2007 Energy and Precious Metals Flow Through LP

The Partnership is a limited partnership formed under the laws of the Province of Ontario pursuant to a declaration filed in accordance with the *Limited Partnerships Act* (Ontario) on August 16, 2007. The Partnership is governed by the terms of an amended and restated limited partnership agreement dated as of October 29, 2007. The Partnership was formed to invest in flow-through shares (“**Flow-Through Shares**”) of issuers primarily engaged either in energy exploration and development or precious metals exploration and development in Canada that qualify as flow-through shares under the *Income Tax Act* (Canada) (the “**Tax Act**”). A total of 608,161 units of the Partnership were issued at \$25.00 per unit pursuant to a prospectus dated October 29, 2007, at a closing held on December 5, 2007, raising total gross proceeds of \$15,204,025. The net asset value of the Partnership at September 30, 2009 was \$3,196,321.93 or \$5.26 per unit.

frontierAlt Capital Class Fund Limited and frontierAlt Resource Capital Class Fund

The following discussion provides a summary description of the Mutual Fund Corporation and, in particular, the Resource Fund. **The General Partner encourages Limited Partners to read the enclosed amended and restated simplified prospectus dated July 8, 2009 for more detailed information about the Resource Fund.** The simplified prospectus describes, among other things, the risks of investing in the Resource Fund, the management and governance of the Resource Fund and its investment objectives and strategies. Additional information is also available in the most recent annual information form, management reports of fund performance and financial statements of the Resource Fund. These documents and other information about the Mutual Fund Corporation and the Resource Fund are available at www.sedar.com and at www.frontierAlt.com. You can also obtain copies of these documents, upon request, at no cost, by contacting frontierAlt at (416) 623-3173 or info@frontieralt.com.

The Mutual Fund Corporation is an open end mutual fund corporation, incorporated under the *Business Corporations Act* (Ontario) (the “**OBCA**”) by articles of incorporation dated April 27, 2007, as amended June 6, 2007. The head office and principal place of business of the Mutual Fund Corporation is located at 350 Bay Street, Suite 1300, Toronto, Ontario, M5H 2S6.

Series A Resource Fund Shares are offered for sale to the public on a continuous basis in each of the provinces of Canada. The Resource Fund is managed by frontierAlt. Caldwell Investment Management Ltd. (“**Caldwell**”) has been appointed by frontierAlt to be the portfolio advisor of the Resource Fund. Caldwell provides the investment analysis and makes investment recommendations and decisions concerning all investments made by the Resource Fund. The Resource Fund was established, in part, to facilitate exchange transactions by which the assets of resource flow-through limited partnerships established by the Manager (or an affiliate of the Manager) (a “**frontierAlt Limited Partnership**”) are transferred to the Resource Fund (a “**Mutual Fund Rollover Transaction**”). The shares of the Resource Fund issued to a frontierAlt Limited Partnership on a Mutual Fund Rollover Transaction are then distributed to the limited partners on the winding-up of the affairs of such partnership.

Authorized Capital

The authorized capital of the Mutual Fund Corporation consists of an unlimited number of common shares and an unlimited number of six classes of fund shares, issuable in series. The Resource Fund, a

class of fund shares of the Mutual Fund Corporation, currently has one series of shares, the Resource Fund Shares, of which the Mutual Fund Corporation may issue up to 500,000,000 shares. The Resource Fund Shares were created primarily in order to exchange (on a rollover basis) such shares for the assets of a frontierAlt Limited Partnership.

The common shares of the Mutual Fund Corporation will not be offered to the public at any time. As at the date of this Notice, one common share of the Mutual Fund Corporation is issued and outstanding and is registered in the name of the Manager. At the date of this Notice, there are 1,077,694 Resource Fund Shares issued and outstanding.

Investment Objectives, Strategies and Restrictions of the Resource Fund

The Resource Fund's fundamental investment objective is to achieve long-term capital appreciation by investing primarily in the equity securities of Canadian resource issuers.

The Resource Fund's investment strategy will entail investing in shares of resource issuers engaged in oil and gas or mining exploration, development or production or energy production, including alternative energy production such as from wind, and that (i) have experienced management; (ii) have a strong exploration program in place; (iii) may require time to mature; and (iv) offer potential for future growth. It is anticipated that the resource issuers will include a significant number of junior resource issuers. The Resource Fund may also invest in corporate debt, government bonds (capital preservation) or small exposures to small capitalization companies (high growth) throughout the world, including Canada and the U.S.

The portfolio advisor will manage the investment portfolio so as to achieve capital appreciation of the Fund's investments. This continuing investment management program may involve the divestiture of shares and other investments and the reinvestment of the net proceeds from such dispositions in securities of resource issuers, as well as other issuers in the oil and gas, mining, pulp and paper and forestry industries, energy producers and related resource business issuers, such as pipeline or service companies and utilities.

The portfolio advisor will make investments in securities which it believes are undervalued based on its traditional fundamental research and analysis of such securities. These will include, in particular, securities of issuers with improving fundamentals such as growing revenues and earnings, strong balance sheets and solid management, capital structure and business franchises.

The Manager may change the Resource Fund's investment strategies at its discretion without notice to or approval of shareholders.

The Resource Fund may in the future engage in short selling of securities that are identified as suitable for short sale by the portfolio advisor. The Resource Fund may engage in short selling pursuant to exemptive relief granted by securities regulatory authorities. In determining whether securities of a particular issuer should be sold short, the portfolio advisor will utilize the same analysis that is described above for deciding whether to purchase the securities. Where the analysis generally produces a favourable outlook, the issuer will be a candidate for purchase. Where the analysis produces an unfavourable outlook, the issuer will be a candidate for a short sale. Short selling will be used by the Resource Fund only as a complement to the Resource Fund's primary discipline of buying securities with the expectation that they will appreciate in market value and will be done on the basis of the conditions outlined in the simplified prospectus and annual information form of the Resource Fund.

The Resource Fund does not currently intend to use derivatives or enter into securities lending transactions, repurchase transactions or reverse repurchase transactions.

The Resource 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 attributable to the Resource Fund are diversified and relatively liquid and to ensure the proper administration of the Resource Fund.

A significant part of the assets attributable to the Resource Fund consists of assets which were acquired by the Mutual Fund Corporation on a tax-deferred basis from each of frontierAlt Mining 2005 Flow Through Limited Partnership, frontierAlt Resource 2005 Flow Through Limited Partnership, frontierAlt Energy 2006 Flow Through Limited Partnership, frontierAlt Energy 2006-II Flow Through Limited Partnership and MAK Strategic Resource 2006 Flow Through Limited Partnership. At present it is anticipated that the portfolio of the Partnership will be transferred to the Mutual Fund Corporation in accordance with the provisions of the Transfer Agreement. Similar transactions may occur in future years.

Risk Factors

An investment in the Resource Fund Shares is subject to a number of risks, as set out in the enclosed simplified prospectus of the Resource Fund. In particular, there may be significant redemptions by existing investors and by those investors who obtained Resource Fund Shares by the transferring of assets of limited partnerships to the Mutual Fund Corporation, which may require the Manager to liquidate portfolio securities at less than optimal prices in order to meet the redemption requests, which may in turn reduce the NAVPS (as defined below) of the Resource Fund Shares.

Eligibility for Investment

Provided that the Mutual Fund Corporation continues at all times to qualify as a “mutual fund corporation” for the purposes of the Tax Act, the Resource Fund Shares will be qualified investments for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans and tax-free savings accounts.

A holder of a tax-free savings account may be subject to a penalty tax in respect of Resource Fund Shares held by the tax-free savings account if the Resource Fund Shares are “prohibited investments” for the tax-free savings account. An investment in Resource Fund Shares will not generally be a “prohibited investment” for a particular trust governed by a tax-free savings account, provided the holder of the tax-free savings account deals at arm’s length with, and does not have a “significant interest” in, the Mutual Fund Corporation or in a corporation, partnership or trust with which the Mutual Fund Corporation does not deal at arm’s length.

Determination of Net Asset Value

The Manager calculates a separate net asset value per security (“NAVPS”) daily for each series of shares of the Resource Fund at the close of trading of the Toronto Stock Exchange (“TSX”) every business day (usually 4:00 p.m. Toronto time) provided that if the TSX is not open for trading on any such business day, the NAV shall be determined on the next business day on which the TSX is open for trading (the “Valuation Date”). The NAVPS is calculated based on the market value of such series’ proportionate share of the Resource Fund’s assets less the Resource Fund’s liabilities allocated to that series of shares and dividing that figure by the number of shares of the series outstanding.

The method by which the assets held by the Mutual Fund Corporation are valued and other disclosure with respect to the calculation of the NAVPS of the Resource Fund Shares is included in the enclosed simplified prospectus and in the annual information form of the Resource Fund, which is available at www.sedar.com and at www.frontierAlt.com. You can also obtain a copy of the annual information form, upon request, at no cost, by contacting frontierAlt at (416) 623-3173 or info@frontieralt.com.

Description of the Resource Fund Shares

Each holder of a Resource Fund Share is entitled for each such share held, to (a) participate in the dividends that are declared with respect to the Resource Fund; (b) participate, on liquidation, in the net assets of the Resource Fund after satisfaction of outstanding liabilities; and (c) redeem such share on any Valuation Date.

The Resource Fund Shares are non-voting, other than as required by law, including by NI 81-102.

The rights, privileges, restrictions and conditions attaching to the Resource Fund Shares may be modified, amended or varied by articles of amendment, the application for which must be authorized by a special resolution passed at a meeting of shareholders of the Mutual Fund Corporation duly called for considering the same, by the affirmative vote of the holders of not less than 66 $\frac{2}{3}$ % of all the outstanding shares represented and voted at such meeting. Neither the holders of the Resource Fund Shares nor the holder of the common shares is entitled to vote separately as a class or as a series of a class, or to exercise dissent rights, with respect to any amendment to the articles of incorporation of the Mutual Fund Corporation to increase or decrease any maximum number of authorized shares of such class or series or to increase any maximum number of authorized shares of a class or series having rights or privileges equal or superior to the shares of such class or series; effect an exchange, reclassification or cancellation of shares of that class or series; or to create a new class or series of shares equal to or superior to the shares of that class or series.

The prior approval of the securityholders of the Resource Fund, given by a resolution passed by at least a majority of the votes cast at a meeting of securityholders duly called and held, is required before:

- (a) the basis of the calculation of a fee or expense that is charged to the Resource Fund or directly to the securityholders by the Resource Fund or the Manager in connection with the holding of shares of the Resource Fund is changed in a way that could result in an increase in charges to the Resource Fund or the securityholders, unless (i) the Resource Fund is at arm's length to the person or company charging the fee or expense to the Resource Fund, and (ii) the securityholders are sent a written notice at least 60 days before the effective date of the change that is to be made that could result in charges to the Resource Fund;
- (b) a fee or expense, to be charged to the Resource Fund or directly to its securityholders by the Resource Fund or the Manager in connection with the holding of securities of the Resource Fund that could result in an increase in charges to the Resource Fund or its securityholders, is introduced;
- (c) the Manager of the Resource Fund is changed, unless the new manager is an affiliate of the current Manager;
- (d) the fundamental investment objectives of the Resource Fund are changed;
- (e) the Resource Fund decreases the frequency of the calculation of its NAVPS;

- (f) unless the Resource Fund's independent review committee has approved and all conditions of applicable securities legislation have been adhered to, the Resource Fund undertakes a reorganization with, or transfers its assets to, another mutual fund, if: (i) the Resource Fund ceases to continue after the reorganization or transfer of assets; and (ii) the transaction results in the securityholders of the Resource Fund becoming securityholders in the other mutual fund; or
- (g) the Resource Fund undertakes a reorganization with, or acquires assets from, another mutual fund, if: (i) the Resource Fund continues after the reorganization or acquisition of assets; (ii) the transaction result in the securityholders of the other mutual fund becoming securityholders in the Resource Fund; and (iii) the transaction would be a material change to the Resource Fund.

The approval of the securityholders of the Resource Fund is not required for a change of auditors, but securityholders will receive notice 60 days in advance of a proposed change of auditors.

Securityholders of the Resource Fund will receive notice 60 days in advance of proposed fund mergers which do not require securityholder approval.

Holders of a class or series of shares of the Mutual Fund Corporation will not be entitled to vote at any meeting of securityholders on a matter referred to above if they, as securityholders of that class or series of shares, are not affected by the matter.

PART III – Canadian Federal Income Tax Considerations

The following is a general summary of the principal Canadian federal income tax consequences of the Transaction to a Limited Partner, as of the date of this Notice.

This summary only applies to a Limited Partner who, for purposes of the Tax Act and at all relevant times, is resident in Canada, deals at arm's length with the Partnership and the Mutual Fund Corporation, and holds Units and will hold Resource Fund Shares received as a consequence of the Transaction as capital property. This summary is also based on the assumption that the Mutual Fund Corporation qualifies as a "mutual fund corporation" for the purposes of the Tax Act and will continue to so qualify at all relevant times.

This summary does not apply to taxpayers that are financial institutions as defined in subsection 142.2(1) of the Tax Act, to a taxpayer, an interest in which is a tax shelter investment, or to a taxpayer that has made an election under section 261 of the Tax Act in respect of a "functional currency". Such taxpayers should consult their own tax advisors.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Limited Partner. Each Limited Partner should obtain independent legal advice from a tax advisor who is knowledgeable in the area of income tax law regarding the income tax consequences of the matters described in this Notice to the Limited Partner based on such Limited Partner's particular circumstances.

This summary is based on the current provisions of the Tax Act, the regulations thereunder and the current published administrative practices and assessing policies of the Canada Revenue Agency (the "CRA") as of the date hereof. The summary also takes into account all specific proposals to amend the Tax Act and regulations thereunder announced by, or on behalf of, the Minister of Finance (Canada) prior to the date hereof (the "Tax Proposals"). No assurance can be given that the Tax Proposals will become

law as proposed or at all. This summary does not otherwise take into account or anticipate any changes in law, whether by judicial, governmental or legislative decision or action, nor does it take into account any provincial or foreign income tax legislation or considerations.

The Transaction

Pursuant to the Transaction, the Assets of the Partnership will be transferred to the Mutual Fund Corporation in consideration for Resource Fund Shares and the General Partner, on behalf of all partners of the Partnership pursuant to a valid authorizing agreement, and the Mutual Fund Corporation will jointly elect in the prescribed manner pursuant to the Tax Act so that the Partnership will be considered to have transferred each Asset to the Mutual Fund Corporation at the lesser of its cost amount to the Partnership immediately before the transfer and its fair market value at the transfer time. Consequently, no amount should be allocated or included in the income of any Limited Partner solely as a result of the transfer of the Assets to the Mutual Fund Corporation. The aggregate elected amounts in the tax election should constitute the Partnership's adjusted cost base of the Resource Fund Shares received in exchange for the Assets.

If the Partnership holds property in respect of which no tax election as described above may be made ("**Non-Qualifying Property**"), such property will be distributed, before the transfer of all other Partnership property to the Mutual Fund Corporation, as to 99.99% among the Limited Partners and as to 0.01% to the General Partner and will be held by the General Partner, as agent on behalf of the Limited Partners. The Partnership will be considered to have disposed of each Non-Qualifying Property for fair market value and any income, loss, capital gain or capital loss will be taken into account in determining the income of the Partnership for its fiscal year ending on its dissolution.

The Partnership will be dissolved and its affairs will be wound up within 30 days after the transfer of the Assets to the Mutual Fund Corporation. Upon the dissolution of the Partnership, provided the Partnership has no assets other than Resource Fund Shares, each Limited Partner will be deemed to dispose of his or her Units for proceeds of disposition equal to the cost to the Limited Partner of the Resource Fund Shares received in exchange for the disposition of such Units. The cost to a Limited Partner of such Resource Fund Shares should be equal to the adjusted cost base to the Limited Partner of his or her Units immediately before the dissolution. Consequently, no gain or loss should be realized or incurred by a Limited Partner on the disposition of Units upon the dissolution of the Partnership.

The adjusted cost base of a Limited Partner's Units at any time will generally be decreased by the amount of cash distributed to that Limited Partner and increased by any income of the Partnership allocated to that Limited Partner in respect of such Units, for fiscal periods ending before that time. The Partnership shall be deemed to have a fiscal year ending immediately before the dissolution of the Partnership. A Limited Partner's share of the Partnership's income, loss, capital gains and capital losses for such fiscal year should, based on certain CRA administrative policies, be taken into account in computing the adjusted cost base of the Limited Partner's Units for the purposes of calculating the cost of the Resource Fund Shares received on the dissolution.

Tax Treatment of the Mutual Fund Corporation

Dividends

In computing income for a taxation year, the Mutual Fund Corporation will be required to include in income all dividends received by the Mutual Fund Corporation in the year. In computing taxable income, the Mutual Fund Corporation will generally be permitted to deduct all dividends received by it from taxable Canadian corporations. The Mutual Fund Corporation will generally not be permitted a deduction

in computing taxable income for dividends received by it from other corporations, including non-resident corporations.

The Mutual Fund Corporation should be a “financial intermediary corporation” and as such the Mutual Fund Corporation will not be subject to tax under Part IV.I of the Tax Act on dividends received by the Mutual Fund Corporation and will generally not be liable to tax under Part VI.I of the Tax Act on dividends paid by the Mutual Fund Corporation. As a mutual fund corporation, the Mutual Fund Corporation is generally subject to a refundable tax of 33 1/3% under Part IV of the Tax Act on taxable dividends received by the Mutual Fund Corporation during the year to the extent that such dividends were deductible in computing the Mutual Fund Corporation’s taxable income for the year. This tax is refundable upon payment by the Mutual Fund Corporation of sufficient dividends, other than capital gains dividends, in the year or a subsequent year.

Capital Gains

The Mutual Fund Corporation has made an election pursuant to subsection 39(4) of the Tax Act to have those securities in its investment portfolio which are “Canadian securities” as defined in the Tax Act deemed to be capital properties. Flow-Through Shares are not “Canadian securities” for the purpose of this election. Whether a Flow-Through Share is held by the Mutual Fund Corporation as capital property will depend on all the relevant facts. Transactions undertaken by the Mutual Fund Corporation in respect of all securities held by the Mutual Fund Corporation (including Flow-Through Shares) will be treated and reported by the Mutual Fund Corporation as arising on capital account and this summary assumes such treatment. If it were determined that the Flow-Through Shares or other securities held by the Mutual Fund Corporation were not capital property to the Mutual Fund Corporation, any gain realized upon a disposition of such securities would be fully taxed as ordinary income.

The Mutual Fund Corporation may realize a capital gain (or sustain a capital loss) upon the disposition of the securities in its investment portfolio to the extent that the proceeds of disposition therefore exceed (or are less than) the aggregate of the Mutual Fund Corporation’s adjusted cost base of such securities and any reasonable costs of disposition. The amount of any such capital loss otherwise determined may, in certain circumstances described in the Tax Act, be reduced by the amount of dividends previously received by the Mutual Fund Corporation on the shares in its investment portfolio. One-half of the amount of any capital gain (a “taxable capital gain”) realized by the Mutual Fund Corporation in a taxation year on the disposition of shares in its investment portfolio must be included in computing the Mutual Fund Corporation’s income for the year, and one-half of the amount of any capital loss (an “allowable capital loss”) realized by the Mutual Fund Corporation in a taxation year may be deducted against any taxable capital gains realized by the Mutual Fund Corporation in the year. Any excess of allowable capital losses over taxable capital gains for a taxation year may be deducted against taxable capital gains realized by the Mutual Fund Corporation in any of the three preceding taxation years or in any subsequent taxation year to the extent and under the circumstances described in the Tax Act.

The Mutual Fund Corporation will acquire the Assets on a tax-deferred basis on the Transaction. The Mutual Fund Corporation has acquired, and expects to acquire in the future, property on a tax-deferred basis in similar transactions (such transactions and the Transaction are referred to collectively as “**Exchange Transactions**”). Such property acquired in an Exchange Transaction has included, and will in the future include, Flow-Through Shares which have nominal cost for tax purposes and other properties having a cost for tax purposes that is less than the fair market value thereof. If the Flow-Through Shares or the properties are identical to other securities held by the Mutual Fund Corporation as capital property, the cost of such properties will be averaged. A disposition of such Flow-Through Shares, other properties or identical property may result in the recognition of larger capital gains than if the Exchange Transactions did not occur.

As a mutual fund corporation, the Mutual Fund Corporation maintains a capital gains dividend account in respect of net capital gains realized by the Mutual Fund Corporation and from which it may elect to pay dividends (“**capital gains dividends**”) which are treated as capital gains in the hands of the shareholders of the Mutual Fund Corporation. Upon the payment of sufficient redemptions of its shares or capital gains dividends, the Mutual Fund Corporation will be entitled to refunds in accordance with the provisions of the Tax Act of substantially all tax paid with respect to net taxable capital gains. See “Taxation of Shareholders of the Mutual Fund Corporation” below.

Other Income

To the extent that the Mutual Fund Corporation earns income other than capital gains and dividends from taxable Canadian corporations, the Mutual Fund Corporation will be required to include such amounts in income in accordance with the rules contained in the Tax Act which will be subject to full corporate income tax rates.

Issue and Other Expenses

The Mutual Fund Corporation will be entitled to deduct an amount equal to the reasonable expenses that it incurs in the course of issuing the Resource Fund Shares. Such issue expenses will be deductible by the Mutual Fund Corporation rateably over a five-year period subject to reduction in any taxation year that is less than 365 days. Generally, the Mutual Fund Corporation will also be entitled to deduct reasonable administrative expenses. Any non-capital losses incurred by the Mutual Fund Corporation may generally be carried forward or back in accordance with the rules and limitations contained in the Tax Act and deducted in computing the taxable income of the Mutual Fund Corporation.

On October 31, 2003, the Minister of Finance (Canada) announced a draft proposal regarding the deductibility of interest and other expenses, which if enacted in the form proposed, could limit losses of the Mutual Fund Corporation from a particular source that is a business or property in taxation years commencing after 2004. This Tax Proposal would require that there be a “reasonable expectation of cumulative profit” from a business or property in order for a taxpayer to realize a loss from the business or property and would make it clear that profit for this purpose does not include capital gains. This Tax Proposal could, among other things, adversely affect the deduction of expenses otherwise deductible by the Mutual Fund Corporation. On February 23, 2005, the Ministry of Finance (Canada) announced that it will release an alternative to this Tax Proposal. No alternative proposal has been released to date.

The Mutual Fund Corporation is required to compute all amounts, including interest, dividends, cost of property and proceeds of disposition, in Canadian dollars for purposes of the Tax Act. As a consequence, to the extent the Mutual Fund Corporation undertakes transactions and holds property determined in foreign currency, the amount of income, expenses and capital gains or capital losses may be affected by changes in the value of foreign currency relative to the Canadian dollar.

Taxation of Shareholders of the Mutual Fund Corporation

Taxable dividends paid by the Mutual Fund Corporation to a holder of Resource Fund Shares, other than capital gains dividends, (“**Ordinary Dividends**”) whether received in cash or reinvested in additional securities, will generally be included in computing the shareholder’s income.

Ordinary Dividends received by a shareholder who is an individual will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends paid by taxable Canadian corporations, including

the enhanced gross-up and dividend tax credit in respect of dividends designated as “eligible dividends” by the Mutual Fund Corporation.

Ordinary Dividends received by a shareholder that is a corporation, other than a “specified financial institution” (as defined in the Tax Act), may be deducted in computing its taxable income. A “specified financial institution” will be entitled to deduct Ordinary Dividends received on Resource Fund Shares in computing its taxable income only if it did not acquire such shares in the ordinary course of its business.

A shareholder that is a “private corporation” (as defined in the Tax Act) or any other corporation resident in Canada and controlled, either by reason of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust), or a related group of individuals (other than trusts), may be liable to pay the refundable tax of 33 1/3% under Part IV of the Tax Act on Ordinary Dividends to the extent that such dividends are deductible in computing the corporation’s taxable income. A corporation other than a private corporation or a financial intermediary corporation may be subject to a non-refundable 10% tax under Part IV.I of the Tax Act on an Ordinary Dividend received in which case the rate of Part IV tax payable by such corporation is reduced to 23 1/3%.

During any fiscal year throughout which the Mutual Fund Corporation qualifies as a “mutual fund corporation” under the Tax Act, it may also make distributions to shareholders of realized capital gains by way of capital gains dividends. Capital gains dividends received in a taxation year by a shareholder will be treated as capital gains of the shareholder for the year and will be subject to the general rules relating to the taxation of capital gains, which are described below.

To the extent that the Mutual Fund Corporation has, at the Effective Date, net realized capital gains which have not been distributed to shareholders as capital gains dividends or accrued capital gains which have not been realized, Limited Partners who continue to hold their Resource Fund Shares following the dissolution of the Partnership may become subject to tax on their share of such capital gains when the Mutual Fund Corporation pays capital gains dividends derived from such capital gains.

An actual or deemed disposition of Resource Fund Shares by a shareholder, including a redemption of such shares by the Mutual Fund Corporation, will generally result in a capital gain (or capital loss) to the extent that proceeds of disposition of the shares, net of reasonable disposition costs, exceed (or are less than) the adjusted cost base thereof immediately before the disposition.

Flow-Through Shares held by the Partnership will have an adjusted cost base of nil for income tax purposes. Assuming that no Flow-Through Shares are disposed of by the Partnership before the Transaction and that there is no Non-Qualifying Property, the Transaction and the subsequent dissolution of the Partnership will result in the Limited Partners who acquired their Units pursuant to the initial offering of Units and who hold such Units as at the date of the dissolution of the Partnership, acquiring the Resource Fund Shares at a nominal cost. Consequently, a subsequent redemption or other disposition of Resource Fund Shares will result in the holder thereof realizing substantially all of the proceeds of disposition as a capital gain.

Tax Treatment of Capital Gains and Capital Losses

Upon a disposition of Resource Fund Shares by a Limited Partner, the Limited Partner will be required to include one-half of the amount of any capital gain (a “**taxable capital gain**”) arising from such disposition in the Limited Partner’s income for the relevant taxation year and will be entitled to deduct one-half of the amount of any capital loss (an “**allowable capital loss**”) against taxable capital gains realized by the Limited Partner in the year of disposition. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding years or carried forward and

deducted in any following taxation year against taxable capital gains realized in such years to the extent and under the circumstances described in the Tax Act.

In the case of a Limited Partner that is a corporation, the amount of any capital loss otherwise determined resulting from the disposition of shares may be reduced by the amount of dividends previously received or deemed to have been received thereon in the circumstances described in the Tax Act.

The Tax Act imposes a refundable tax on investment income (other than dividends deductible in computing taxable income) earned by a Canadian-controlled private corporation (as defined in the Tax Act). For this purpose, investment income generally includes taxable capital gains.

Alternative Minimum Tax

Capital gains, capital gains dividends and taxable dividends realized by an individual may give rise to alternative minimum tax. The Tax Act provides that the tax payable by individuals (other than certain trusts) is the greater of the tax otherwise determined and the alternative minimum tax. Limited Partners should consult their own tax advisors with respect to the application of the alternative minimum tax provisions of the Tax Act in light of their own personal circumstances.

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For further information, please contact your dealer or broker or
frontierAlt at (416) 623-3173 or info@frontieralt.com.

Sincerely,
frontierAlt Energy & Precious Metals Inc.



Taras Hucal, President