No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. 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. The securities offered by this prospectus have not been, and will not be, registered under the *United States Securities Act of 1933*, as amended, or any state securities laws and may not be offered or sold within the United States of America or to U.S. persons. See "*Plan of Distribution*".

**PROSPECTUS**

*Initial Public Offering* February 3, 2011

# QWEST ENERGY 2011 FLOW-THROUGH LIMITED PARTNERSHIP

**Maximum Offering: $50,000,000 (2,000,000 Units)**

**Minimum Offering: $5,000,000 (200,000 Units)**

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**Price: $25 per Unit**
**Minimum Purchase: 100 Units**

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**The Partnership is a non-redeemable investment fund.**

**The Partnership:** Qwest Energy 2011 Flow-Through Limited Partnership (the "Partnership"), a limited partnership established under the laws of British Columbia, proposes to issue limited partnership units (the "Units") at a price of $25 per Unit. **Units cannot be purchased or held by "non-residents" of Canada as defined in the *Income Tax Act* (Canada) (the "Tax Act")**. See "Overview of the Legal Structure of the Partnership" and "Income Tax Considerations".

**Investment Objective:** The Partnership's investment objective is to provide limited partners of the Partnership ("Limited Partners") with a tax-assisted investment in a diversified portfolio of Flow-Through Shares (as hereinafter defined) of Resource Issuers (as hereinafter defined) with a view to achieving capital appreciation for Limited Partners. The principal business of the Resource Issuers will be: (i) oil and gas exploration, development and production; (ii) mineral exploration, development and production; or (iii) certain energy production that may incur certain start-up phase costs of renewable energy and energy efficient projects. Resource Issuers will agree to incur Canadian Exploration Expense or certain Canadian Development Expense that qualifies for renunciation as Canadian Exploration Expense (hereinafter together defined as "Eligible Expenditures") in carrying out resource exploration and development in Canada and renounce Eligible Expenditures to the Partnership. Subject to certain limitations, Limited Partners with sufficient income will be entitled to claim deductions for Canadian federal income tax purposes with respect to Eligible Expenditures incurred and renounced to the Partnership. See "Income Tax Considerations". All investments will be made in accordance with the Partnership's Investment Strategy and Investment Guidelines, as described in this prospectus. See "Overview of the Investment Structure" and "Investment Guidelines".

**Investment Strategy:** The Partnership's investment strategy is to invest in Flow-Through Shares of Resource Issuers that: (a) have experienced and reputable management with a defined track record in the energy, mining or alternative energy industries; (b) have a knowledgeable board of directors; (c) have exploration programs or exploration and development programs in place; (d) have securities that are suitably priced and offer capital appreciation potential; and (e) meet certain market capitalization and other criteria set out in the Investment Guidelines.

**The General Partner:** Qwest Energy 2011 Flow-Through Management Corp. is the general partner of the Partnership (the "General Partner") and has co-ordinated the formation, organization and registration of the Partnership. The General Partner will be responsible for: (i) working with the Agents (as hereinafter defined) in developing and implementing all aspects of the Partnership's communications, marketing and distribution strategies; (ii) managing the ongoing business and administrative affairs of the Partnership; (iii) identifying and making the Partnership's initial investments in Resource Issuers; and (iv) monitoring the Investment Portfolio (as hereinafter defined) of the Partnership to ensure compliance with the Investment Guidelines. Pursuant to the terms of the Investment Advisor and Fund Manager Agreement, the General Partner has retained the Investment Advisor and Fund Manager to provide investment fund management services to the Partnership. See "Organization and Management Details of the Partnership – The General Partner" and "– The Investment Advisor and Fund Manager".

**Investment Advisor and Fund Manager:** The General Partner has retained Qwest Investment Fund Management Ltd. (the "Investment Advisor and Fund Manager"), an investment counsel and fund manager and a wholly-owned subsidiary of the Promoter, to provide investment advisory and fund management services to the Partnership. See "Organization and Management Details of the Partnership - The Investment Advisor and Fund Manager".

**Liquidity Alternative:** In order to provide Limited Partners with enhanced liquidity and the potential for long-term growth of capital and income, the General Partner intends on or before June 30, 2013 to implement a transaction to improve liquidity (a "Liquidity Alternative"). The General Partner currently intends the Liquidity Alternative will be an exchange transaction pursuant to which the Partnership will transfer its assets to a Mutual Fund, on a tax-deferred basis, in exchange for redeemable shares of the Mutual Fund and within 60 days thereafter, the shares of the Mutual Fund will be distributed to the Limited Partners, *pro rata,* on a tax-deferred basis upon the dissolution of the Partnership. The General Partner may, in its sole discretion, call a meeting of Limited Partners to approve a Liquidity Alternative but intends to do so only if the actual terms of the Liquidity Alternative are substantially different from those presently intended. Qwest Investment Management Corp. (formerly Qwest Energy Investment Management Corp.) has established the Qwest Energy Canadian Resource Class, a class of securities of QE Funds Corp., a mutual fund corporation. The portfolio of the Qwest Energy Canadian Resource Class is managed by the Investment Advisor and Fund Manager, and it is intended that this mutual fund corporation will participate in a Liquidity Alternative, if implemented. **There can be no assurance that any such Liquidity Alternative will be proposed, receive the necessary approvals or be implemented.** In the event a Liquidity Alternative is not implemented by June 30, 2013, then, in the discretion of the General Partner, the Partnership may: (a) be dissolved on or about December 31, 2013, and its net assets distributed *pro rata* to the partners, or (b) subject to the approval by Extraordinary Resolution of the Limited Partners, continue in operation with an actively managed portfolio. See "Liquidity Alternative and Termination of the Partnership".

| | **Price to Public** | **Agents' Fee**[2] | **Proceeds to the Partnership**[3] |
|---|---|---|---|
| Per Unit (minimum subscription – 100 Units)[1] | $25 | $1.6875 | $23.3125 |
| Maximum Offering (2,000,000 Units) | $50,000,000 | $3,375,000 | $46,625,000 |
| Minimum Offering (200,000 Units)[4] | $5,000,000 | $337,500 | $4,662,500 |

(1) The subscription price per Unit was established by the General Partner.

(2) The Agents' fee will be paid by the Partnership from monies made available under the Partnership Loan Facility (as hereinafter defined) and are not expected by the General Partner to be deductible in computing income of the Partnership pursuant to the Tax Act while the Partnership Loan Facility is outstanding. See "Investment Structure – Partnership Loan Facility" and "Income Tax Considerations".

(3) Before deducting other expenses of the Offering (including but not limited to legal, accounting and audit, travel, marketing and sales expenses). The maximum aggregate Offering expenses (exclusive of the Agents' fee) payable by the Partnership shall not exceed 2% of the gross proceeds of the Offering. The General Partner expects the expenses of this Offering (exclusive of the Agents' fee) to be $100,000 in the case of the minimum Offering and $465,000 in the case of the maximum Offering. In the event that the Offering expenses (exclusive of the Agents' fee) exceed 2% of the gross proceeds of the Offering, the General Partner will be responsible for the shortfall. These expenses of the Offering, including the Agents' fee, will be paid from monies made available under the Partnership Loan Facility; therefore, the Partnership will have $25.00 per Unit (for a total of $5,000,000 in the case of the Minimum Offering and $50,000,000 in the case of the Maximum Offering), less the Operating Reserve, available for investment on behalf of the Limited Partners. Fees and expenses paid using monies available under the Partnership Loan Facility will not be fully deductible in computing the income of the Partnership pursuant to the Tax Act for its fiscal year ending December 31, 2011. See "Investment Structure – Partnership Loan Facility" and "Income Tax Considerations".

(4) There will be no Closing unless a minimum of 200,000 Units are sold. If subscriptions for a minimum of 200,000 Units have not been received within 90 days after the issuance of a final receipt for the final prospectus, this Offering may not continue and subscription proceeds will be returned to subscribers, without interest or deduction, unless consent is obtained from the 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 any.

**These securities are speculative in nature. This is a blind pool offering. There is no guarantee that an investment in the Partnership will earn a specified rate of return in the short or long term. Prospective investors should consult their own professional advisors to assess the income tax, legal and other aspects of their investment. An investment in Units is subject to a number of additional risks. See "Risk Factors".**

**There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See "Risk Factors".**

The federal and Quebec tax shelter identification numbers in respect of the Partnership are TS 078139 and QAF-11-01416, respectively. The identification numbers issued for this tax shelter must be included in any tax return filed by a Limited Partner. Issuance of the identification numbers is for administrative purposes only and does not in any way confirm the entitlement of a Limited Partner to claim any tax benefits associated with the tax shelter.

**An investor who places an order for Units which is accepted by the General Partner is bound by the terms of the Partnership Agreement.** See "Prospectus Summary", "Income Tax Considerations" and "Organization and Management Details of the Partnership – Details of the Partnership Agreement".

Dundee Securities Ltd., RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., Macquarie Private Wealth Inc., Manulife Securities Incorporated, Raymond James Ltd., Canaccord Genuity Corp., GMP Securities L.P., HSBC Securities (Canada) Inc. and Wellington West Capital Markets Inc. (collectively, the "Agents") conditionally offer the Units for sale on an agency basis, if, as and when issued and delivered by the General Partner on behalf of the Partnership, in accordance with the conditions contained in the Agency Agreement referred to under "Plan of Distribution" and subject to approval of certain legal and tax matters on behalf of the Partnership and the General Partner by Borden Ladner Gervais LLP and on behalf of the Agents by Miller Thomson LLP.

Subscriptions will be received subject to allotment by the Agents and subject to acceptance or rejection by the General Partner on behalf of the Partnership, in whole or in part, and the right is reserved to close the offering books at any time without notice. It is expected that the initial Closing will take place on or about February 11, 2011. The initial Closing is conditional upon receipt of subscriptions for a minimum of 200,000 Units. The Agents will hold subscription proceeds received from investors prior to the initial Closing until subscriptions for the minimum number of Units are received and other closing conditions of the offering have been satisfied at which time the initial Closing will take place. If the minimum offering is not subscribed for within 90 days after the issuance of final receipts for this prospectus, subscription proceeds received will be returned, without interest or deduction, to the investors. If less than the maximum number of Units are subscribed for at the Closing Date, subsequent Closings may be held, provided the last Closing will take place no later than the date that is 90 days from the date of this prospectus. Registrations of interests in the Units will be made only through the book-based system administered by CDS Clearing and Depository Services Inc. ("CDS"). A book-entry only certificate representing the Units will be issued in registered form only to CDS or its nominees and will be deposited with CDS on the date of each Closing. No other certificates representing the Units will be issued. An investor who purchases Units will receive only a customer confirmation from the registered dealer from or through whom he or she has purchased Units and who is a CDS depository service participant. CDS will record the CDS participants who hold Units on behalf of owners who have purchased Units in accordance with the book-based system.

## TABLE OF CONTENTS


| | Page |
|---|---|
| SCHEDULE OF EVENTS | 5 |
| PROSPECTUS SUMMARY | 6 |
| GLOSSARY | 19 |
| ILLUSTRATION OF POTENTIAL TAX CONSEQUENCES | 25 |
| OVERVIEW OF THE LEGAL STRUCTURE OF THE PARTNERSHIP | 29 |
| INVESTMENT OBJECTIVES | 29 |
| INVESTMENT STRATEGIES | 30 |
| OVERVIEW OF THE INVESTMENT STRUCTURE | 33 |
| OVERVIEW OF THE SECTORS THAT THE PARTNERSHIP INVESTS IN | 34 |
| INVESTMENT GUIDELINES AND RESTRICTIONS | 34 |
| FEES AND EXPENSES | 37 |
| RISK FACTORS | 39 |
| DISTRIBUTION POLICY | 45 |
| PURCHASES OF SECURITIES | 45 |
| INCOME TAX CONSIDERATIONS | 47 |
| ORGANIZATION AND MANAGEMENT DETAILS OF THE PARTNERSHIP | 55 |
| CALCULATION OF NET ASSET VALUE | 77 |
| ATTRIBUTES OF THE UNITS | 79 |

| | Page |
|---|---|
| LIMITED PARTNER MATTERS | 80 |
| LIQUIDITY ALTERNATIVE AND TERMINATION OF THE PARTNERSHIP | 81 |
| USE OF PROCEEDS | 83 |
| PLAN OF DISTRIBUTION | 84 |
| PRINCIPAL HOLDERS OF SECURITIES OF THE PARTNERSHIP | 84 |
| INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS | 85 |
| PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD | 85 |
| MATERIAL CONTRACTS | 86 |
| LEGAL AND ADMINISTRATIVE PROCEEDINGS | 86 |
| EXPERTS | 86 |
| PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION | 86 |
| AUDITORS' CONSENT | 87 |
| AUDITORS' REPORT | F-1 |
| FINANCIAL STATEMENTS OF THE PARTNERSHIP | F-2 |
| CERTIFICATE OF THE GENERAL PARTNER AND THE PROMOTER | C-1 |
| CERTIFICATE OF THE AGENTS | C-2 |

## SCHEDULE OF EVENTS

| Approximate Date | Event |
| --- | --- |
| On or about February 11, 2011 .................................... | Closing – investors purchase Units and pay the full purchase price of $25 per Unit. |
| March/April 2012 ........................................................ | Limited Partners receive 2011 T5013 federal tax receipt. |
| On or prior to June 30, 2013 ........................................ | General Partner intends to implement a Liquidity Alternative. |
| Within 60 days of implementation of a Liquidity Alternative .................................................................... | Mutual Fund shares distributed following the transfer of the Partnership's assets to the Mutual Fund, and the Partnership is dissolved. |
| On or about December 31, 2013 .................................. | Partnership will be dissolved on or about this date if a Liquidity Alternative is not implemented, unless, at the discretion of the General Partner, the General Partner places before and Limited Partners approve an Extraordinary Resolution to continue in operation with an actively managed portfolio. |

**PROSPECTUS SUMMARY**

*The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Certain capitalized terms used but not defined in this summary are defined on the face page of this prospectus or in the Glossary which immediately follows this summary.*

| | |
|---|---|
| **Issuer:** | Qwest Energy 2011 Flow-Through Limited Partnership, a limited partnership organized under the laws of British Columbia. |
| **Offering Size:** | Maximum Offering: $50,000,000 (2,000,000 Units).<br>Minimum Offering: $5,000,000 (200,000 Units). |
| **Price per Unit:** | $25 per Unit. |
| **Minimum Subscription:** | 100 Units ($2,500). Additional subscriptions may be made in single Unit multiples of $25. |
| **Investment Objective:** | The Partnership will provide Limited Partners with a tax-assisted investment in a diversified portfolio of Flow-Through Shares of Resource Issuers with a view to achieving capital appreciation for Limited Partners. The principal business of the Resource Issuers will be: (i) oil and gas exploration, development and production; (ii) mineral exploration, development and production; or (iii) certain energy production that may incur certain start-up phase costs of renewable energy and energy efficient projects. While the allocation of the Partnership's Available Funds to be invested between resource sectors will depend on the investment opportunities available at the time of investment, the General Partner expects that the Partnership will focus primarily on investments in Resource Issuers in the oil and gas sector. Resource Issuers will agree to incur Eligible Expenditures in carrying out exploration and development in Canada and renounce (directly or indirectly through other issuers in which the Partnership invests) Eligible Expenditures to the Partnership. Subject to certain limitations, Limited Partners with sufficient income will be entitled to claim deductions for Canadian federal income tax purposes with respect to Eligible Expenditures incurred and renounced to the Partnership. All investments will be made in accordance with the Partnership's Investment Strategy and Investment Guidelines. The General Partner will invest all or substantially all of the Available Funds in Flow-Through Shares of Resource Issuers that agree to renounce, effective in 2011 CEE and Qualifying CDE incurred in 2011 or 2012 directly or indirectly, to the Partnership (and thereby maximize the deductions available to Limited Partners in respect of 2011). See "Investment Objectives" and "Income Tax Considerations". |
| **Investment Strategy:** | The Partnership's investment strategy is to invest in Flow-Through Shares of Resource Issuers that:<br>● have experienced and reputable management with a defined track record in the energy, mining or alternative energy industries;<br>● have a knowledgeable board of directors;<br>● have exploration programs or exploration and development programs in place;<br>● have securities that are suitably priced and offer capital appreciation potential; and |

- meet certain market capitalization and other criteria set out in the Investment Guidelines.

It is anticipated that the Investment Portfolio will include a number of junior Resource Issuers.

The Investment Advisor and Fund Manager and the General Partner will proactively manage the Partnership's Investment Portfolio with the objective of achieving capital appreciation for the Partnership after the initial investment period. This may involve the sale of Flow-Through Shares and other securities initially acquired and the reinvestment of the net proceeds from such dispositions (after consideration being given to applicable distributions to Limited Partners) in securities of issuers in the oil and gas and mining industries and related businesses such as transportation, pipeline or services companies and utilities; certain energy producers that may incur CRCE; and issuers in the pulp, paper and forestry industries. Such reinvestment may include, but is not limited to, investment in additional Flow-Through Shares. See "Overview of the Investment Structure".

In addition, if the Tax Act is amended to provide for Alternative Flow-Through Companies, the Partnership will be entitled to invest up to 10% of the Gross Proceeds in equity securities of Alternative Flow-Through Companies that from time to time are eligible to issue securities that have equivalent attributes to Flow-Through Shares, subject to certain conditions and limitations. See "Investment Strategies".

**Investment Guidelines:** The Partnership has developed certain investment policies and restrictions which govern the Partnership's overall investment activities. These Investment Guidelines provide, among other things, that the Partnership will invest (directly or indirectly) through Investment Agreements as follows:

| Type of Investment | Investment Restrictions[1] |
|---|---|
| Resource Issuers listed on a stock exchange | At least 80% |
| Resource Issuers listed and posted for trading on the TSX, NYSE, NYSE Amex Equities or the Nasdaq National Market | At least 25% |
| Illiquid Investments (including securities of Resource Issuers that are not publicly traded) | Not more than 20% |
| Investment in any one Resource Issuer | Not more than 20% |
| Investment in Related Entities | Not more than 10% |
| Indirect investment in Flow-Through Shares | Not more than 10% |
| Investment in Alternative Flow-Through Securities | Not more than 10% |
| Non-Flow-Through Investments | Not more than 5% |

(1) Percentage of Gross Proceeds.

The Investment Guidelines also include a number of general investment restrictions. See "Investment Guidelines and Restrictions" and Sections 2.5, 2.6 and 2.7 of the Partnership Agreement.

**Liquidity Alternative and Termination of the Partnership:**

In order to provide Limited Partners with enhanced liquidity and the potential for long-term growth of capital and income, the General Partner intends to implement a Liquidity Alternative on or before June 30, 2013. The General Partner presently intends the Liquidity Alternative will be an exchange transaction pursuant to which the Partnership will transfer its assets to a Mutual Fund, on a tax-deferred basis, in exchange for redeemable shares of the Mutual Fund and, within 60 days thereafter, the shares of the Mutual Fund will be distributed to the Limited Partners, *pro rata*, on a tax-deferred basis upon the dissolution of the Partnership. The General Partner may, in its sole discretion, call a meeting of Limited Partners to approve a Liquidity Alternative but intends to do so only if the actual terms of the Liquidity Alternative are substantially different from those presently intended. If such a meeting is called no Liquidity Alternative will be implemented if a majority of Units voted at such meeting vote against proceeding with the Liquidity Alternative. **There can be no assurance that any such Liquidity Alternative will be proposed, receive the necessary approvals (including regulatory approvals) or be implemented on a tax-deferred basis or at all.** The Promoter has established the QE Canadian Resource Class, a class of securities of QE Funds Corp., a mutual fund corporation established under the laws of Canada. The Investment Advisor and Fund Manager is the portfolio manager of the Qwest Energy Canadian Resource Class, and it is anticipated that this Class will be the Mutual Fund that participates in any Liquidity Alternative. In the event a Liquidity Alternative is not implemented by June 30, 2013, then, in the discretion of the General Partner, the Partnership may: (a) be dissolved on or about December 31, 2013, and its net assets distributed *pro rata* to the Partners, or (b) subject to the approval by Extraordinary Resolution of the Limited Partners, continue in operation with an actively managed portfolio. See "Liquidity Alternative and Termination of the Partnership".

**Use of Proceeds:**

This is a blind pool offering. The Partnership will invest (directly or indirectly) in Flow-Through Shares of Resource Issuers and fund fees and ongoing expenses of the Partnership by way of the Operating Reserve as described herein. See "Use of Proceeds" and "Fees and Expenses". The following table sets out the Gross Proceeds of the Offering, the Agents' fee and the estimated expenses of the maximum and minimum Offering:

| | **Maximum Offering** [(2)] | **Minimum Offering** [(2)] |
|---|---|---|
| Gross Proceeds to the Partnership: | $50,000,000 | $5,000,000 |
| Agents' fee [(1)]........................................ | $3,375,000 | $337,500 |
| Offering expenses [(1)]............................. | $465,000 | $100,000 |

(1) The maximum aggregate Offering expenses (exclusive of the Agents' fee) payable by the Partnership shall not exceed 2% of the Gross Proceeds. In the event that the Offering expenses (exclusive of the Agents' fee) exceed 2% of the Gross Proceeds, the General Partner will be responsible for the shortfall. The Agents' fee and the Offering expenses will be paid by the Partnership from funds borrowed by the Partnership for such purpose pursuant to the Partnership Loan Facility. Fees and expenses paid using the proceeds of the Partnership Loan Facility will not be fully deductible in

computing the income of the Partnership pursuant to the Tax Act for its fiscal year ended December 31, 2011. See "Fees and Expenses" and "Income Tax Considerations".

(2) Of the Gross Proceeds, $200,000 (in the case of the minimum Offering) or $200,000 plus 1% of the Gross Proceeds (if the minimum Offering is exceeded) will be set aside as an Operating Reserve to fund the ongoing operating and management fees and expenses of the Partnership. See "Use of Proceeds" and "Fees and Expenses".

**Borrowing:** On or prior to the Closing Date, the Partnership will enter into a loan and margin facility with a Canadian chartered bank or a subsidiary of a Canadian chartered bank in order to maximize Available Funds that will be available for investment in Flow-Through Shares. The Partnership may borrow an amount up to 8.75% of the Gross Proceeds pursuant to the Partnership Loan Facility, and the maximum amount of leverage (total long positions, including leveraged positions, divided by the net assets of the Partnership) of the Partnership may not exceed a ratio of 2 to 1. Such amounts borrowed will be used to finance the Agents' fee and expenses, reasonable out-of-pocket expenses incurred by QIFM and other Offering expenses that will not be fully deductible in computing income of the Partnership pursuant to the Tax Act for the fiscal period ending December 31, 2011 (see "Fees and Expenses"). The General Partner expects that the Partnership Loan Facility will be provided by a Canadian chartered bank which is an affiliate of RBC Dominion Securities Inc., one of the Agents. None of the proceeds of this Offering or the Partnership Loan Facility will be applied for the benefit of RBC Dominion Securities Inc. or any of its affiliates except in respect of fees and interest payable under the Partnership Loan Facility and the portion of the Agents' fee payable to RBC Dominion Securities Inc. The General Partner expects that the Partnership's obligations under the Partnership Loan Facility will be secured by a pledge of the assets held by the Partnership, will require the Partnership to meet certain minimum margin requirements, and the Partnership Loan Facility will be repayable on demand. The General Partner also expects that all amounts outstanding under the Partnership Loan Facility will be repaid in full prior to the earlier of the closing of any Liquidity Alternative and the dissolution of the Partnership, and expects to repay such amounts using the net proceeds from the disposition of securities or other assets held by the Partnership. The General Partner believes that the interest rates, fees and expenses under the Partnership Loan Facility will be typical of credit facilities of this nature. See "Fees and Expenses – Other Fees and Expenses; Partnership Loan Facility" and "Risk Factors".

**Allocations:** 99.99% of the net income of the Partnership, 100% of the net loss of the Partnership and 100% of any Eligible Expenditures renounced (directly or indirectly) to the Partnership will be allocated *pro rata* to the Limited Partners, and 0.01% of the net income of the Partnership will be allocated to the General Partner. On dissolution, the Limited Partners are entitled to 99.99% of the assets of the Partnership and the General Partner is entitled to 0.01% of such assets. See "Organization and Management Details of the Partnership Agreement – Allocation of Income and Loss" and "- Distributions".

| | |
|---|---|
| **Distributions:** | Subject to the terms of the Partnership Loan Facility, on or before April 30 of each year beginning in 2012, the General Partner may make distributions to Limited Partners of record on the preceding December 31 of an amount per Unit that is approximately equal to 50% of the amount estimated by the General Partner that a typical Limited Partner will be required to include in such Limited Partner's income for purposes of the Tax Act in respect of each Unit held, after taking into account amounts previously distributed and deductions available for purposes of the Tax Act to individuals arising from participation in the Partnership. Such distributions will not be made in the event that the General Partner determines, in its sole discretion, that it would be disadvantageous for the Partnership to make such distributions (including, but not limited to, a lack of available cash). Such distributions may not be sufficient to satisfy a Limited Partner's tax liability for the year arising from his or her status as a Limited Partner. See "Organization and Management Details of the Partnership – Details of the Partnership Agreement – Distributions" and "Risk Factors". |
| **Income Tax Considerations:** | In general, a taxpayer (other than a "principal-business corporation") who is a Limited Partner at the end of a fiscal year of the Partnership may, in computing his or her income for a taxation year in which the fiscal year of the Partnership ends, subject to the "at risk" and limited recourse financing rules, deduct an amount equal to 100% of the CEE and Qualifying CDE renounced to the Partnership (directly or indirectly) by Resource Issuers and allocated to him or her by the Partnership in respect of such fiscal year. If a Limited Partner finances the subscription price of his or her Units with borrowing or other indebtedness that is, or is deemed to be, limited recourse, the deductions that the Limited Partner may claim will be reduced.<br><br>Income and capital gains realized by the Partnership will be allocated to the Limited Partners. The Tax Act deems the costs to the Partnership of Flow-Through Shares which it acquires to be nil and therefore, the amount of any capital gain realized on the disposition of Flow-Through Shares generally will equal the proceeds of disposition of the Flow-Through Shares, net of costs of disposition. There can be no assurance that any distributions of cash to Limited Partners will be sufficient to satisfy a Limited Partner's tax liability for the year arising from his or her status as a Limited Partner. A disposition of Units by a Limited Partner may trigger capital gains (or capital losses). One-half of capital gains allocated to or realized by a Limited Partner will be included in his or her income.<br><br>Upon the dissolution of the Partnership, each Limited Partner will acquire his or her *pro rata* portion of the net assets of the Partnership, which may include securities of Resource Issuers then held by the Partnership. A dissolution may trigger capital gains (or capital losses) to Limited Partners; however, if certain requirements in the Tax Act are satisfied, such a distribution may occur on a tax-deferred basis. |

If the Partnership transfers its interest in its assets to a Mutual Fund pursuant to a Liquidity Alternative, 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. The 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 assets on the transfer date. Provided that the dissolution of the Partnership takes place within 60 days of the transfer of assets to the Mutual Fund, the shares of the 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, it is anticipated that, generally, a Limited Partner will not be subject to tax in respect of such a transaction.

Certain publicly-traded limited partnerships are subject to tax at that entity-level (known as SIFT tax), but the Partnership should not be subject to such SIFT tax.

Tax proposals introduced by the Department of Finance on October 31, 2003, if enacted in their current form, will generally apply to deny the deduction of expenses and losses (excluding Eligible Expenditures) incurred by the Partnership or a Limited Partner, including in respect of the Flow-Through Shares or Units, respectively, for taxation years commencing after 2004 if the Partnership or the Limited Partner does not have a "reasonable expectation of profit" from its ownership of the Flow-Through Shares or Units. See "Income Tax Considerations – October 31, 2003 Tax Proposals".

See "Illustration of Potential Tax Consequences", "Income Tax Considerations" and "Risk Factors" before purchasing Units.

**Each investor should seek independent advice as to the federal and provincial or territorial tax consequences of an investment in Units, including the consequences of any borrowing to finance an acquisition of Units.**

**Eligibility for Investment:**

In the opinion of Borden Ladner Gervais LLP, counsel to the Partnership and the General Partner, and Miller Thomson LLP, counsel to the Agents, the Units of the Partnership are not qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans, or for tax-free savings accounts, for purposes of the Tax Act. See "Income Tax Considerations – Status of the Partnership – Eligibility for Investment".

| | |
|---|---|
| **Conflicts of Interest:** | Each of the General Partner, QIFM and Heritage is a wholly-owned subsidiary of the Promoter. The General Partner and QIFM will be entitled to receive certain fees from the Partnership, and each of the General Partner, QIFM and Heritage will be reimbursed by the Partnership for costs and expenses incurred by it in connection with the operation and administration of the Partnership and for an estimated portion of other costs and expenses incurred by it with respect to services provided to the Partnership. The Promoter, certain of its subsidiaries, certain limited partnerships whose general partner and/or investment advisor is a subsidiary of the Promoter, and the directors and officers of the General Partner and QIFM are and may in the future be actively engaged in a wide range of investment and management activities, some of which are and will be similar to and competitive with those that the Partnership, the General Partner and QIFM will undertake. As a result, actual and potential conflicts of interest (including conflicts as to management's time, resources and allocation of investment opportunities) can be expected to arise in the normal course. Up to 10% of the Gross Proceeds may be invested in Flow-Through Shares issued by Related Entities. See "Organization and Management Details of the Partnership – Conflicts of Interest". |
| **Risk Factors:** | **THIS IS A SPECULATIVE OFFERING.** There is no market through which the Units may be sold and purchasers may not be able to resell securities purchased under this prospectus. No market for the Units is expected to develop. There is no assurance of a positive return on an investment in Units. The tax benefits resulting from an investment in Units are greatest for a subscriber whose income is subject to the highest marginal income tax rate.<br><br>**THIS OFFERING IS A BLIND POOL OFFERING.** The Partnership has not entered into any Investment Agreements to acquire Flow-Through Shares or other securities of Resource Issuers or selected any Resource Issuers in which to invest.<br><br>You should consider the following risk factors and the additional risk factors outlined in "Risk Factors" before purchasing Units:<br><br>• an investment in the Partnership is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment;<br><br>• 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;<br><br>• Flow-Through Shares may be purchased by the Partnership at prices greater that the market prices of ordinary common shares of the Resource Issuers issuing such Flow-Through Shares and may be subject to resale restrictions;<br><br>• the Partnership and the General Partner are newly established entities that have no previous operating or investment history and only nominal assets;<br><br>• the Limited Partners must rely entirely on the discretion of the General Partner and the Investment Advisor and Fund Manager in determining the initial composition of the Partnership's Investment Portfolio and that of the Investment Advisor and Fund Manager in managing such portfolio on an on-going basis; |

- the value of each Limited Partner's interest in the Partnership will be affected by the value of the securities acquired by the Partnership which in turn will be affected by such factors as investor demand, resale restrictions, general market trends and regulatory restrictions;

- the Partnership will invest in junior Resource Issuers, and may invest up to 20% of the Gross Proceeds in Illiquid Investments. Investment in junior Resource Issuers and Illiquid Investments will reduce the liquidity of the Partnership's Investment Portfolio and may involve greater risks than investments in larger, more established companies. There may be no trading market for securities of junior Resource Issuers, and if there is, shares of junior Resource Issuers may experience less liquidity and greater share price volatility than the shares of such larger companies. There will be no trading market for Illiquid Investments;

- Resource Issuers may fail to renounce, effective in 2011 or at all, Eligible Expenditures equal to the Available Funds invested (directly or indirectly) in Flow-Through Shares and any amounts renounced may not qualify as CEE or Qualifying CDE;

- other issuers in which the Partnership invests may not allocate or properly allocate CEE or Qualifying CDE renounced to those other issuers by Resource Issuers;

- the existence of resale restrictions may hamper the ability of the Partnership to take advantage of opportunities to take profits or minimize losses, and this may adversely affect the value of the Units;

- **there can be no assurance that any Liquidity Alternative will be proposed, receive the necessary approvals or be implemented or, if implemented, be implemented on a tax-deferred basis**;

- if a Liquidity Alternative is not implemented, Limited Partners may receive securities or other interests in Resource Issuers upon dissolution of the Partnership for which there may be an illiquid market or which may be subject to resale restrictions. There is no assurance that an adequate market will exist for such securities;

- in the event that Limited Partners receive Mutual Fund shares in connection with a Liquidity Alternative, these shares will be subject to various risk factors applicable to shares of mutual fund corporations or other investment vehicles which invest in Resource Issuers;

- there can be no assurance that the General Partner will be able to identify a sufficient number of suitable Resource Issuers willing to issue Flow-Through Shares to enable the Partnership to invest all Available Funds in Flow-Through Shares by December 31, 2011. In such circumstances, up to 5% of the Gross Proceeds may be invested in shares of Resource Issuers that do not have the attributes of Flow-Through Shares and any remaining uncommitted Available Funds may be distributed *pro rata* to Limited Partners of record on December 31, 2011 by January 31, 2012. In either such event, the amount of deductions that Limited Partners will be able to claim for income tax purposes will be correspondingly reduced. Alternatively, some or all of the uncommitted Available Funds may be used to repay some or all of the Partnership's indebtedness under the Partnership Loan Facility;

- under the current provisions of the Tax Act, the 15% federal, non-refundable tax credit in respect of certain "grass roots" mining CEE renounced by a Resource Issuer is available only if an Investment Agreement is entered into before April 2011. There is no assurance that any or all Investment Agreements will be entered into before April 2011.

- the only sources of cash available to pay the fees and expenses of the Partnership will be the Operating Reserve, borrowings, and cash from sales of securities in the Partnership's Investment Portfolio. If the Operating Reserve is expended and borrowing limits are reached, payment of such fees and expenses will diminish the interest of Limited Partners in the Investment Portfolio;

- if the size of the Offering is significantly less than the maximum, the fees and expenses of the Offering may reduce or eliminate the possible returns available to Limited Partners;

- there is a possible loss of the Limited Partners' limited liability under certain circumstances and limited liability is unavailable under the laws of certain jurisdictions;

- the Partnership may borrow and short sell and maintain short positions in securities for the purpose of capitalizing on an investment decision or "locking-in" the resale price of Flow-Through Shares or other securities held in the Partnership's Investment Portfolio that are subject to resale restrictions and these short sales may expose the Partnership to losses if the value of the securities sold short increases;

- **there can be no assurance that the borrowing strategy employed by the Partnership will enhance returns. If the Partnership Loan Facility is not repaid at the time of the dissolution of the Partnership, Limited Partners will be personally liable for outstanding amounts owed, although recourse will be limited to their interest in the securities or assets of the Partnership;**

- federal, provincial or territorial income tax legislation may be amended, or its interpretation changed, including on a retroactive basis, so as to alter fundamentally the tax consequences of holding or disposing of Units by a Limited Partner;

- while the Partnership may make certain distributions to Limited Partners from proceeds realized from the sale of Flow-Through Shares and other investments, if any, a Limited Partner may receive an allocation 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 he or she may owe as a result of being a Limited Partner in that year;

- if a Limited Partner acquires Units using limited recourse borrowing for tax purposes, the amount of Eligible Expenditures and/or losses allocated to all Limited Partners will be reduced;

- the alternative minimum tax could limit tax benefits available to a Limited Partner who is an individual (including certain trusts);

- the Partnership has engaged the General Partner, which has in turn delegated certain of its duties to the Investment Advisor and Fund Manager, to perform management services and, consistent with that arrangement, the Partnership intends to deduct management fees payable to the General Partner and the Investment Advisor and Fund Manager in computing income in the year in which the services to which they relate are rendered. The CRA may assert that entitlement of the General Partner to such management fees is more appropriately treated as an entitlement to share in any income of the Partnership as a partner and, therefore, does not result in a deduction in computing the Partnership's income. If the CRA successfully applies such treatment, then a loss of the Partnership otherwise allocable to the Limited Partners would be reduced or denied to the extent of such deduction;

- tax proposals introduced by the Department of Finance on October 31, 2003, if enacted in their current form, may apply to deny the deduction of expenses and losses (excluding Eligible Expenditures) incurred by the Partnership or a Limited Partner, including in respect of Flow-Through Shares or Units, respectively, if the Partnership or the Limited Partner does not have a "reasonable expectation of profit" from its ownership of the Flow-Through Shares or Units determined over the period of time such investment is reasonably expected to be held. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the October 31, 2003 Tax Proposals would be released for comment at an early opportunity. There is no assurance such alternative proposal will not adversely affect the Partnership or Limited Partners;

- the General Partner expects the Partnership Loan Facility will contain margin requirements which may affect the Partnership's ability to invest in portfolio securities and a Limited Partner's ability to receive Flow-Through Share tax deductions, and may require the Partnership to sell portfolio securities in order to adhere to such requirements, thus reducing the interest of the Limited Partners in the Investment Portfolio;

- no advance income tax ruling has been applied for or received with respect to the income tax consequences described in this prospectus; and

- there is a potential for conflicts of interest as a result of officers and directors of the General Partner and QIFM being involved in other business ventures some of which are in competition with the business of the Partnership, and the ability of the General Partner to invest up to 10% of the Gross Proceeds in Flow-Through Shares of Related Entities.

## ORGANIZATION AND MANAGEMENT OF THE PARTNERSHIP

| Management of the Partnership | Services Provided to the Partnership | Municipality of Residence |
|---|---|---|
| **General Partner:** | Qwest Energy 2011 Flow-Through Management Corp. is the General Partner of the Partnership. The General Partner will be responsible for the development and implementation of all aspects of the Partnership's communications, marketing and distributions strategies and will manage or supervise the management of the ongoing business and administrative affairs of the Partnership. The General Partner has retained the Investment Advisor and Fund Manager to provide investment fund management services to the Partnership. | The General Partner is located at Suite 1601, 650 West Georgia Street, Vancouver, B.C. V6B 4N7 |
| **Investment Advisor and Fund Manager:** | Qwest Investment Fund Management Ltd., an affiliate of the General Partner, is a registered investment counsel and portfolio manager and has been retained as investment fund manager and investment advisor of the Partnership. Qwest Investment Fund Management Ltd. will manage the ongoing business affairs of the Partnership, and will provide advice to the Partnership and manage the Partnership's Investment Portfolio and will be paid fees by the Partnership for its services. | The Investment Advisor and Fund Manager is located at Suite 1601, 650 West Georgia Street, Vancouver, B.C. V6B 4N7 |
| **Registrar and Transfer Agent:** | Valiant Trust Company will be appointed as the registrar and transfer agent for Units of the Partnership. | The Registrar and Transfer Agent is located in Vancouver, British Columbia. |
| **Custodian:** | RBC Dexia Investor Services Trust is the custodian of the Partnership's assets. | The Custodian is located in Toronto, Ontario. |
| **Auditor:** | The auditor of the Partnership is PricewaterhouseCoopers LLP. | The Auditor is located in Vancouver, British Columbia. |
| **Promoter:** | Qwest Investment Management Corp., the parent of the General Partner, took the initiative in establishing the Partnership, and therefore is considered the promoter of the Partnership under applicable securities laws. | The Promoter is located in Vancouver, British Columbia. |

## AGENTS

Dundee Securities Ltd., RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., Macquarie Private Wealth Inc., Manulife Securities Incorporated, Raymond James Ltd., Canaccord Genuity Corp., GMP Securities L.P., HSBC Securities (Canada) Inc. and Wellington West Capital Markets Inc. (collectively, the "Agents"), in their capacity as agents, conditionally offer the Units for sale on a commercially reasonable efforts basis, if, as and when subscriptions are accepted and delivered by the General Partner on behalf of the Partnership 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 approval of certain legal matters on behalf of the Partnership and the General Partner by Borden Ladner Gervais LLP and on behalf of the Agents by Miller Thomson LLP.

## SUMMARY OF FEES AND EXPENSES

This table lists the fees and expenses payable by the Partnership, which will therefore reduce the value of your investment in the Partnership. For more particulars see "Fee and Expenses".

| Type of Fee / Expense | Amount and Description |
|---|---|
| **Fee Payable to the Agents for Selling the Units:** | $1.6875 per Unit (6.75%). |
| **Expenses of the Offering:** | The expenses of the Offering include the costs of creating and organizing the Partnership, the costs of preparing and printing this prospectus, legal and accounting and audit expenses of the Partnership, and traveling, marketing and sales expenses related to the Offering, legal and filing expenses related to the Offering, and reasonable out-of-pocket expenses incurred by or on behalf of the Partnership, QIFM and the Agents. The maximum aggregate expenses of this Offering (exclusive of the Agents' fee) payable by the Partnership shall not exceed 2% of the Gross Proceeds. The General Partner estimates that the expenses of the Offering, excluding the Agents' fee, will be $100,000 (or 2% of the Gross Proceeds) in the case of the minimum Offering and $465,000 (or 0.93% of the Gross Proceeds) in the case of the maximum Offering. In the event that the Offering expenses (exclusive of the Agents' fee) exceed 2% of the Gross Proceeds, the General Partner will be responsible for the shortfall. These Offering expenses will be paid by the Partnership from funds borrowed by the Partnership for such purpose under the Partnership Loan Facility. |
| **Operating and Administrative Expenses:** | In addition to the General Partner's Fee and Performance Bonus, the Partnership will pay all costs and expenses (inclusive of applicable taxes) incurred in connection with the operation and administration of the Partnership. These costs and expenses will include reimbursement for costs and expenses incurred by the General Partner, QIFM and Heritage in connection with the operation and administration of the Partnership, including rent, salaries and other overhead costs or personnel costs paid by Heritage and allocated to the Partnership. See "Organization and Management Details of the Partnership - Heritage Bancorp Ltd.". The General Partner estimates that these on-going costs and expenses (excluding taxes) will be approximately $111,000 per year (or 2.22% of the Gross Proceeds) in the case of the minimum Offering and $378,000 per year (or 0.76% of the Gross Proceeds) in the case of the maximum Offering. |

| | |
|---|---|
| **General Partner's Fee:** | The General Partner has co-ordinated the formation, organization and registration of the Partnership and will be responsible for: (i) working with Agents in developing and implementing all aspects of the Partnership's communications, marketing and distribution strategies; (ii) managing the ongoing business and administrative affairs of the Partnership; (iii) identifying (with the assistance of the Investment Advisor and Fund Manager) prospective investments in Resource Issuers; and (iv) monitoring the Investment Portfolio of the Partnership to ensure compliance with the Investment Guidelines. In consideration for these and other services, the Partnership will pay to the General Partner the General Partner's Fee, payable monthly in arrears and equal to 1/12 of 2.0% of the Net Asset Value calculated as at the last Valuation Date of such month. The General Partner is entitled to receive .01% of the net income of the Partnership. |
| **Performance Bonus:** | As partial consideration for the above-mentioned services and for using its commercially reasonable efforts to structure and present a Liquidity Alternative to Limited Partners, the General Partner will also be entitled to a Performance Bonus. The Performance Bonus is equal to 20% of the product of: (a) the number of Units outstanding on the last day of the Performance Bonus Term (the "Performance Bonus Date"); and (b) the amount by which Net Asset Value per Unit on the Performance Bonus Date (prior to giving effect to the Performance Bonus) plus the total distributions per Unit during the Performance Bonus Term exceeds $28. See "Fees and Expenses". |
| **Other Fees and Expenses; Partnership Loan Facility:** | The Partnership will pay the loan fees and related interest charges in connection with the Partnership Loan Facility. See "Fees and Expenses – Other Fees and Expenses; Partnership Loan Facility". |

## GLOSSARY

The following terms used in this prospectus have the meanings set out below:

“**affiliate**” has the meaning ascribed thereto in the *Securities Act* (Ontario).

“**Agency Agreement**” means the agreement dated as of February 3, 2011 among the Partnership, the General Partner, the Promoter and the Agents, pursuant to which the Agents have agreed to offer the Units for sale on an agency basis.

“**Agents**” means Dundee Securities Ltd., RBC Dominion Securities Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., Macquarie Private Wealth Inc., Manulife Securities Incorporated, Raymond James Ltd., Canaccord Genuity Corp., GMP Securities L.P., HSBC Securities (Canada) Inc. and Wellington West Capital Markets Inc.

“**Alternative Flow-Through Companies**” means corporations, other than Resource Issuers, that from time to time are eligible to issue securities that have equivalent attributes to Flow-Through Shares, subject to certain conditions and limitations. See “Investment Strategies”.

“**Alternative Flow-Through Securities**” means the equity securities of Alternative Flow-Through Companies with equivalent attributes to Flow-Through Shares. See “Investment Strategies”.

“**Available Funds**” means all funds available to the Partnership from the sale of Units after deducting the Operating Reserve from the Gross Proceeds of the Offering.

“**Business Day**” means a day, other than a Saturday, Sunday or holiday, when banks in the City of Vancouver, British Columbia are generally open for the transaction of banking business.

“**CRA**” means Canada Revenue Agency.

“**CDE**” or “**Canadian Development Expense**” means Canadian development expense, as defined in subsection 66.2(5) of the Tax Act. (See the definition of Qualifying CDE below.)

“**CDS**” means CDS Clearing and Depository Services Inc. or its nominee which, as at the date of this prospectus, is CDS & Co., or a successor thereto.

“**CEE**” or “**Canadian Exploration Expense**” means Canadian exploration expense, as defined in subsection 66.1(6) of the Tax Act, including:

(a) expenses incurred in a year in drilling an oil or gas well in Canada if such drilling resulted in the discovery that a natural underground reservoir contains petroleum or natural gas, where before the time of the discovery, no person or partnership had discovered that the reservoir contained either petroleum or natural gas and the discovery occurred at any time before six months after the end of the year;

(b) expenses incurred in a year in drilling an oil and gas well in Canada if the well is abandoned in the year or within six months after the end of the year without ever having produced;

(c) certain expenses incurred for the purpose of determining the existence, location, extent or quality of an accumulation of petroleum or natural gas or a mineral resource in Canada; and

(d) CRCE.

“**Closing**” means the completion of the purchase and sale of any Units.

“**Closing Date**” means the date of the Closing, expected to be February 11, 2011 or such other date or dates as the General Partner and the Agents may agree, provided that such date shall be no later than the date that is 90 days from the date of this prospectus.

“**CRCE**” means Canadian renewable and conservation expense, as defined in subsection 66.1(6) of the Tax Act.

“**Eligible Expenditures**” means CEE and Qualifying CDE (and, if the Tax Act is appropriately amended, will be deemed to include expenditures permitted to be renounced by Alternative Flow-Through Companies).

“**Extraordinary Resolution**” means a resolution passed by two-thirds or more of the votes cast, either in person or by proxy, at a duly constituted meeting of the Limited Partners to approve any item as required by the Partnership Agreement, or, alternatively, a written resolution signed by Limited Partners holding two-thirds or more of the Units outstanding and entitled to vote on such a resolution at a meeting.

“**Financial Institution**” means a financial institution, as defined in subsection 142.2(1) of the Tax Act.

“**Flow-Through Shares**” means securities of Resource Issuers which qualify as flow-through shares, as defined in subsection 66(15) of the Tax Act, and in respect of which Resource Issuers agree to incur and to renounce to the Partnership (directly, or indirectly through another issuer) Eligible Expenditures and includes rights entitling the Partnership to acquire securities which rights qualify as flow-through shares for the purposes of the Tax Act (and, if the Tax Act is appropriately amended, will be deemed to include Alternative Flow-Through Securities).

“**General Partner**” means Qwest Energy 2011 Flow-Through Management Corp.

“**General Partner’s Fee**” means the fee which the General Partner will receive from the Partnership pursuant to the Partnership Agreement equal to one-twelfth of 2.0% of the Net Asset Value, calculated and paid monthly in arrears.

“**Gross Proceeds**” means the gross proceeds of the Offering.

“**Heritage**” means Heritage Bancorp Ltd.

“**High Quality Money Market Instruments**” means money market instruments which are accorded the highest rating category by Standard & Poor’s, a division of The McGraw-Hill Companies (A-1) or by DBRS Limited (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, trust companies or other like institutions in the business of providing commercial loans, operating loans or lines of credit to companies, but does not include bank-sponsored or non-bank sponsored asset backed commercial paper.

“**Illiquid Investments**” means investments which may not be readily disposed of in a marketplace where such investments are normally purchased and sold and public quotations in common use and in respect thereof are available. Examples of Illiquid Investments include limited partnership interests that are not listed on a stock exchange and securities of private companies, but do not include Flow-Through Shares of publicly listed issuers with resale restrictions which expire on or before December 31, 2012, unlisted Warrants or Special Warrants, 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 listed Resource Issuer.

“**Initial Limited Partner**” means Heritage.

“**Investment Advisor and Fund Manager**” means the investment advisor and fund manager appointed by the Partnership and the General Partner to provide advice on the Partnership’s investment in Flow-Through Shares, to manage the Partnership’s Investment Portfolio and to direct and manage the business and affairs of the Partnership, the initial investment advisor and fund manager being QIFM.

“**Investment Advisor and Fund Manager Agreement**” means the agreement to be dated on or before the Closing Date among the Partnership, the General Partner and the Investment Advisor and Fund Manager pursuant to which the Investment Advisor and Fund Manager will provide investment advice on the Partnership’s investment in Flow-Through Shares and portfolio management services in respect of the Investment Portfolio of the Partnership, investment fund management services in respect of the Partnership and may provide such services to the Mutual Fund, if and when created. Currently it is anticipated that the Mutual Fund will be the QE Canadian Resource Class.

“**Investment Agreements**” means agreements pursuant to which the Partnership will subscribe, directly or indirectly, for Flow-Through Shares (including Flow-Through Shares issued as part of a unit) or Special Warrants or agreements by the Partnership to otherwise invest in or purchase securities of a Resource Issuer (or, if the Tax Act is appropriately amended, an Alternative Flow-Through Company), including a trade made through the facilities of a stock exchange or other market, and:

(a) in respect of Flow-Through Shares not offered as part of a unit or in respect of Special Warrants entitling the holder to acquire Flow-Through Shares only, the Resource Issuer will covenant and agree to use 100% of the purchase price paid to it to incur, and renounce (directly or indirectly) to the Partnership, with an effective date of not later than December 31, 2011, CEE or Qualifying CDE; or

(b) in respect of Flow-Through Shares comprised in units, the Resource Issuer will covenant and agree:

    (i) that the purchase price is reasonably allocable, and will be allocated by the Resource Issuer, such that no less than 90% of the purchase price is allocated to the price for the Flow-Through Share comprised in such units; and

    (ii) to use 100% of the purchase price so allocated for the Flow-Through Shares comprised in such units to incur, and renounce (directly or indirectly) to the Partnership, with an effective date of not later than December 31, 2011, CEE or Qualifying CDE; or

(c) in respect of Special Warrants entitling the holder to acquire Flow-Through Shares and other securities, the Resource Issuer will covenant and agree:

    (i) that the purchase price is reasonably allocable, and will be allocated by the Resource Issuer, such that no less than 90% of the purchase price is allocated to the price for the right to acquire Flow-Through Shares comprised in such Special Warrants; and

    (ii) to use 100% of the purchase price so allocated for the right to acquire Flow-Through Shares comprised in such Special Warrants to incur, and (directly or indirectly) renounce to the Partnership, with an effective date of not later than December 31, 2011, CEE or Qualifying CDE.

“**Investment Guidelines**” means the Partnership’s investment policies and restrictions contained in the Partnership Agreement. See “Investment Guidelines and Restrictions”.

“**Investment Portfolio**” means the Flow-Through Shares and other securities acquired by Partnership with the Available Funds and any securities or cash obtained with proceeds from the sale of such Flow-Through Shares or other securities.

“**Investment Strategy**” means the investment strategy of the Partnership as described herein.

“**Jurisdictions**” means each of the provinces and territories of Canada.

“**Limited Partner**” means the Initial Limited Partner and each person who is admitted to the Partnership as a limited partner pursuant to the Offering.

"**Limited Recourse Amount**" means a limited recourse amount as defined in section 143.2 of the Tax Act, which provides currently that 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 the unpaid principal of an indebtedness is deemed to be a limited recourse amount unless it complies with the following rules:

(a) bona fide arrangements, evidenced in writing, are made, at the time the indebtedness arises, for repayment of the indebtedness and all interest thereon within a reasonable period not exceeding ten years (which may include a demand loan); and

(b) interest is payable, at least annually, at a rate equal to or greater than the lesser of the prescribed rate of interest under the Tax Act in effect at the time the indebtedness arose, and the prescribed rate of interest applicable from time to time under the Tax Act during the term of the indebtedness, and such interest is paid by the debtor in respect of the indebtedness not later than 60 days after the end of each taxation year of the debtor that ends in such reasonable period.

See "Income Tax Considerations".

"**Liquidity Alternative**" means a transaction implemented by the General Partner or, in the General Partner's sole discretion, proposed for the approval of the Limited Partners in order to enhance the liquidity and prospects for long-term growth of capital and for income for Limited Partners which the General Partner intends will be an exchange transaction pursuant to which the Partnership will transfer its assets to a Mutual Fund on a tax-deferred basis in exchange for redeemable shares of the Mutual Fund and within 60 days thereafter the shares of the Mutual Fund will be distributed to the Limited Partners, *pro rata*, on a tax-deferred basis upon the dissolution of the Partnership; provided that the General Partner will propose or implement no such transaction which adversely affects the status of the Flow-Through Shares as flow-through shares for purposes of the Tax Act, whether prospectively or retrospectively.

"**Mutual Fund**" means an open-ended mutual fund corporation that is subject to National Instrument 81-102 *Mutual Funds* and may be established, recommended or referred to by the General Partner or an affiliate of the General Partner to provide a Liquidity Alternative, and which may be advised by the Investment Advisor and Fund Manager, if and when established. Currently, it is anticipated that the Mutual Fund will be the QE Canadian Resource Class.

"**Net Asset Value**" means the net asset value of the Units of the Partnership, as determined under the heading "Calculation of Net Asset Value".

"**Offering**" means the offering of Units by the Partnership pursuant to the terms of the Agency Agreement and this prospectus.

"**Operating Reserve**" means the funds necessary to pay the ongoing fees (including the General Partner's Fee), interest costs and operating and administrative costs that are payable and expected to be fully deductible in computing income of the Partnership under the Tax Act for the fiscal period ending December 31, 2011. The Operating Reserve will be deducted from the Gross Proceeds and will not form part of the Available Funds for investment in Flow-Through Shares.

"**Ordinary Resolution**" means a resolution of Limited Partners passed by more than 50% of the votes cast at a duly constituted meeting of the Limited Partners or consented to in writing by the Limited Partners that are entitled to more than 50% of the votes at such a meeting.

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

"**Partnership**" means Qwest Energy 2011 Flow-Through Limited Partnership.

"**Partnership Agreement**" means the limited partnership agreement dated as of December 9, 2010 and amended and restated as of February 2, 2011 between the General Partner, Heritage Bancorp Ltd., as Initial Limited Partner,

and each person who becomes a Limited Partner thereafter, together with all amendments, supplements, restatements and replacements thereof from time to time.

"**Partnership Loan Facility**" means a loan and margin facility to be provided to the Partnership by a Canadian chartered bank or a subsidiary of a Canadian chartered bank to finance the payment of the Agents' fee and certain other expenses of this Offering that will not be fully deductible in computing income of the Partnership for the fiscal period ending December 31, 2011.

"**Performance Bonus**" means the performance bonus payable to the General Partner by the Partnership which will be equal to 20% of the product of: (a) the number of Units outstanding on the Performance Bonus Date; and (b) the amount by which the Net Asset Value per Unit on the Performance Bonus Date (prior to giving effect to the Performance Bonus) plus the aggregate value of all distributions per Unit during the Performance Bonus Term exceeds $28.

"**Performance Bonus Date**" means the last day of the Performance Bonus Term.

"**Performance Bonus Term**" means the period commencing on the date of the final Closing and ending on the earlier of:

(i) the Business Day prior to the date on which the Partnership's assets are transferred to a Mutual Fund pursuant to a Liquidity Alternative; and

(ii) the Business Day immediately prior to the day of dissolution or termination of the Partnership.

"**Prior Partnerships**" means, collectively, Qwest Energy RSP/Flow-Through Limited Partnership, Qwest Energy IV Flow-Through Limited Partnership, Qwest Energy 2004 Flow-Through Limited Partnership, Qwest Energy 2005 Flow-Through Limited Partnership, Qwest Energy 2005-II Flow-Through Limited Partnership, Qwest Energy 2005-III Flow-Through Limited Partnership, Qwest Energy 2006 Flow-Through Limited Partnership, Qwest Energy 2006-II Flow-Through Limited Partnership, Qwest Energy 2007 Flow-Through Limited Partnership, Qwest Energy 2007-II Flow-Through Limited Partnership, Qwest Energy 2008 Flow-Through Limited Partnership, Qwest Energy 2008-II Flow-Through Limited Partnership, Qwest Energy 2009 Flow-Through Limited Partnership, Qwest Energy 2009-II Flow-Through Limited Partnership, Qwest Energy 2010 Flow-Through Limited Partnership and Qwest Energy 2010-II Flow-Through Limited Partnership.

"**Promoter**" means Qwest Investment Management Corp.

"**QE Canadian Resource Class**" means Qwest Energy Canadian Resource Class, a class of securities of QE Funds Corp., a mutual fund corporation established under the laws of Canada.

"**QIFM**" means Qwest Investment Fund Management Ltd.

"**Qualifying CDE**" means CDE which may be renounced by a Resource Issuer under the Tax Act as CEE, including expenses incurred in: (a) drilling or completing an oil or gas well in Canada; (b) preparing a site or building a temporary access road in respect of an oil or gas well; and (c) recompleting an oil or gas well after the commencement of production from the well, but excluding any CDE which qualifies as CEE of a Resource Issuer or is deemed to qualify as CEE of a Resource Issuer under subsection 66.1(9) of the Tax Act.

"**Registrar and Transfer Agency Agreement**" means the Registrar and Transfer Agency Agreement to be dated on or before the Closing Date between Valiant Trust Company and the Partnership.

"**Registrar and Transfer Agent**" means the registrar and transfer agent of the Partnership appointed by the General Partner, the initial registrar and transfer agent being Valiant Trust Company.

"**Related Corporation**" means a corporation that is related to a Resource Issuer as determined under section 251 of the Tax Act.

“**Related Entities**” means any company or limited partnership in respect of which the General Partner, QIFM, Qwest Energy Corp., the Promoter or any of their respective affiliates, directors or officers, individually or together, beneficially own or exercise direction or control over, directly or indirectly, more than 20% of the outstanding voting securities or act as general partner thereof, including Heritage.

“**Resource Issuer**” means a corporation which represents, directly or indirectly, to the Partnership that:

(a) it is a “principal-business corporation” as defined in subsection 66(15) of the Tax Act; and

(b) it intends (either by itself or through a Related Corporation) to incur Eligible Expenditures on at least one property in Canada.

“**Special Warrant**” means a special warrant of a Resource Issuer which entitles the holder to acquire, for payment of no additional consideration, a Flow-Through Share of a listed Resource Issuer or a unit of securities which includes a Flow-Through Share of a listed Resource Issuer.

“**Subscription Agreement**” means the subscription agreement and power of attorney substantially in the form set out as Schedule A to the Partnership Agreement.

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

“**Termination Date**” means December 31, 2013, unless the Partnership’s operations are continued in accordance with the Partnership Agreement.

“**Valuation Date**” means Tuesday of each week, or if any Tuesday is not a Business Day, the following Business Day, except the final week in each month, for which the valuation date is the final Business Day of the month.

“**Unit**” means one unit of limited partnership interest in the Partnership.

“**Warrants**” means warrants exercisable to purchase shares or other securities of a Resource Issuer (which shares or other securities may or may not be Flow-Through Shares).

“**$**” means Canadian dollars.

## ILLUSTRATION OF POTENTIAL TAX CONSEQUENCES

An investment in Units will have a number of tax implications for a prospective subscriber. The following presentation has been prepared by the General Partner to assist prospective subscribers in evaluating the income tax consequences to them of acquiring, holding and disposing of Units. The presentation is intended to illustrate certain income tax implications to subscribers who are Canadian resident individuals (other than trusts) who have purchased $5,000 of Units (200 Units) in the Partnership and who continue to hold their Units in the Partnership as of December 31, 2011. **These illustrations are examples only and actual tax deductions may vary significantly. The timing of such deductions may also vary from that shown in the table.** A summary of the Canadian federal income tax considerations for a prospective subscriber for Units is set forth under "Income Tax Considerations". Each prospective subscriber is urged to obtain independent professional advice as to the specific implications applicable to such a subscriber's particular circumstances. The calculations are based on the estimates and assumptions described in the "Notes and Assumptions" set forth below, which form an integral part of the following illustration. Please note that some columns may not sum due to internal rounding. The actual tax savings, money at risk and break-even proceeds of disposition may be different from what is shown below. Prospective subscribers should be aware that these calculations do not constitute forecasts, projections, contractual undertakings or guarantees and are based on estimates and assumptions that are necessarily generic and, therefore, cannot be represented to be complete or accurate.

### Example of Tax Deductions

| | **Minimum Offering** | | | **Maximum Offering** | | |
|---|---|---|---|---|---|---|
| | **2011** | **2012 & Beyond** | **Total** | **2011** | **2012 & Beyond** | **Total** |
| **Initial Investment** | $5,000 | $ - | $ 5,000 | $5,000 | $ - | $5,000 |
| **Income Tax Credits**(1) | | | | | | |
| Investment Tax Credits | $108 | $ - | $108 | $111 | $ - | $111 |
| Tax Payable on Recapture of Investment Tax Credits | $- | ($49) | ($49) | $ - | ($50) | ($50) |
| **Total Income Tax Credits** | $108 | ($49) | $59 | $111 | ($50) | $61 |
| **Income Tax Deductions** | | | | | | |
| CEE or Qualifying CDE (1) | $4,800 | $ - | $4,800 | $4,930 | $ - | $4,930 |
| Other (2, 3) | $200 | $219 | $419 | $70 | $192 | $262 |
| **Total Income Tax Deductions**(4, 5, 6, 7) | $5,000 | $219 | $5,219 | $5,000 | $192 | $5,192 |

### At-Risk Capital, Breakeven and Downside Protection Calculations

| | Minimum Offering | | | Maximum Offering | | |
|---|---|---|---|---|---|---|
| | 2011 | 2012 & Beyond | Total | 2011 | 2012 & Beyond | Total |
| **Assumed Marginal Tax Rate**: (8) | 45% | 45% | $ - | 45% | 45% | $ - |
| **Investment Amount**: | $5,000 | $ - | $5,000 | $5,000 | $ - | $5,000 |
| Net Flow-Through Share and other Tax Savings (9) | ($2,358) | ($50) | ($2,408) | ($2,361) | ($36) | ($2,397) |
| Capital Gains Tax (10) | $ - | $1,125 | $1,125 | $ - | $1,125 | $1,125 |
| Total Net Income Tax Expense (savings) | ($2,358) | $1,075 | ($1,283) | ($2,361) | $1,089 | ($1,272) |
| At-Risk Capital (11) | | | $2,592 | | | $2,603 |
| Breakeven Proceeds (12), (13) | | | $3,345 | | | $3,359 |
| Downside Protection (14) | | | 33% | | | 33% |

**Notes and Assumptions:**

(1) The calculations assume that the Offering expenses (excluding the Agents' fee) are $100,000 in the case of the Minimum Offering and $465,000 in the case of the Maximum Offering, that all Available Funds ($4,800,000 in the case of the Minimum Offering and $49,300,000 in the case of the Maximum Offering) are invested in Flow-Through Shares of Resource Issuers that, in turn, expend such amounts on Eligible Expenditures which are renounced directly to the Partnership with an effective date in 2011 and allocated to a Limited Partner and deducted by him or her in 2011.

It is assumed that 15% of Available Funds will be used to acquire Flow-Though Shares of Resource Issuers in 2011 that will entitle a Limited Partner to the 15% non-refundable "flow-through mining expenditure" investment tax credit available to him or her in respect of certain "grass roots" mining CEE incurred or deemed incurred by a Resource Issuer in 2011 and renounced effective on or before December 31, 2011 under Investment Agreements entered into on or before March 31, 2011. It is assumed that the Limited Partner will be subject to tax on an income inclusion arising when the investment tax credit is subtracted from the Limited Partner's "cumulative CEE" pool in 2012. See "Income Tax Considerations – Taxation of Limited Partners".

The 15% investment tax credit reduces federal tax otherwise payable by an individual Limited Partner other than a trust. As described below, certain Canadian provinces also provide investment tax credits. These credits generally parallel the federal credits for flow-through mining expenditures renounced to taxpayers residing in the province in respect of exploration occurring on properties located in that province. Limited Partners resident, or subject to tax, in a province that provides such an investment tax credit may claim the credit in combination with the federal investment tax credit. However, the use of a provincial investment tax credit will generally reduce the amount of expenses eligible for the federal investment tax credit and the Limited Partner's "cumulative CEE" pool. Provincial investment tax credits have not been incorporated into this illustration.

An individual (other than a trust) who is resident in the Province of Ontario and a Limited Partner at the end of a fiscal year of the Partnership may apply for a 5% flow-through mining expenditure investment tax credit in respect of eligible Ontario exploration expenditures. Eligible Ontario exploration expenditures are generally flow-through mining expenditures that qualify for the federal investment tax credit and are incurred in the Province of Ontario by a Resource Issuer with a permanent establishment in the Province of Ontario. In order to be eligible for the Ontario tax credit the individual must be resident in the Province of Ontario and at least 16 years old at the end of the taxation year in respect of which the credit is claimed.

The British Columbia flow-through mining expenditure investment tax credit allows an individual (other than a trust), who is a resident of British Columbia and invests in flow-through shares, to claim a tax credit. The credit is available in respect of BC flow-through mining expenditures that are incurred or deemed to have been incurred by a corporation before 2014. Under the program, such an individual (other than a trust) may claim a non-refundable tax credit, when

calculating British Columbia income tax, equal to 20% of that individual's share of any BC flow-through mining expenditures renounced to the individual and incurred in conducting certain mining exploration activity in British Columbia. BC flow-through mining expenditures are defined with reference to the definition of "flow-through mining expenditures" in the Tax Act and also in section 4.721 of the *Income Tax Act* (British Columbia).

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 and Qualifying CDE, individuals (and personal trusts) who are residents of or subject to tax in the Province of Québec 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 residents 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, individuals (or personal trusts) who are residents of or subject to tax in the Province of Québec who are Limited Partners at the end of the applicable fiscal year of the Partnership may be entitled to deduct up to 150% of his or her share of certain eligible exploration expenses incurred in the Province of Québec by a qualified corporation and renounced in favour of the Partnership.

Also for Québec tax purposes, the Partnership is permitted to renounce an amount equal to the lesser of the issue expenses incurred by the Partnership in respect of the issue of the Units and out of the proceeds of such issue and 15% of the proceeds of the issue of the Units (provided the Partnership has not deducted such issue expenses incurred in computing its income) to the extent that the proceeds of the issue of the Units have been used by the Partnership to acquire Flow-Through Shares and that the proceeds of the issue of the Flow-Through Shares have been used by the Resource Issuers to incur eligible exploration expenses in Québec. An individual (or personal trust) resident in Québec who is a Limited Partner at the end of the applicable fiscal year of the Partnership may be entitled to deduct his or her pro rata share of any such amount renounced by the Partnership to the Limited Partners.

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 for such portion of these investment expenses. For these purposes, investment expenses include certain deductible interest and losses such as losses of the Partnership allocated to the Limited Partner and 50% of CEE and Qualifying CDE (other than CEE and Qualifying CDE incurred in Québec) renounced to the Partnership and allocated to, and deducted for Québec tax purposes by, a Limited Partner and investment income includes taxable capital gains not eligible for the capital gains exemption. Such 50% of CEE and Qualifying CDE, other than CEE and Qualifying CDE incurred in Québec, renounced to the Partnership and allocated to and deducted for Québec tax purposes by such Limited Partner will be included in the Limited Partner's income for Québec tax purposes only if such Limited Partner has insufficient investment income. The portion of the investment expenses (if any) which has been included in the Limited Partner's income in a given taxation year may be deducted against investment income earned in any of the three previous taxation years or in any subsequent taxation year to the extent of the excess of the investment income over the investment expenses for such other year. The remaining 50% of CEE and Qualifying CDE (other than CEE and Qualifying CDE incurred in Québec), and 100% of the CEE and Qualifying CDE incurred in Québec, renounced to the Partnership and allocated to, and deducted for Québec tax purposes by, such Limited Partner will not be subject to that rule. Québec taxpayers should consult their own tax advisors for advice regarding Québec taxation consequences of an acquisition of Units.

It is assumed that for Québec provincial tax purposes only, a Limited Partner who is an individual (including a personal trust) resident, or subject to tax, in Québec has investment income that exceeds his or her investment expenses for a given year. See "Risk Factors – Tax-Related Risks".

The General Partner will provide a Limited Partner with the information required by such Limited Partner to file an application for any provincial investment tax credits available to such Limited Partner.

The proceeds to the Partnership from the Partnership Loan Facility are assumed to be used to pay the Agents' fee and certain Offering expenses (including travel, sales and marketing expenses) that are assumed not to be fully deductible in computing income of the Partnership for its fiscal period ended December 31, 2011. See "Fees and Expenses – Other Fees and Expenses; Partnership Loan Facility".

(2) The Partnership will incur costs including the Agents' fee, Offering expenses (including travel, sales and marketing expenses), certain other estimated operating and administrative expenses and the General Partner's Fee. The Partnership intends to borrow under the Partnership Loan Facility an amount sufficient to pay any such costs that are not expected to be fully deductible in computing the income of the Partnership pursuant to the Tax Act for the fiscal period ending December 31, 2011. The unpaid principal amount and interest thereon will be a Limited Recourse

Amount of the Partnership and the Limited Partners and such costs will generally not be deductible until the borrowed amount is repaid, at which time the expenses will be deemed to have been incurred to the extent of the amount repaid. The table assumes that the Partnership will sell Flow-Through Shares (and realize and allocate to the Limited Partners the taxable capital gains thereon) to permit it to repay all amounts borrowed prior to the earlier of the closing of a Liquidity Alternative and the dissolution of the Partnership. On this basis, expenses will be deductible in 2011 and thereafter as follows:

| | **Taxation Year** | |
|---|---|---|
| | **2011** | **2012 and beyond** |
| Agents' fee | 0% | 100% |
| Expenses of the Offering | 0% | 100% |
| Annual General Partner's Fees | 100% | 100% |
| Annual interest costs (not included in calculations) | 100% | 100% |
| Annual operating and administration expenses | 100% | 100% |

See Note (3) and "Income Tax Considerations – Taxation of the Partnership".

(3) **The calculations are prepared on the assumption that the October 31, 2003 Tax Proposals will not be enacted and, therefore, will not apply to deny the deduction of any expenses or resulting losses of the Partnership or a Limited Partner in respect of Flow-Through Shares or Units, respectively, for taxation years commencing after 2004.** If the October 31, 2003 Tax Proposals are enacted in their current form, then no such expenses (excluding Eligible Expenditures) or resulting losses would likely be deductible by the Partnership or a Limited Partner for taxation years commencing after 2004. See "Income Tax Considerations –Taxation of the Partnership". Subject to Note (2), the Agent's fee and Offering expenses would be deductible for purposes of the Tax Act at a rate of 20% per annum, pro-rated for short taxation years.

(4) This assumes no portion of the subscription price for the Units will be financed with a Limited Recourse Amount. See "Income Tax Considerations – Taxation of Limited Partners".

(5) A Limited Partner may not claim tax deductions in excess of such Limited Partner's "at risk" amount. See "Income Tax Considerations – Taxation of Limited Partners".

(6) The calculations assume that the Limited Partner is not liable for alternative minimum tax. See "Income Tax Considerations - Taxation of Limited Partners".

(7) The amount of tax deductions, income or proceeds of disposition in respect of a particular subscriber will likely be different from those depicted above.

(8) For simplicity an assumed marginal tax rate of 45% has been used. Each individual subscriber's actual tax rate will vary from the assumed marginal rate set forth above. The highest combined federal and provincial or territorial marginal tax rates as of the date of this prospectus are set forth below. Future federal and provincial or territorial budgets may modify the rates.

| **Province** | **Highest Marginal Tax Rate** |
|---|---|
| British Columbia | 43.7% |
| Alberta | 39.0% |
| Saskatchewan | 44.0% |
| Manitoba | 46.4% |
| Ontario | 46.4% |
| Québec | 48.2% |
| New Brunswick | 41.7% |
| Nova Scotia | 50.0% |
| Prince Edward Island | 47.4% |
| Newfoundland and Labrador | 42.3% |
| Yukon Territory | 42.4% |
| Northwest Territories | 43.1% |
| Nunavut | 40.5% |

(9) The tax savings are calculated by multiplying the total estimated income tax deductions for each year by the assumed marginal tax rate, then adding the net value of the federal tax credit. This illustration assumes that the subscriber has sufficient income so that the illustrated tax savings are realized in the year shown.

(10) In computing the Partnership's income it is assumed that gains are capital gains (and not an income account) and, therefore 50% of the gains are taxable. In addition, it is assumed that the subscriber disposes of his or her Units or Mutual Fund shares for proceeds of disposition of $5,000 on an investment of $5,000. Because flow-through shares are generally issued at a premium, some appreciation in the underlying assets of the Partnership will be required in order to achieve proceeds of disposition of $5,000.

(11) At-risk capital is calculated generally as the total investment less all anticipated income tax savings.

(12) Break-even proceeds of disposition represent the amount a subscriber must receive such that, after paying capital gains tax, the subscriber would recover his or her at-risk capital. Capital gains tax is calculated on the assumption that the adjusted cost base of each investor's Units or Mutual Fund shares is nil and that 50% of the subscriber's gain is subject to the highest combined federal and applicable provincial or territorial marginal tax rate which is assumed for the purposes of those calculations to be 45%. See "Income Tax Considerations - Taxation of Limited Partners".

(13) The calculations do not take into account the time value of money. Any present value calculation should take into account the timing of cash flows, the subscriber's present and future tax position and any change in the market value of the Partnership's Investment Portfolio, none of which can presently be estimated accurately by the General Partner.

(14) Downside Protection is calculated by subtracting break-even proceeds of disposition from initial investment cost and then dividing by investment cost.

There can be no assurance that any of the foregoing assumptions will prove to be accurate in any particular case. Prospective subscribers should be aware that these calculations are for illustrative purposes only and are based on assumptions made by the General Partner which cannot be represented to be complete or accurate in all respects and that have been made solely for the purpose of these illustrations. These calculations and assumptions have not been independently verified. See "Income Tax Considerations" and "Risk Factors".

## OVERVIEW OF THE LEGAL STRUCTURE OF THE PARTNERSHIP

The Partnership was formed under the laws of the Province of British Columbia pursuant to the Partnership Agreement between Qwest Energy 2011 Flow-Through Management Corp., as General Partner, and Heritage Bancorp Ltd., as the Initial Limited Partner, and became a limited partnership effective December 10, 2010, the date of filing of its Certificate of Limited Partnership. The Partnership Agreement is summarized in this prospectus. See "Organization and Management Details of the Partnership – Details of the Partnership Agreement".

The registered office of the Partnership is 1200 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia, V7X 1T2. The head office of the Partnership is Suite 1601-650 West Georgia Street, Vancouver, British Columbia, V6B 4N7, Telephone: (604) 602-1142, Fax: (604) 689-8892, Email: info@qwestfunds.com.

The Partnership is not considered a mutual fund under securities legislation.

## INVESTMENT OBJECTIVES

The Partnership has been organized to provide Limited Partners with a tax-assisted investment in a diversified portfolio of Flow-Through Shares of Resource Issuers whose shares are publicly traded and, to a lesser extent, Flow-Through Shares of private Resource Issuers, with a view to achieving capital appreciation for Limited Partners. The principal business of the Resource Issuers will be: (i) oil and gas exploration, development and production; (ii) mineral exploration, development and production; or (iii) certain energy production that may incur certain start-up phase costs of renewable energy and energy efficient projects. While the allocation of the Partnership's Available Funds for investment in Flow-Through Shares of Resource Issuers in each of these sectors will depend on investment opportunities available at the time the Available Funds are invested, the General Partner expects that the Partnership will focus primarily on investments in Resource Issuers in the oil and gas sector.

All or substantially all of the Available Funds will be invested in Flow-Through Shares of Resource Issuers that agree to renounce (directly or indirectly) CEE and Qualifying CDE to the Partnership with an effective date no later than December 31, 2011 (and thereby maximize the deductions available to Limited Partners in respect of 2011). See “Income Tax Considerations”.

In addition, if the Tax Act is amended, the Partnership is entitled to invest in Alternative Flow-Through Securities issued by Alternative Flow-Through Companies. As of the date of this Prospectus, there are no Alternative Flow-Through Companies or Alternative Flow-Through Securities.

These investment objectives and the investment strategies set out below may be changed with the approval of Limited Partners by Extraordinary Resolution.

## INVESTMENT STRATEGIES

The Partnership Agreement provides that the Partnership’s investment strategy (the “Investment Strategy”) is to invest in Flow-Through Shares of Resource Issuers that: (i) have experienced and reputable management with a defined track record in the energy, mining or alternative energy industries; (ii) have a knowledgeable board of directors; (iii) have exploration programs or exploration and development programs in place; (iv) have securities that are suitably priced and offer capital appreciation potential; and (v) meet certain market capitalization and other criteria set out in the Investment Guidelines. See “Investment Guidelines”. It is anticipated that the Investment Portfolio will include a number of junior Resource Issuers. The Partnership will invest no less than 80% of the Gross Proceeds in Flow-Through Shares of Resource Issuers which are listed on a stock exchange and at least 25% of the Gross Proceeds in Flow-Through Shares of Resource Issuers which are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange, the NYSE Amex Equities or the Nasdaq National Market. The General Partner intends, whenever possible, to negotiate for the inclusion of incentives such as Warrants along with the Flow-Through Shares to be purchased by the Partnership.

The General Partner, with QIFM, will be responsible for the acquisition of the Partnership’s initial portfolio. QIFM will provide the Partnership with advice on the ongoing management of the portfolio after acquisition. See “Organization and Management Details of the Partnership - The Investment Advisor and Fund Manager”.

The Partnership will invest in Flow-Through Shares of Resource Issuers pursuant to Investment Agreements, which will obligate such Resource Issuers to incur and renounce Eligible Expenditures in an amount equal to the purchase price of the Flow-Through Shares. Pursuant to the terms of the Investment Agreements, Eligible Expenditures will be renounced (directly or indirectly) to the Partnership with an effective date no later than December 31, 2011. The Investment Agreements entered into by the Partnership during 2011 may permit a Resource Issuer to incur in 2012 Eligible Expenditures, provided that the Resource Issuer agrees to renounce, directly or indirectly, such Eligible Expenditures to the Partnership with an effective date of December 31, 2011. Following the Partnership’s investment in Flow-Through Shares, Limited Partners who have sufficient income, subject to certain limitations, will be entitled to claim certain deductions from income. See “Income Tax Considerations”.

The Partnership may acquire Special Warrants pursuant to Investment Agreements, on the same basis as it would acquire Flow-Through Shares. The Partnership may also acquire units consisting of Flow-Through Shares and Warrants pursuant to Investment Agreements. Where the Partnership acquires such Special Warrants or units, not more than 10% of the aggregate purchase price under the relevant Investment Agreement shall be allocated and reasonably allocable to securities which do not qualify as Flow-Through Shares.

As the Partnership may invest in Flow-Through Shares and other securities, if any, of certain Resource Issuers pursuant to exemptions from the prospectus and registration requirements of applicable securities legislation, such Flow-Through Shares and other securities, if any, of such Resource Issuers generally will be subject to resale restrictions. Securities of Resource Issuers that are not reporting issuers (or the equivalent) may be subject to indefinite resale restrictions which will expire only if such corporations become reporting issuers under applicable securities legislation or if the resale is structured to be itself exempt from prospectus and registration requirements. It is expected that the resale restrictions applicable to the majority of the Flow-Through Shares and other securities,

if any, of the Resource Issuers (other than Resource Issuers which are not reporting issuers or the equivalent) purchased by the Partnership will expire after a four-month "hold period". The General Partner may, in its sole discretion, require that the principal shareholders of Resource Issuers agree, subject to applicable law, to exchange free-trading shares for the restricted Flow-Through Shares or other securities, if any, of Resource Issuers within the Partnership's Investment Portfolio. Other Flow-Through Shares or other securities, if any, of Resource Issuers purchased by the Partnership may be qualified by a prospectus or other disclosure document of the Resource Issuers filed with the applicable securities authorities and will not be subject to any resale restrictions.

Subject to certain restrictions, the Partnership's Investment Portfolio may include Illiquid Investments. The Partnership may invest up to 20% of the Gross Proceeds in Illiquid Investments, including securities issued by private companies. See "Investment Guidelines and Restrictions".

As well, the Partnership may borrow and sell short free-trading shares of Resource Issuers for hedging purposes when an appropriate selling opportunity arises in order to capitalize on an investment decision or to "lock-in" the resale price of Flow-Through Shares or other securities, if any, of Resource Issuers held in the Partnership's Investment Portfolio that are subject to resale restrictions.

As of the date hereof, the Partnership has not entered into Investment Agreements to invest in Flow-Through Shares or any other securities or selected any Resource Issuers in which to invest. However, the Partnership may, after the Closing Date and prior to the date of the final Closing, enter (directly or indirectly) into Investment Agreements with one or more Resource Issuers.

Any interest earned on Available Funds not disbursed or invested by the Partnership and any dividends received on Flow-Through Shares and other securities, if any, of Resource Issuers purchased by the Partnership will accrue to the benefit of the Partnership. Interest and dividends earned may be used, in the discretion of the General Partner, to purchase more Flow-Through Shares and other securities, if any, of Resource Issuers, for the purchase of High-Quality Money Market Instruments, to pay administrative costs and expenses of the Partnership, to repay indebtedness, including indebtedness that is a limited recourse amount, of the Partnership or for distribution to Limited Partners if the General Partner is satisfied that the Partnership can otherwise meet its obligations.

The General Partner and QIFM will use all commercially reasonable efforts to invest all of the Available Funds in Flow-Through Shares on or before December 31, 2011. However, if the General Partner is unable to enter into Investment Agreements by December 31, 2011 for the full amount of Available Funds from this Offering, up to 5% of the Gross Proceeds may be invested in shares of Resource Issuers that do not constitute Flow-Through Shares. The General Partner will cause to be returned to each Limited Partner by January 31, 2012 such Limited Partner's share of the remaining uncommitted amount, except to the extent that such funds are required to finance the operations of the Partnership or repay indebtedness, including indebtedness that is a Limited Recourse Amount of the Partnership (such as amounts outstanding under the Partnership Loan Facility). In certain circumstances committed funds equal to the tax payable as a consequence of the failure to renounce may be returned to the Partnership by Resource Issuers. Any funds committed by the Partnership to purchase Flow-Through Shares that are returned to the Partnership prior to January 1, 2012 may be used to invest in Flow-Through Shares and other securities (which may or may not constitute Flow-Through Shares), if any, of other Resource Issuers prior to January 1, 2012.

The Partnership may invest in Alternative Flow-Through Securities, subject to certain conditions, if the Tax Act is amended, so as to permit Alternative Flow-Through Companies from time to time to be eligible to issue equity securities that are equivalent to Flow-Through Shares and to renounce expenditures that are equivalent to Eligible Expenditures to investors. It should be noted that as of the date of the Prospectus, there are no Alternative Flow-Through Securities or Alternative Flow-Through Companies.

If such amendments to the Tax Act are made, investment by the Partnership in Alternative Flow-Through Securities will be subject to the following conditions:

(a) the General Partner must first obtain an opinion from counsel that the tax attributes of the Alternative Flow-Through Securities are equivalent in all material respects to those of Flow-Through Shares;

(b) investment in Alternative Flow-Through Securities will be limited to 10% of the Gross Proceeds; and

(c) the Alternative Flow-Through Company must have an experienced management team, a strong research program in place, if applicable, and offer potential for future growth. In addition, any investments in Alternative Flow-Through Securities will be subject to the same terms, restrictions and conditions set out herein and in the Partnership Agreement that would apply to the General Partner and the Partnership as if the investment was in Flow-Through Shares.

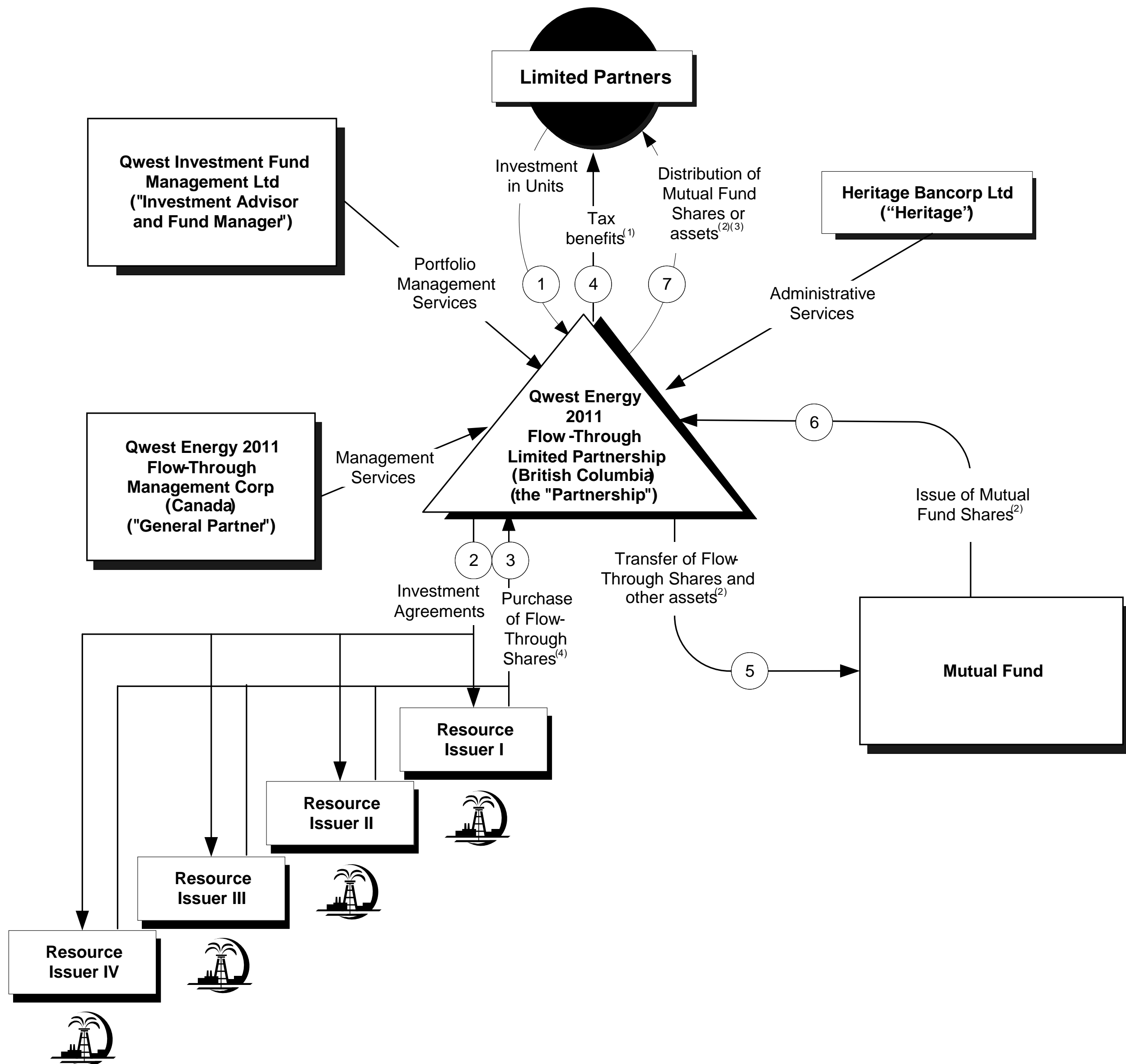
Prior to the Closing Date, the Partnership will enter into a loan and margin facility with a Canadian chartered bank or a subsidiary of a Canadian chartered bank in order to maximize Available Funds that will be available for investment in Flow-Through Shares. The General Partner expects that pursuant to the Partnership Loan Facility, the Partnership may borrow up to 8.75% of the Gross Proceeds of the Offering in order to finance certain fees and expenses. The General Partner does not intend to borrow funds for any purpose other than in order to finance certain fees and expenses associated with this Offering (see "Fees and Expenses – Expenses of the Offering"), and the maximum amount of leverage (total long positions, including leveraged positions, divided by the net assets of the Partnership) of the Partnership may not exceed a ratio of 2 to 1. See "Fees and Expenses – Other Fees and Expenses; Partnership Loan Facility".

99.99% of the net income of the Partnership, 100% of the net loss of the Partnership and 100% of any Eligible Expenditures renounced directly or indirectly to the Partnership will be allocated *pro rata* to the Limited Partners, and 0.01% of the net income of the Partnership will be allocated to the General Partner. On dissolution, Limited Partners are entitled to 99.99% of the assets of the Partnership and the General Partner is entitled to 0.01% of such assets. See "Organization and Management Details of the Partnership - Details of the Partnership Agreement – Allocation of Income and Loss".

Subject to the terms of the Partnership Loan Facility, on or before April 30 of each year beginning in 2012, the General Partner may make distributions to Limited Partners of record on the preceding December 31 of an amount per Unit that is approximately equal to 50% of the amount estimated by the General Partner that a typical Limited Partner will be required to include in such Limited Partner's income for tax purposes in respect of each Unit held, after taking into account amounts previously distributed and deductions available for tax purposes to individuals arising from participation in the Partnership. Such distributions will not be made in the event that the General Partner determines, in its sole discretion, that it would be disadvantageous for the Partnership to make such distributions (including, but not limited to, a lack of available cash). Such distributions may not be sufficient to satisfy a Limited Partner's tax liability for the year arising from his or her status as a Limited Partner. See "Organization and Management Details of the Partnership - Details of the Partnership Agreement – Distributions" and "Risk Factors".

## OVERVIEW OF THE INVESTMENT STRUCTURE

The following diagram illustrates: (i) the structure of an investment in Units; (ii) the relationship among the Partnership, the General Partner, the Investment Advisor and Fund Manager, and the Resource Issuers; and (iii) a possible Liquidity Alternative structure. The numbers 1 through 7 below indicate the chronological order of an investment in Units, acquisition of Flow-Through Shares of Resource Issuers, the flow of tax deductions to Limited Partners and a possible Liquidity Alternative.

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(1) Investors must be Limited Partners on December 31, 2011 to obtain tax deductions in respect of such year.

(2) The General Partner intends to implement a Liquidity Alternative on or before June 30, 2013. The General Partner presently intends the Liquidity Alternative will be an exchange transaction pursuant to which the Partnership will transfer its assets to a Mutual Fund, on a tax-deferred basis, in exchange for redeemable shares of the Mutual Fund and within 60 days thereafter the shares of the Mutual Fund will be distributed to the Limited Partners, *pro rata*, on a tax-deferred basis on the dissolution of the Partnership. **There can be no assurance that any such Liquidity Alternative will receive the necessary approvals (including regulatory approvals) or be implemented on a tax-deferred basis or at all.** A requirement to obtain approvals, including regulatory approvals, may arise in the situation where the

Partnership does not implement a Liquidity Alternative as contemplated in this Prospectus, but proposes to implement an alternative form of liquidity arrangement.

(3) If a Liquidity Alternative is not implemented by June 30, 2013, then, at the discretion of the General Partner, the Partnership may: (a) be dissolved on or about December 31, 2013, and its net assets distributed *pro rata* to the Partners, or (b) subject to the approval by Extraordinary Resolution of the Limited Partners, continue in operation with an actively managed portfolio.

(4) The Partnership may purchase units or other interests in other issuers that, in turn, purchase Flow-Through Shares of Resource Issuers.

The General Partner, with QIFM, will be responsible for the initial investment by the Partnership in Flow-Through Shares and other securities, if any, of Resource Issuers. The management teams of the General Partner and QIFM have proven and respected track records in analyzing and selecting securities of growth-oriented junior oil and gas companies. See "Organization and Management Details of the Partnership - Prior Partnerships".

Following the initial acquisition, the Partnership's Investment Portfolio will be managed on an ongoing basis by the Investment Advisor and Fund Manager with the primary objective of achieving profits and capital appreciation for the Partnership. See "Organization and Management Details of the Partnership - The Investment Advisor and Fund Manager".

The Investment Advisor and Fund Manager and the General Partner will proactively manage the Partnership's Investment Portfolio with the objective of providing capital appreciation for the Partnership after the initial investment period. This may involve the sale of Flow-Through Shares and other securities and the reinvestment of the net proceeds from such dispositions (after consideration being given to applicable distributions to Partners) in securities of Resource Issuers, including Resource Issuers in the oil and gas, mining, pulp and paper, and forestry industries, certain energy producers that may incur CRCE and issuers and related businesses such as transportation, pipeline or services companies and utilities. Such reinvestment may include, but is not limited to, investment in additional Flow-Through Shares. As well, the Partnership may borrow and sell short free-trading shares of Resource Issuers when an appropriate selling opportunity arises in order to capitalize on an investment decision or to "lock-in" the resale price of Flow-Through Shares or other securities, if any, of Resource Issuers held in the Partnership's Investment Portfolio.

For tax purposes, it is generally expected that any sale of Flow-Through Shares of a Resource Issuer by the Partnership will result in a capital gain equal to the net proceeds realized by such sale (less costs incurred to effect the sale), as the cost of the Flow-Through Shares is deemed under the Tax Act to be nil. See "Income Tax Considerations".

## OVERVIEW OF THE SECTORS THAT THE PARTNERSHIP INVESTS IN

The Partnership intends to make investments in the resource sector with the objective of creating a diversified portfolio of securities of Resource Issuers.

Global economic conditions are characterized by two separate states. The world's developed economies continue to retrench, pursuing expansionary fiscal and monetary policies in 2011 in an attempt to repair global balance sheets and generate modest rates of growth. Meanwhile emerging economies continue to push forward with strong rates of growth, sustainable economic conditions and strengthening economic infrastructure. The Investor Advisor and Fund Manager believes that these distinct states create an economic environment that should be relatively stable for 2011. The Investor Advisor and Fund Manager expects enough growth initiatives to keep the global economy moving forward and enough potential for weakness in order to prevent the global economy from overheating.

### Oil Sector

The Investment Advisor and Fund Manager believes that some version of the crude oil price range that persisted in 2010 will carry through to 2011. The improving global economic conditions and changes in inflationary expectations that began to take hold in 2010 will likely provide upside catalysts in 2011, ultimately challenging

$100 at some point in 2011. It is the Investor Advisor and Fund Manager's expectation that the $70 to $90 price range of 2010 could shift upward to the $80 to $100 range in 2011. OPEC member countries and the world's major oil producers have clearly signalled that prices below $70 per barrel are insufficient to encourage development of new reserves on the scale required to maintain global oil supply. It is the Investor Advisor and Fund Manager's belief that the markets will continue to test the price ceiling in 2011, attempting to find a price level that begins to affect global economic growth rates.

From a regional outlook, oil producers within Alberta are enjoying renewed market interest as changes in technology unlock expanded drilling targets. New completion technologies and horizontal drilling are currently being implemented in tight reservoirs with relatively lower permeability of previous defined pools creating excellent operational and economic results. This, coupled with attractive drilling incentives and lower royalty rates in the interim, has resulted in a renewed interest from the investment community and created a favourable share price outlook for oil producers.

**Natural Gas Sector**

The Investment Advisor and Fund Manager anticipates that the current period of natural gas price weakness is likely to continue for an extended period of time. The investment community is pricing in an extended period of price weakness in the shares of many natural gas producers and there is a significant price and performance discrepancy between those junior energy producers with natural gas focused assets and those companies with oil price exposure. Although investors are cautioned not to expect a dramatic recovery, the Investment Advisor and Fund Manager believes that risk/reward characteristics in the natural gas sector have shifted to the point where it is worth increasing exposure to some of the best opportunities in the natural gas sector.

Although the economics are challenging at current natural gas prices, these economics are impacted dramatically by new technology and natural gas liquids content. Costs are declining as companies continue to improve operational efficiencies and implement new completion technologies in certain resource plays. Shorter drill times and higher initial deliverability has changed the supply profile for North American natural gas considerably, leading to surplus supply and weaker prices. Weather remains the key short-term price driver, but the pace and level of the economic recovery in the U.S. is the main influence on medium-term demand and prices. The Investment Advisor and Fund Manager expects price volatility to continue in 2011, trading in a range of US$3.50-$5.50 per Mcf, and intends on capitalizing on opportunities created from this volatility.

**Mining Sector**

The Investment Advisor and Fund Manager continues to have a positive outlook for the long-term prospects of base metals which serve as key drivers to global infrastructure and industrial development. The emerging economies in particular will continue to drive demand in this sector.

In addition, base metals have enjoyed price support as they gain popularity as an investment vehicle via the use of ETFs. Continued drawdown of inventory levels, supply disruptions and labour unrest help sustain the upward trend in prices. With supply growth stagnant and deposits of any real significance continually more difficult to discover and exploit, the Investment Advisor and Fund Manager remains bullish on the sector.

In addition, the Investment Advisor and Fund Manager expects gold to remain an attractive commodity. It is the first choice alternate store of value given continuing concerns over the health of the global economy and the resultant value of world currencies as regional economies continue to seek stimulus packages. Therefore, gold prices should remain stable with an upward bias if markets face unexpected changes in inflation outlook, uncertainty in the financial markets, and nervousness regarding economic recovery.

The Investment Advisor and Fund Manager will continue to look for investment opportunities in companies that can capitalize on the current strong price environment. These tend to be companies that are in production or near-production, with the potential to deliver on strong growth profiles. Risks to this investment thesis include an unexpected strengthening in the US dollar and emerging economies introducing punitive tightening policies to reign in inflation.

For uncertainties and risks relating to the Partnership's investments in the resource sector, see "Risk Factors".

## INVESTMENT GUIDELINES AND RESTRICTIONS

The Partnership Agreement provides that the activities of the Partnership and the transactions in securities comprising its Investment Portfolio will be conducted in accordance with the following Investment Guidelines.

For the purposes of the Investment Guidelines listed below, all amounts (including market capitalization) and percentage limitations will initially be determined at the date of investment, and any subsequent change in the applicable percentage resulting from changing values will not require the disposition of any securities from the Investment Portfolio. However, if securities in the Investment Portfolio are disposed of, and at the time of disposition the Investment Portfolio does not comply with the Investment Guidelines, the proceeds of disposition cannot be used to purchase securities other than High Quality Money Market Instruments and securities of issuers in the resource sector.

- **Resource Issuers.** The Available Funds will be invested by the Partnership in: (i) Flow-Through Shares of Resource Issuers; (ii) units consisting of Flow-Through Shares and Warrants, provided that not more than 10% of the aggregate purchase price under the relevant Investment Agreement shall be allocated and reasonably allocable to securities which do not qualify as Flow-Through Shares; and (iii) Special Warrants which, when exercised, result in the issue of Flow-Through Shares or units consisting of Flow-Through Shares and Warrants, provided such units meet the 10% limit set forth in (ii) above.
- **Exchange Listing.** The Partnership will invest a minimum of 80% of the Gross Proceeds in securities of issuers in the resource sector which are listed on a stock exchange and a minimum of 25% of the Gross Proceeds in securities which are listed and posted for trading on the Toronto Stock Exchange, the New York Stock Exchange, the NYSE Amex Equities or the Nasdaq National Market.
- **Limit on Illiquid Investments.** The Partnership will invest no more than 20% of the Gross Proceeds in Illiquid Investments, including securities of private companies. This restriction shall not apply to Special Warrants if they are exercisable to acquire common shares that do not constitute Illiquid Investments or units comprised of Warrants and common shares that do not constitute Illiquid Investments.
- **Non-Flow-Through Investments**. Up to 5% of Gross Proceeds may be invested in shares of Resource Issuers that do not have the attributes of Flow-Through Shares.
- **Diversification.** The Partnership will invest no more than 20% of the Gross Proceeds in securities of a single issuer.
- **Alternative Flow-Through Securities**. The Partnership may invest up to 10% of the Gross Proceeds in Alternative Flow-Through Securities.
- **No Control.** The Partnership will not own more than 20% of any class of securities (other than Warrants or Special Warrants) of any one issuer and securities will not be purchased by the Partnership for the purpose of exercising control over or management of an issuer.
- **Limit on Indirect Investment.** While the Partnership may invest indirectly in Flow-Through Shares through investment in securities of other issuers which enter into Investment Agreements with Resource Issuers and agree to allocate to the Partnership a pro-rata portion of Eligible Expenditures renounced by such Resource Issuers to such other issuers, the Partnership will invest no more than 10% of the Gross Proceeds indirectly in Flow-Through Shares.
- **Borrowing Money.** The Partnership may borrow up to 8.75% of the Gross Proceeds for the purpose of funding Offering expenses (including the Agents' fee, legal, accounting and audit, financing, travel, distribution, marketing and sales expenses) that will not be fully deductible in computing the income of the Partnership for the fiscal period ending December 31, 2011. With respect to such borrowings, the Partnership may mortgage, pledge or hypothecate any of its securities or other assets provided that

liability for and recourse under such borrowing does not extend to the Limited Partners beyond their interests in the securities or assets of the Partnership. See "Investment Structure – Partnership Loan Facility".

The Partnership will not engage in such borrowing unless the General Partner satisfies itself that the borrowing is in the best interest of the Partnership and no material adverse tax consequences to Limited Partners will result. Such amounts borrowed by the Partnership will constitute Limited Recourse Amounts. See "Income Tax Considerations – Limitation on Deduction of Expenses or Losses of the Partnership".

- **No Other Undertaking.** The Partnership will not engage in any undertaking other than the investment of the Partnership's assets in accordance with the Partnership's Investment Guidelines.
- **No Commodities.** The Partnership will not purchase or sell commodities.
- **No Mutual Funds.** The Partnership will not purchase securities of any mutual fund, other than Mutual Fund securities issued in connection with a Liquidity Alternative.
- **No Guarantees.** The Partnership will not guarantee the securities or obligations of any person.
- **No Real Estate.** The Partnership will not purchase or sell real estate or interests therein.
- **No Lending.** The Partnership will not lend money, provided that the Partnership may purchase High Quality Money Market Investments.
- **Conflict of Interest.** Not more than 10% of the Gross Proceeds will be invested in Flow-Through Shares or other securities issued by issuers which are Related Entities.
- **No Mortgages.** The Partnership will not purchase mortgages.
- **Short Sales.** The Partnership may borrow and sell short free-trading shares of Resource Issuers for hedging purposes when an appropriate selling opportunity arises in order to capitalize on an investment decision or to "lock-in" the resale price of Flow-Through Shares or other securities, if any, of Resource Issuers held in the Partnership's Investment Portfolio that are subject to resale restrictions.
- **No Derivatives.** The Partnership will not purchase or sell derivatives.

Investment in Flow-Through Shares may be direct, or indirect through investment in other issuers, provided the ultimate issuers of Flow-Through Shares comply with these guidelines. In addition, the Investment Portfolio will be managed at all times in such a way as to preserve the ability to undertake a Liquidity Alternative.

These Investment Guidelines may be changed with the approval of Limited Partners by Extraordinary Resolution.

## FEES AND EXPENSES

### Expenses of the Offering

The expenses of the Offering include the costs of creating and organizing the Partnership, the costs of preparing and printing this prospectus, legal and accounting and audit expenses of the Partnership, and traveling, marketing and sales expenses related to the Offering, legal and filing expenses related to the Offering, and reasonable out-of-pocket expenses incurred by or on behalf of the Partnership, QIFM and the Agents. The maximum aggregate expenses of this Offering (exclusive of the Agents' fee) payable by the Partnership shall not exceed 2% of the Gross Proceeds. The General Partner estimates that the expenses of the Offering, excluding the Agents' fee, will be $100,000 (or 2% of the Gross Proceeds) in the case of the minimum Offering and $465,000 (or 0.93% of the Gross Proceeds) in the case of the maximum Offering. In the event that the Offering expenses (exclusive of the Agents' fee) exceed 2% of the Gross Proceeds, the General Partner will be responsible for the shortfall. These Offering expenses will be paid by the Partnership from funds borrowed by the Partnership for such purpose under the Partnership Loan Facility.

**General Partner's Fee**

The General Partner has co-ordinated the formation, organization and registration of the Partnership and will be responsible for: (i) working with the Agents in developing and implementing all aspects of the Partnership's communications, marketing and distribution strategies; (ii) managing the ongoing business and administrative affairs of the Partnership; (iii) identifying (with the assistance of the Investment Advisor and Fund Manager) prospective investments in Resource Issuers; and (iv) monitoring the Investment Portfolio of the Partnership to ensure compliance with the Investment Guidelines. In consideration for these and other services, the Partnership will pay to the General Partner a General Partner's Fee equal to one-twelfth of 2.0% of the Net Asset Value, calculated and paid monthly in arrears. The General Partner is also entitled to receive 0.01% of the net income of the Partnership.

**Performance Bonus**

As partial consideration for the above-mentioned services and for using its commercially reasonable efforts to structure and present a Liquidity Alternative to Limited Partners, the General Partner will also be entitled to a Performance Bonus equal to 20% of the product of (a) the number of Units outstanding on the Performance Bonus Date; and (b) the amount by which the Net Asset Value per Unit on the Performance Bonus Date (prior to giving effect to the Performance Bonus) plus the total distributions per Unit over the Performance Bonus Term exceeds $28. The Performance Bonus will be calculated on the Performance Bonus Date.

**Operating and Administrative Expenses**

In addition to the General Partner's Fee and the Performance Bonus, the Partnership will pay all costs and expenses (inclusive of applicable taxes) incurred in connection with the operation and administration of the Partnership. These costs and expenses will include reimbursement for costs and expenses incurred by the General Partner, the Investment Advisor and Fund Manager and Heritage in connection with the operation and administration of the Partnership, which includes rent, salaries and other overhead costs incurred by Heritage and allocated to the Partnership. See "Organization and Management Details of the Partnership - Heritage Bancorp Ltd." It is expected that these costs and expenses payable by the Partnership will include without limitation:

- newswire, mailing, printing and other expenses incurred in connection with the Partnership's continuous disclosure obligations;
- the Partnership's estimated share of the costs of providing, operating and staffing business offices and providing portfolio analysis and administrative, management and accounting services, determined by the General Partner acting reasonably and in good faith;
- fees and disbursements payable to CDS or the Registrar and Transfer Agent for performing certain financial, record-keeping, reporting and general administrative services and fees and disbursements and costs and expenses payable pursuant to the Partnership Loan Facility, other than interest;
- fees and disbursements payable to auditors, legal advisors and other specialized consultants or professional service providers of the Partnership, including fees owing to and expenses incurred by members of the IRC (as hereinafter defined);
- taxes, other than income taxes related to such costs and expenses and any regulatory filing fees;
- any reasonable out-of-pocket expenses incurred by the General Partner, the Investment Advisor and Fund Manager or their agents in connection with their ongoing obligations to the Partnership, including travelling, sales and marketing expenses;
- expenses relating to meetings of the Partners;
- any reasonable out-of-pocket expenses incurred by the General Partner or the Investment Advisor and Fund Manager in connection with evaluating Resource Issuers and their securities; and
- any expenses which may be incurred in connection with the dissolution of the Partnership and implementation of a Liquidity Alternative.

The General Partner estimates that the costs and expenses (excluding interest and taxes) incurred in connection with the operation and administration of the Partnership will be approximately $111,000 per year (or 2.22% of the Gross Proceeds) in the case of the minimum Offering and $378,000 per year (or 0.76% of the Gross Proceeds) in the case of the maximum Offering.

**Other Fees and Expenses; Partnership Loan Facility**

Prior to the Closing Date, the Partnership will enter into a loan and margin facility with a Canadian chartered bank or a subsidiary of a Canadian chartered bank, which the General Partner expects will be an affiliate of RBC Dominion Securities Inc., one of the Agents. The General Partner expects that pursuant to the Partnership Loan Facility, the Partnership may borrow up to 8.75% of the Gross Proceeds of the Offering which will be used solely to finance the Agents' fee, expenses of the Offering (including legal, accounting and audit, travel, marketing and sales expenses) and reasonable out-of-pocket expenses incurred by QIFM that will not be fully deductible in computing income of the Partnership for the fiscal period ending December 31, 2011, in order to maximize the investment of Available Funds in Flow-Through Shares. The General Partner expects the Partnership's obligations under the Partnership Loan Facility will be secured by a pledge of the Partnership assets, will require the Partnership to meet certain minimum margin requirements, and will be repayable on demand. If the Partnership Loan Facility is not repaid at the time of dissolution of the Partnership, the former Limited Partners will become personally obligated to repay the Partnership Loan Facility, although recourse against them will be limited to their interest in the securities or assets of the Partnership. The General Partner expects that all amounts outstanding under the Partnership Loan Facility, including all interest accrued thereon, will be repaid prior to the earlier of the closing of any Liquidity Alternative and the dissolution of the Partnership, and expects to repay such amounts using the net proceeds from the disposition of securities or other assets held by the Partnership. None of the proceeds of this Offering or the Partnership Loan Facility will be applied for the benefits of RBC Dominion Securities Inc. except in respect of fees and interest payable under the Partnership Loan Facility and the portion of the Agents' fee payable to RBC Dominion Securities Inc. The General Partner has satisfied itself that the Partnership Loan Facility is in the best interest of the Partnership and no material adverse tax consequences to Limited Partners should result. Amounts borrowed by the Partnership under the Partnership Loan Facility will constitute Limited Recourse Amounts. See "Income Tax Considerations – Limitation on Deduction of Expenses or Losses of the Partnership". The General Partner believes that the interest rates, fees and expenses under the Partnership Loan Facility will be typical of credit and margin facilities of this nature.

## RISK FACTORS

**This is a speculative offering.** There is no assurance of a positive return on a Limited Partner's original investment. Subscribers should consider the following risk factors before purchasing Units:

**Industry Risk**

***Sector Specific Risks.*** The business activities of Resource Issuers are speculative and may be adversely affected by factors outside the control of those issuers. Resource Issuers may not hold or discover commercial quantities of petroleum, natural gas or minerals or obtain or maintain access to adequate timber or pulp supplies and their profitability may be affected by adverse fluctuations in commodity prices, demand for commodities, general economic conditions and cycles, unanticipated depletion of reserves or resources, native land claims, liability for environmental damage, competition, imposition of tariffs, duties or other tax and government regulation, as applicable. In addition, Resource Issuers in the renewable energy and energy efficient sector that may incur CRCE, in particular, may be adversely affected by drought and variations in the water flow of watersheds upon which such issuers have plants.

Because the Partnership will invest primarily in securities issued by Resource Issuers engaged in the oil and gas, mining, or related resource businesses (including junior issuers), the Net Asset Value may be more volatile than portfolios with a more diversified investment focus. Also, the Net Asset Value may fluctuate with underlying market prices for commodities produced by those sectors of the economy.

***Blind Pool.*** **This Offering is a blind pool offering.** As of the date hereof, the Partnership has not entered into any Investment Agreements to acquire Flow-Through Shares or other securities, if any, of Resource Issuers or selected any Resource Issuers in which to invest.

The purchase price per Unit paid by a subscriber at a Closing subsequent to the Closing Date may be less or greater than the Net Asset Value per Unit at the time of the purchase. Since the Available Funds will be net of the Operating Reserve, unless the Partnership's portfolio increases in value, whether the purchase price per Unit for

such purchasers will be greater or less than the Net Asset Value per Unit will depend on a variety of factors, including whether or not the Partnership acquires Flow-Through Shares at a premium or discount to market prices and changes in value of the Partnership's portfolio.

**Investment Risk**

***Reliance on the General Partner and Investment Advisor and Fund Manager.*** Limited Partners must rely entirely on the discretion of the General Partner, with assistance from the Investment Advisor and Fund Manager, with respect to the terms of the Investment Agreements to be entered into with Resource Issuers. Limited Partners must also rely entirely on the discretion of the General Partner, with the advice of the Investment Advisor and Fund Manager, in determining (in accordance with the Partnership's Investment Strategy and Investment Guidelines) the initial composition of the Partnership's Investment Portfolio, and must rely entirely on the discretion of the Investment Advisor and Fund Manager in determining whether to dispose of securities (including Flow-Through Shares) comprising the Partnership's Investment Portfolio and reinvestment of the proceeds from such dispositions. Flow-Through Shares generally will be issued to the Partnership at prices greater than the market prices of comparable ordinary common shares not qualifying as Flow-Through Shares, and Limited Partners must rely entirely on the discretion of the General Partner, with the assistance of the Investment Advisor and Fund Manager, in negotiating the pricing of those securities. The Partnership and the General Partner have no previous operating or investment history and are expected only to have nominal assets. The board of directors of the General Partner and the Investment Advisor and Fund Manager, and, therefore, management of the General Partner and the Investment Advisor and Fund Manager, may be changed at any time. Those who are not willing to rely on the discretion and judgment of the General Partner and the Investment Advisor and Fund Manager should not subscribe for Units.

***Marketability of Units.*** There is no market through which the Units may be sold and purchasers may not be able to resell Units purchased under this prospectus. No market for the Units is expected to develop.

***Marketability of Underlying Securities.*** The value of Units will vary in accordance with the value of the securities acquired by the Partnership. The value of securities owned by the Partnership will 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 an adequate market will exist for securities acquired by the Partnership.

***The Investment Portfolio Will Include Securities of Junior Issuers.*** Up to 100% of the Available Funds may be invested by the Partnership in securities of junior Resource Issuers, although at least 25% of the Gross Proceeds will be invested in Resource Issuers listed and posted for trading on the Toronto Stock Exchange, New York Stock Exchange, NYSE Amex Equities or the Nasdaq National Market. Up to 20% of the Gross Proceeds may be invested in Illiquid Investments, including private companies. Securities of junior issuers may involve greater risks than investments in larger, more established companies. There is no trading market for securities of private companies and other Illiquid Investments. Further, generally speaking, the markets for securities of junior issuers that are publicly traded are less liquid than the markets for securities of larger issuers, and therefore the liquidity of a significant portion of the Investment Portfolio is likely to be limited. Liquidity of Illiquid Investments is necessarily even more limited, and practically speaking may not exist. This may limit the ability of the Partnership to realize profits and/or minimize losses, which may in turn adversely affect the Net Asset Value of the Partnership and the return on investment in Units. Also, if a Liquidity Alternative is implemented, in order to fund redemptions, the Mutual Fund may have to liquidate its shareholdings in more liquid, large and medium sized companies as a result of illiquidity of some or all of that portion of the Partnership's Investment Portfolio comprised in securities of junior issuers or Illiquid Investments.

***Resale and Other Restrictions Pertaining to Flow-Through Shares.*** Flow-Through Shares and other securities, if any, of Resource Issuers may be purchased by the Partnership on a private placement basis, and will be subject to resale restrictions. In the case of publicly traded Resource Issuers, these resale restrictions will generally last for four months. In the case of private Resource Issuers, these resale restrictions will be indefinite. The Investment Advisor and Fund Manager will manage the Partnership's Investment Portfolio, and this may involve the sale and reinvestment of the proceeds of sale of some or all of the Flow-Through Shares and other securities pursuant to certain statutory exemptions. The existence of resale restrictions may hamper the ability of the

Investment Advisor and Fund Manager to take advantage of opportunities for profit taking, or limitation of losses, which might be available in the absence of resale restrictions, and this in turn may reduce the amount of capital appreciation or magnify the capital loss in the Partnership's Investment Portfolio.

***Resale Restrictions May be an Issue if a Liquidity Alternative is not Implemented.*** There are no assurances that any Liquidity Alternative will be proposed, receive the necessary approvals (including regulatory approvals) or be implemented. In such circumstances, each Limited Partner's *pro rata* interest in the assets of the Partnership will be distributed upon the dissolution of the Partnership, which will occur on or before December 31, 2013, unless its operations are extended as described herein.

For example, if no Liquidity Alternative is completed and the Investment Advisor and Fund Manager is unable to dispose of all investments prior to the Termination Date, Limited Partners may receive securities or other interests of Resource Issuers, for which there may be an illiquid market or which may be subject to resale and other restrictions under applicable securities law. Up to 20% of the Gross Proceeds may be invested in Illiquid Investments.

***Mutual Fund Shares.*** In the event that a Liquidity Alternative is proposed, accepted and completed, Limited Partners may receive shares in a Mutual Fund. These shares will be subject to various risk factors applicable to shares of mutual fund corporations or other investment vehicles 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 "Industry Risks – Sector Specific Risks".

***Flow-Through Shares and Available Funds.*** There can be no assurance that the Partnership will commit all Available Funds for investment in Flow-Through Shares of Resource Issuers by December 31, 2011. In such circumstances, up to 5% of the Available Funds may be invested in shares of Resource Issuers that do not have the attributes of Flow-Through Shares. Any Available Funds not committed to Resource Issuers on or before December 31, 2011 may be returned to Limited Partners of record on December 31, 2011 by January 31, 2012 after repayment of the outstanding balance under the Partnership Loan Facility, if any. If uncommitted funds are returned in this manner, Limited Partners will not be entitled to claim anticipated deductions or credits in respect of income for income tax purposes.

There can be no assurance that Resource Issuers will honour their obligation to incur Eligible Expenditures or that the Partnership will be able to recover any losses suffered as a result of such a breach of such obligation by a Resource Issuer. Further, other issuers in which the Partnership invests may not allocate or properly allocate CEE or Qualifying CDE renounced to those other issuers by Resource Issuers.

***Available Capital.*** If the proceeds of the offering of Units are significantly less than the maximum Offering, the expenses of the Offering and the ongoing fees and administrative expenses and interest expense payable by the Partnership may result in a substantial reduction in the Net Asset Value or a substantial reduction or even elimination of the returns which would otherwise be available to the Partnership.

The ability of the General Partner to negotiate favourable Investment Agreements on behalf of the Partnership is, in part, influenced by the total amount of capital available for investment in Flow-Through Shares. Accordingly, if the proceeds of the Offering are significantly less than the maximum Offering, the ability of the General Partner to negotiate and enter into favourable Investment Agreements on behalf of the Partnership may be impaired and therefore the Investment Strategy of the Partnership may not be fully met.

***Liability of Limited Partners.*** Limited Partners may lose their limited liability in certain circumstances, including by taking part in the control or management of the business of the Partnership. The principles of law in the various jurisdictions of Canada recognizing the limited liability of the limited partners of limited partnerships subsisting under the laws of one province but carrying on business in another province or territory have not been authoritatively established. If limited liability is lost, there is a risk that Limited Partners may be liable beyond their contribution of capital and share of undistributed net income of the Partnership in the event of judgment on a claim in an amount exceeding the sum of the net assets of the General Partner and the net assets of the Partnership. While the General Partner has agreed to indemnify the Limited Partners in certain circumstances, the General Partner has

only nominal assets, and it is unlikely that the General Partner will have sufficient assets to satisfy any claims pursuant to such indemnity.

Limited Partners remain liable to return to the Partnership such part of any amount distributed to them as may be necessary to restore the capital of the Partnership to the amount existing before such distribution if, as a result of any such distribution, the capital of the Partnership is reduced and the Partnership is unable to pay its debts as they become due.

***Borrowing.*** The Partnership may borrow an amount not exceeding 8.75% of the Gross Proceeds under the Partnership Loan Facility in order to finance Offering expenses. The interest expense and banking fees incurred in respect of any such borrowings may exceed the incremental capital gains and tax benefits generated by the incremental investment in Flow-Through Shares and other securities of resource issuers. There can be no assurance that the borrowing strategy that will be employed by the Partnership will enhance returns. If the Partnership Loan Facility has not been repaid at the time of the dissolution of the Partnership, Limited Partners will become liable for outstanding amounts owed, although the Partnership will only borrow funds where recourse for such borrowings is limited under the Partnership Loan Facility to the Limited Partner's interest in the Investment Portfolio. Accordingly, there is a risk that the obligation to repay such borrowings may diminish the interest of the Limited Partners in the Investment Portfolio. The General Partner expects that its borrowings under the Partnership Loan Facility will be repaid at the time of a Liquidity Alternative or the dissolution of the Partnership, as applicable.

***Margin Requirements***. The General Partner expects that, after Closing, the Partnership Loan Facility will require that the Partnership maintain certain margin ratios prior to investing Available Funds, and that the Partnership Loan Facility will be repayable on demand. If the Partnership is unable to invest all of the Available Funds due to these margin restrictions, or if the lender under the Partnership Loan Facility calls the loan, investors may not receive their Flow-Through Share tax deductions.

***Short Sales***. The Partnership may borrow and short sell and maintain short positions in securities for the purpose of capitalizing on an investment decision or "locking-in" the resale price of Flow-Through Shares or other securities held in the Partnership's Investment Portfolio that are subject to resale restrictions. These short sales may expose the Partnership to losses if the value of the securities sold short increases.

***Tax-Related Risks.*** An investor should acquire Units only if he or she has the capacity to absorb a loss of his or her 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 the Investment Advisor and Fund Manager should not subscribe for Units. The tax benefits resulting from an investment in the Partnership are greatest for corporations and individual investors 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 or her 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 acquiring, holding or disposing of Units or the Flow-Through Shares issued to the Partnership may be fundamentally altered by changes in federal, provincial or territorial income tax legislation. The October 31, 2003 Tax Proposals limiting the claim for losses resulting from the deduction of interest and other expenses in certain circumstances are only draft proposals. However if they are enacted in their current form, they would likely limit the ability of the Partnership and Limited Partners to deduct expenses (other than Eligible Expenditures) or losses in respect of the Flow-Through Shares and Units, respectively, for taxation years commencing after 2004. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the October 31, 2003 Tax Proposals would be released for comment at an early opportunity. No such alternative proposal has yet been released. There can be no assurance that such alternative proposal will not adversely affect the Partnership or Limited Partners. All of the Available Funds may not be invested in Flow-Through Shares. Amounts renounced by Resource Issuers to the Partnership may not qualify as CEE or Qualifying CDE. Each Limited Partner will represent that he or she has not acquired Units with limited-recourse borrowing for the 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 who are individuals or certain trusts.

Under the current provisions of the Tax Act, the 15% federal, non-refundable tax credit in respect of certain "grass roots" mining CEE renounced by a Resource Issuer is available only if an Investment Agreement is entered into before April 2011. There is no assurance that any or all Investment Agreements will be entered into before April 2011.

Limited Partners will receive certain 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 any gains on the disposition of Flow-Through Shares by the Partnership are capital gains rather than income for tax purposes. However, the sale of Flow-Through Shares by the Partnership will trigger larger tax liabilities in the year any gain is recognized than would be the case upon the sale of common shares that do not constitute Flow-Through Shares because the cost of the Flow-Through Shares is deemed to be nil for purposes of the Tax Act. 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. To reduce this risk, subject to any restrictions in the Partnership Loan Facility, in respect of each year the Partnership may distribute 50% of the amount that a Limited Partner will be required to include in income in respect of a Unit for that year. See "Organization and Management Details of the Partnership - Details of the Partnership Agreement - Distributions".

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 for such portion of these investment expenses. For these purposes, investment expenses include certain deductible interest and losses such as losses of the Partnership allocated to the Limited Partner and 50% of CEE and Qualifying CDE (other than CEE and Qualifying CDE incurred in Québec), renounced to the Partnership and allocated to, and deducted for Québec tax purposes by, a Limited Partner and investment income includes taxable capital gains not eligible for the capital gains exemption. Such 50% of CEE and Qualifying CDE, other than CEE and Qualifying CDE incurred in Québec, renounced to the Partnership and allocated to and deducted for Québec tax purposes by such Limited Partner will be included in the Limited Partner's income for Québec tax purposes only if such Limited Partner has insufficient investment income. The portion of the investment expenses (if any) which has been included in the Limited Partner's income in a given taxation year may be deducted against investment income earned in any of the three previous taxation years or in any subsequent taxation year to the extent of the excess of the investment income over the investment expenses for such other year. The remaining 50% of CEE and Qualifying CDE (other than CEE and Qualifying CDE incurred in Québec), and 100% of the CEE and Qualifying CDE incurred in Québec, renounced to the Partnership and allocated to, and deducted for Québec tax purposes by, such Limited Partner will not be subject to that rule.

Where a Resource Issuer has a "prohibited relationship" as defined in the Tax Act with an investor that is a trust, corporation or partnership, the Resource Issuer may not renounce Qualifying CDE to such an investor. Briefly, a Resource Issuer has a prohibited relationship with a trust, a particular corporation or a partnership if the Resource Issuer or a corporation related to the Resource Issuer is beneficially interested in the trust or is a member of the partnership or if the Resource Issuer is related to the particular corporation. Further, a Resource Issuer may not renounce Eligible Expenditures incurred by it after December 31, 2011 with an effective date of December 31, 2011 to an investor with which it does not deal at arm's length at any time during 2012. **A prospective subscriber who does not or will not deal at arm's length with a corporation whose principal business is oil and gas exploration, development and/or production, mining exploration, development and/or production or the generation of energy that may issue flow-through shares, as defined in subsection 66(15) of the Tax Act, should consult their independent tax advisor before acquiring Units. Subscribers are required to identify all Resource Issuers with which he or she does not deal at arm's length to the General Partner in writing prior to the acceptance of the subscription.**

The Partnership has engaged the General Partner, which has in turn delegated certain of its management duties to the Investment Advisor and Fund Manager, to perform management services and, consistent with that

arrangement, the Partnership intends to deduct management fees payable to the General Partner and the Investment Advisor and Fund Manager in computing income in the year in which the services to which they relate are rendered. The CRA may assert that an entitlement of the General Partner to management fees is more appropriately treated as an entitlement to share in any income of the Partnership as a partner and, therefore, does not result in a deduction in computing the Partnership's income. If the CRA successfully applied any such treatment then a loss of the Partnership otherwise allocable to the Limited Partners would be reduced or denied to the extent of such deduction.

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

The Partnership will borrow to fund the payment of the Agents' fee 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 will not be deductible until the year in which the indebtedness is repaid and, further, such amount may be subject to the application of the October 31, 2003 Tax Proposals at that time.

***No Advance Income Tax Ruling.*** No advance income tax ruling has been applied for or received with respect to the income tax consequences described in this prospectus including, but not limited to, the deductibility and the timing of deductions in respect of fees for services or other expenses, the allocation of costs between capital and expenses, the effect of the limited recourse rules on money borrowed to purchase Units, the reallocation rule, or the application of the general anti-avoidance rule. Accordingly, there can be no assurance that the CRA will not challenge certain assumptions or other statements made in this prospectus with respect to the income tax consequences of an investment in the Units.

**Issuer Risk**

***Lack of Operating History.*** The Partnership and the General Partner are newly established entities and have no previous operating or investment history. The Partnership will, prior to the Closing Date, have only nominal assets and the General Partner will at all material times thereafter only have nominal assets. Prospective subscribers who are not willing to rely on the business judgment of the General Partner should not subscribe for Units.

***Financial Resources of the General Partner.*** 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 Partners' liabilities are not limited as provided herein, provided that such loss of liability was caused by an act or omission of the General Partner or by the negligence or wilful misconduct in the performance of, or wilful disregard or breach of, the obligations or duties of the General Partner under the Partnership Agreement. However, such indemnity will apply only 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 will 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 will have nominal value. Limited Partners also will not be able to rely upon the General Partner to provide any additional capital or loans to the Partnership in the event of any contingency.

***Financial Resources of the Partnership.*** The only sources of cash to pay the Partnership's current and future expenses, liabilities and commitments, including reimbursement of operating and administrative costs incurred by the General Partner and the Investment Advisor and Fund Manager and the General Partner's Fee, will be the Operating Reserve, funds borrowed by the Partnership and cash generated from sales of securities comprising the Partnership's Investment Portfolio. Accordingly, if the Operating Reserve has been expended, the maximum amount of funds has been borrowed by the Partnership and there are no trading profits in the Partnership's Investment Portfolio, payment of operating and administrative costs and the General Partner's Fee will diminish the Partnership's assets.

***Conflicts of Interest.*** The directors and officers of the General Partner and QIFM are involved in other business ventures some of which are in competition with the business of the Partnership, including acting as

directors and officers of the general partners and investment advisors of other issuers engaged in the same business as the Partnership (including the Prior Partnerships). See "Organization and Management Details of the Partnership - Conflicts of Interest". Accordingly, conflicts of interest may arise between Limited Partners and the directors, shareholders, officers, employees and any affiliates of the General Partner and QIFM. None of the General Partner, QIFM or any Related Entities are obligated to present any particular investment opportunity to the Partnership, and Related Entities may take such opportunities for their own account. Under the Investment Guidelines, up to 10% of the Gross Proceeds may be invested in Flow-Through Shares and other securities, if any, of Related Entities.

There are no assurances that conflicts of interest will not arise which cannot be resolved in a manner most favourable to Limited Partners. Persons considering a purchase of Units pursuant to this Offering must rely on the judgement and good faith of the shareholders, directors, officers and employees of the General Partner and QIFM in resolving such conflicts of interest as may arise.

There is no obligation on the General Partner or QIFM or their employees, officers and directors and shareholders to account for any profits made from other businesses that are competitive with the business of the Partnership.

If a Liquidity Alternative is proposed or implemented, it is currently anticipated that the QE Canadian Resource Class will be the Mutual Fund that participates in the Liquidity Alternative. There is no assurance that the QE Canadian Resource Class will be involved in the Liquidity Alternative. If the QE Canadian Resource Class does participate in the Liquidity Alternative, a conflict of interest would arise because QIFM acts as Investment Advisor and Fund Manager of the Partnership and manager of the QE Canadian Resource Class and therefore, the General Partner, on behalf of the Partnership, and QIFM intend to refer such conflict of interest matter to the independent review committee of the Partnership and Mutual Fund, as required by National Instrument 81-107 *Independent Review Committee for Investment Funds*. Certain conflicts of interest may arise from time to time in respect of the advisory services provided to the Partnership and the management of the QE Canadian Resource Class and in assessing investment opportunities.

***Lack of Separate Counsel.*** Counsel for the Partnership in connection with this Offering are also counsel to the General Partner and QIFM. Prospective subscribers, as a group, have not been represented by separate counsel and counsel for the Partnership, the General Partner, QIFM and the Agents do not purport to have acted for the subscribers or to have conducted any investigation or review on their behalf.

## DISTRIBUTION POLICY

Except for 5% of the Gross Proceeds, which amount is permitted under the Investment Guidelines to be invested in non-Flow-Through Shares, all funds which are not expended or committed to acquire Flow-Through Shares or other shares of Resource Issuers by December 31, 2011 will be returned, pro-rata, to the Limited Partners (see "Investment Strategies"). Other than the foregoing, the Partnership does not expect to make, but is not precluded from making, cash distributions to Limited Partners prior to the dissolution of the Partnership.

## PURCHASES OF SECURITIES

An investor who wishes to subscribe for Units must, subject to a minimum subscription of 100 Units ($2,500), pay the purchase price due on Closing ($25 per Unit subscribed for) either by direct debit from the investor's brokerage account or by cheque or bank draft made payable to an Agent or a registered dealer or broker who is a member of the selling group. Prior to the Closing, all cheques and bank drafts will be held by the Agents or selling group members.

The General Partner has the right to accept or reject any subscription and will promptly notify each prospective investor of any such rejection. All subscription proceeds of a rejected subscription will be returned, without interest or deduction, to the rejected subscriber.

**THE ACCEPTANCE BY THE GENERAL PARTNER OF AN INVESTOR'S OFFER TO PURCHASE UNITS, WHETHER IN WHOLE OR IN PART, CONSTITUTES AN AGREEMENT BETWEEN THE INVESTOR AND THE PARTNERSHIP UPON THE TERMS AND CONDITIONS SET**

**OUT IN THIS PROSPECTUS, THE SUBSCRIPTION AGREEMENT AND THE PARTNERSHIP AGREEMENT, whereby the investor, who places an order for Units, among other things: (a) acknowledges and agrees that he or she has duly and irrevocably authorized the Agents (or an authorized member of the selling group formed by the Agents) (i) to act as his or her agent in connection with his or her purchase of Units, (ii) to execute and deliver to the General Partner the Subscription Agreement in the form attached to the Partnership Agreement, under which the General Partner will be granted a power of attorney to execute the Partnership Agreement, in the investor's name, place and stead, (iii) to give the representations, warranties and covenants in the Subscription Agreement and the Partnership Agreement in the investor's name, place and stead, (iv) to grant to the General Partner in the investor's name, place and stead the irrevocable powers of attorney set out in the Subscription Agreement and the Partnership Agreement, and (v) to provide certain information to the General Partner, including such investor's full name, residential address or address for service, social insurance number or corporation account number, as the case may be, the name and registered representative number of the representative of the Agent (or member of the selling group) responsible for such subscription and the number of Units subscribed for by such investor; (b) acknowledges and agrees that, if such investor has subscribed for Units through a registered dealer or broker who is a member of the selling group, it is within the scope of the agency relationship that exists between such investor and such broker that such broker may delegate all necessary power and authority to the Agents to enable the Agents to do or cause to be done all those acts which are contemplated to be done by the Agents pursuant to the Subscription Agreement; (c) acknowledges that he or she is bound by the terms of the Subscription Agreement and the Partnership Agreement and is liable for all obligations of a Limited Partner; (d) makes the representations and warranties, including without limitation, the representations and warranties as to his or her residency and limited recourse financing, set out in the Partnership Agreement; (e) irrevocably nominates, constitutes, and appoints the General Partner as his or her true and lawful attorney with the full power and authority as set out in the Subscription Agreement and Partnership Agreement; (f) irrevocably authorizes the General Partner to transfer the assets of the Partnership to a Mutual Fund and implement the dissolution of the Partnership in connection with any Liquidity Alternative; and (g) irrevocably authorizes the General Partner to file on his or her behalf all elections under applicable income tax legislation in respect of any such Liquidity Alternative or the dissolution of the Partnership. The Partnership Agreement includes representations, warranties and covenants on the part of the investor that he or she is not a "non-resident" of Canada for the purposes of the Tax Act or a "non-Canadian" within the meaning of the *Investment Canada Act*, that no holder of an equity interest in the subscriber is a "tax shelter investment", as defined in the Tax Act, that the investor is not a partnership, that he or she is not a Financial Institution unless such investor has provided written notice to the General Partner to the contrary prior to the date of acceptance of the investor's subscription, that, in a written notice provided to the General Partner on or before the date of acceptance of the subscription, the investor identifies all Resource Issuers with which the investor does not deal at arm's length (and, where the investor is a Resource Issuer, acknowledges that the investor is a Resource Issuer), and that his or her acquisition of the Units has not been financed with borrowings for which recourse is, or is deemed to be, limited within the meaning of the Tax Act and that he or she will continue to comply with these representations, warranties and covenants during the time that the Units are held by him or her.**

Subscriptions will be received subject to acceptance or rejection in whole or in part and the right is reserved to close the Offering at any time without notice. The Offering will be conducted under the book-based system. An investor who purchases Units will receive a customer confirmation from the registered dealer through whom Units are purchased and which is a CDS depository service participant. CDS will record the CDS participants who hold Units on behalf of owners who have purchased Units as owners in accordance with the book-based system.

CDS requires that any Units registered in the book-based system be represented in the form of a fully registered global Unit certificate held by, or on behalf of, CDS as custodian of such certificate for CDS participants and registered in the name of CDS. The name in which a global certificate is issued is for the convenience of the book-based system only and will have no bearing on the identity of the Limited Partners. CDS participants include securities brokers and dealers, banks and trust companies. Under the Partnership Agreement each Limited Partner acknowledges and agrees that CDS is acting as his or her nominee for this purpose and acknowledges and consents to these arrangements. An investor who purchases Units will therefore receive only a customer confirmation from the registered dealer which is a CDS participant and through whom the Units are purchased. If CDS notifies the Partnership that it is unwilling or unable to continue as depository in connection with such global certificate, or if at

any time CDS ceases to be a clearing agency or otherwise ceases to be eligible to be a depository, the General Partner will make appropriate arrangements to replace the book-based system in an orderly fashion and to issue Unit certificates to the Limited Partners in an orderly fashion. No certificates for Units will be issued to investors.

All distributions will be made by the Partnership to CDS in respect of Units represented by the global Unit certificate held by CDS. Any such distributions will be forwarded by CDS to the applicable CDS participants and, thereafter, by such participants to the Limited Partners whose Units are represented by that global certificate.

The ability of a holder of a Unit to pledge his or her Unit or take action with respect thereto (other than through a CDS participant) may be limited due to the lack of physical certificates and the rights of the Partnership under the Partnership Agreement.

**An investor whose subscription for Units is accepted by the General Partner will become a Limited Partner of the Partnership upon the amendment of the register of limited partners maintained by the General Partner.**

## INCOME TAX CONSIDERATIONS

**Tax considerations ordinarily make the Units offered hereunder most suitable for corporate and individual taxpayers whose income is subject to the highest applicable rate of tax. Regardless of any tax benefits that may be obtained, a decision to purchase Units should be based primarily on an appraisal of their merits as an investment and on an investor's ability to bear the loss of the investment.**

In the opinion of Borden Ladner Gervais LLP, counsel to the Partnership and the General Partner, and Miller Thomson LLP, counsel to the Agents, the following is a fair and adequate summary of the principal Canadian federal income tax consequences for a corporate or an individual Limited Partner acquiring, holding and disposing of Units purchased 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 Flow-Through Shares of Resource Issuers to be acquired by the Partnership or any other partnership of which the Partnership is a member will be capital property to the acquirer, and that any units or other interests in any such other partnership will be capital property to the Partnership. It is also assumed that all partners of the Partnership are resident in Canada at all relevant times and that Units that represent more than 50% of the fair market value of all interests in the Partnership are not held by Financial Institutions at all relevant times. This summary does not apply to a Limited Partner that makes a functional currency reporting election pursuant to the Tax Act. Where the phrase "his or her" or "him or her" is used in this summary, in relation to Limited Partners, it refers to Limited Partners who are individuals or corporations.

Unless stated otherwise, this summary assumes that recourse for any financing for the acquisition of Units by a Limited Partner is not limited and is not deemed to be limited for the purposes of the Tax Act. Otherwise, a Limited Partner may have, or may be deemed to have, incurred debt in respect of which the unpaid principal is a Limited Recourse Amount such that all or a portion of the deductions set out herein may not be available to the Limited Partner (see "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 also assumes that a Limited Partner will at all relevant times deal at arm's length, for the purposes of the Tax Act, with the Partnership and with each of the Resource Issuers with which the Partnership has entered into an Investment Agreement. This summary is not applicable to Limited Partners that are partnerships, trusts, Financial Institutions or "principal-business corporations" for the purposes of subsection 66(15) of the Tax Act or Limited Partners 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.

This summary is based upon the assumptions that the Partnership or any other partnership of which the Partnership is a member is dealing, and will deal at any relevant time, at arm's length for purposes of the Tax Act with any Resource Issuer with which it has entered into an Investment Agreement and that the Resource Issuer does not have a "prohibited relationship", within the meaning of the Tax Act, with the Partnership or any other partnership of which the Partnership is a member.

This summary does not address the tax consequences associated with holding, converting or disposing of shares of the Mutual Fund that may be received on dissolution of the Partnership.

The Partnership may acquire Alternative Flow-Through Securities. As of the date hereof, the Tax Act and the Tax Proposals (as defined below) do not provide for any such securities. For the purposes of this summary, it is assumed that the Partnership does not acquire any Alternative Flow-Through Securities.

The income tax consequences for a Limited Partner will depend upon a number of factors, including whether the Limited Partner's Units 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 Limited Partner's interest in the Partnership, and the legal characterization of the Limited Partner as an individual, corporation, trust or partnership.

**This is only a general summary and a prospective investor should not consider it to be legal or tax advice. Each prospective investor should obtain independent advice, based on his or her own particular circumstances, from a tax advisor who is knowledgeable in the area of income tax consequences of investing in the Partnership. A prospective investor that proposes to use borrowed funds to acquire Units should consult his or her own tax advisors before doing so. See "Interest Expenses on Money Borrowed to Acquire Units", "Limitation on Deductibility of Expenses or Losses of the Partnership", and "October 31, 2003 Tax Proposals".**

This summary is based upon the facts set out in this prospectus, a certificate received by counsel from the General Partner as to certain factual matters, the current provisions of the Tax Act including the regulations (the "Regulations") thereunder and counsel's understanding of the current administrative practices of the 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 but not withdrawn (the "Tax Proposals") and assumes that they will be enacted substantially as proposed, although no assurance in this regard can be given. This summary does not otherwise take into account or anticipate any changes in laws whether by judicial, governmental or legislative decision or action (which may apply retroactively without notice and/or without "grandfathering" or other relief) nor does it take into account provincial, territorial or foreign income tax legislation or considerations.

## Status of the Partnership

The Partnership itself is not liable for income tax and is not required to file income tax returns except for annual information returns.

### *Eligibility for Investment*

The Units of the Partnership are not qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans, or for tax-free savings accounts, for purposes of the Tax Act.

## Taxation of the Partnership

### *Computation of Income*

The Partnership itself is not liable for income tax and is only 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 the amount of

Eligible Expenditures renounced to it in respect of a subscription for Flow-Through Shares. Subject to the restrictions described under “Limitation on Deductibility of Expenses or Losses of the Partnership” and “October 31, 2003 Tax Proposals”, each Limited Partner will be required to include (or be entitled to deduct) in computing his or her income, his or her proportionate share of the income (or loss) of the Partnership allocated to him or her 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 must (or loss may) be included in determining his or her income (or loss) for the year, whether or not any distribution of income has been made by the Partnership.

Amounts relating to Eligible Expenditures renounced to the Partnership will be taken into account directly by the Limited Partners in computing their income as described below. (See “Eligible Expenditures”). The income of the Partnership will include the taxable portion of capital gains (one-half of capital gains) 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. The General Partner has advised counsel that the Partnership will borrow sufficient funds to pay the Agents’ fee and certain other expenses in respect of this Offering (see “Investment Structure – Partnership Loan Facility”). 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; however, 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’ fee 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 his or her share of such expenses. The General Partner has advised counsel 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.

Where the Partnership is a member of another limited partnership, Eligible Expenditures, gains, income and losses incurred, realized or earned by the other partnership will, in general, be determined in the manner applicable to the Partnership as described in this summary and, once allocated by any such other partnership to the Partnership, will be allocated to the Limited Partners at the end of the fiscal period of the Partnership in which the fiscal period of the other partnership ends.

***SIFT Tax Inapplicable***

Certain publicly-traded limited partnerships are subject to tax at that entity-level (known as SIFT tax), which materially changes the tax consequences to limited partners in such partnerships. However, based on the provisions of the Partnership Agreement and on a certificate received by counsel from the General Partner certifying certain facts with respect to "investments" in the Partnership, as determined under the Tax Act, and certifying that the Units are not proposed to be listed or traded on a stock exchange or other "public market", as determined under the Tax Act, the Partnership should not be subject to such SIFT tax.

### *October 31, 2003 Tax Proposals*

Pursuant to proposed amendments to the Tax Act released by the Department of Finance on October 31, 2003, which are proposed to have effect for taxation years commencing after 2004 (the "October 31, 2003 Tax Proposals"), a taxpayer, which would include the Partnership and the Limited Partners for this purpose, will have a loss for a taxation year from a particular source that is a business or property only if, in that year, it is reasonable to expect that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or held, or can reasonably be expected to carry on, or to hold, the business or property. The October 31, 2003 Tax Proposals expressly provide that profit for this purpose will not include capital gains or losses. There is no provision for any carryforward of a loss that cannot be claimed as a result of the application of the October 31, 2003 Tax Proposals.

If the October 31, 2003 Tax Proposals are enacted in their current form, subject to the administrative practice which may be developed by the CRA in applying that enactment, the Partnership likely would not be entitled to deduct any expenses incurred in respect of the Flow-Through Shares, including the Agents' fee, expenses of issue, organization costs and other expenses. The application of the October 31, 2003 Tax Proposals to losses realized by a Limited Partner from the deduction of the Agents' fee, expenses of issue and other expenses after the dissolution of the Partnership is uncertain. However, the October 31, 2003 Tax Proposals should not adversely affect the ability of Limited Partners to deduct from income amounts in respect of allocations made to them by the Partnership of Eligible Expenditures renounced to it (directly, or indirectly through other partnerships) by Resource Issuers. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the October 31, 2003 Tax Proposals would be released for comment at an early opportunity. No such alternative has yet been released and there is no assurance such alternative proposal will not adversely affect the Partnership or Limited Partners.

### *Eligible Expenditures*

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, Eligible Expenditures that have been renounced (directly, or indirectly through other partnerships) to the Partnership by a Resource Issuer pursuant to an Investment Agreement entered into by the Partnership and the Resource Issuer. (See "Investment Strategies").

Generally, an issuer of Flow-Through Shares may incur Eligible Expenditures, which are available for renunciation, commencing on the date the Investment Agreement is entered into.

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 oil and gas related 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 will be allocable by the Partnership to Limited Partners and will be added to their cumulative CEE on the basis described below.

Provided that certain conditions are met, the issuer of the Flow-Through Shares will be entitled to renounce to the Partnership, effective December 31 of the year in which its Investment Agreement was entered into, CEE or Qualifying CDE incurred by it on or before December 31 (and renounced during the first three months) of the subsequent calendar year. Any such CEE or Qualifying CDE properly so renounced by the issuer to the Partnership effective December 31 of the year in which the agreement was entered into may be allocated by the Partnership to Limited Partners, also effective on December 31 of that year. The General Partner has advised counsel that it will cause the Partnership to ensure that if an Investment Agreement entered into during 2011 permits a Resource Issuer to incur CEE or Qualifying CDE at any time up to December 31, 2012, the Resource Issuer will agree to renounce such CEE or Qualifying CDE to the Partnership with an effective date no later than December 31, 2011.

## Taxation of Limited Partners

To the extent Resource Issuers do not incur the requisite amount of CEE or Qualifying CDE on or before December 31, 2012, the CEE or Qualifying CDE renounced to the Partnership and allocated to the Limited Partners,

will be adjusted downwards effective in 2011. However, none of the Limited Partners will be charged interest before May 1, 2013 by the CRA on any unpaid tax resulting from such reduction in allocated CEE.

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 his or her cumulative CEE account, his or her share of the CEE or Qualifying CDE renounced to the Partnership effective in that fiscal period allocated to him or her 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. In the computation of income for purposes of the Tax Act from all sources for a taxation year, an individual or a corporation may deduct up to 100% of the balance of his or her cumulative CEE account. 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.

A Limited Partner's share of CEE and Qualifying CDE renounced to the Partnership in a fiscal year will be reduced by the amount, if any, by which the amount of CEE and Qualifying CDE allocated to the Limited Partner exceeds his or her "at-risk" amount in respect of the Partnership at the end of the fiscal year. If the Limited Partner's share of the CEE and Qualifying CDE is so reduced, the amount of the reduction will be added to his or her share, as otherwise determined, of the CEE and Qualifying CDE 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).

There is a 15% federal non-refundable investment tax credit for individuals, other than trusts, in respect of CEE incurred or deemed to have been incurred before 2012 for Investment Agreements entered into before April 2011, relating to "grass roots" mineral exploration, renounced to individuals either directly or through a partnership. The amount of such tax credits used to reduce tax otherwise payable in a particular taxation year by a Limited Partner who is an individual will reduce the Limited Partner's cumulative CEE account in the following taxation year. Certain provinces provide for similar non-refundable investment tax credits for use in computing the provincial income tax liability, generally, of individuals resident in the province and in respect of such CEE incurred in that province. The use of any such credit by an individual generally will reduce the amount of resource expenses eligible for the federal investment tax credit.

The undeducted balance of a limited partner's cumulative CEE account may be carried forward indefinitely. The cumulative CEE account balance is reduced by deductions in respect thereof made by the Limited Partner in prior taxation years and by the Limited Partner's share of any amount that he or she or the Partnership receives or is entitled to receive in respect of assistance or benefits in any form that relate to the Limited Partner's investment in the Partnership. If, at the end of a taxation year, the reductions in calculating the Limited Partner's cumulative CEE account (including reductions arising as a result of the 15% non-refundable investment tax credit described in the preceding paragraph) exceed the aggregate of the cumulative CEE balance at the beginning of the taxation year and any additions thereto, the excess must be included in the Limited Partner's 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 account which has been allocated to a Limited Partner will remain with the Limited Partner after a disposition of his or her Units or Flow-Through Shares. A Limited Partner's ability to deduct such expenses will not be restricted as a result of his or her prior disposition of Units unless a claim in respect of his or her CEE or Qualifying CDE 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.

***Interest Expense on Money Borrowed to Acquire Units***

In computing a taxpayer's income, the taxpayer may generally deduct interest expense on money borrowed that is used for the purpose of earning income from a business or property. Therefore, in computing a Limited Partner's income, generally the Limited Partner can deduct a reasonable amount in respect of a legal obligation to pay interest on money he or she borrows for the purpose of acquiring Units. Subject to restrictions in the Tax Act, interest can continue to be deductible where there is a loss of the source of income connected to the borrowing. Any loss realized by a Limited Partner in the 2011 and following taxation years from the deduction of interest expense may be denied by the October 31, 2003 Tax Proposals. (See "October 31, 2003 Tax Proposals" above). A Limited

Partner that proposes to use borrowed funds to acquire Units should consult his or her own tax advisors in this regard.

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

Subject to the “at-risk” rules, and the October 31, 2003 Tax Proposals, a Limited Partner’s share of the business losses of the Partnership for any fiscal year may be applied against his or her 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 Tax Act limits the amount of deductions, including CEE, Qualifying CDE and losses that a Limited Partner may claim as a result of his or her 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 previously completed fiscal periods and, where the computation is made at the end of a fiscal period of the Partnership, for such fiscal period, less the aggregate of the amount of any CEE and Qualifying CDE renounced to the Partnership and allocated to the Limited Partner, the amount of any Partnership losses allocated to the Limited Partner for previously completed fiscal periods 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 (or by a person or partnership not dealing at arm’s length with the Limited Partners). A Limited Partner’s share of losses of the Partnership for a fiscal period will be reduced by the amount, if any, by which such losses exceed the excess of the Limited Partner’s “at-risk amount” in respect of the Partnership at the end of such fiscal period over the Limited Partner's share of the amount of CEE and Qualifying CDE renounced to the Partnership in the fiscal period.

The ability of a Limited Partner to deduct losses of the Partnership resulting from the deduction of the Agents’ fee 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 and thereafter may be limited by the October 31, 2003 Tax Proposals.

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. (See “Tax Shelter” below). If any Limited Partner has funded the acquisition of his or her Units with a financing, the unpaid principal amount of which is a Limited Recourse Amount 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 Eligible Expenditures or other expenses renounced to or 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 Eligible Expenditures of the Partnership are so reduced the amount of Eligible Expenditures 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 such reduction shall first reduce the amount of the loss that would otherwise be allocated to the Limited Partner who incurs the limited-recourse financing. 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 Partner that proposes to finance the acquisition of Units should consult with their tax advisors.**

***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 Eligible Expenditures renounced to, 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 provisions of the Tax Act, a Limited Partner's adjusted cost base of a Unit for purposes of the Tax Act will consist of the purchase 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, such as any arising on a disposition of Flow-Through Shares) in a previous fiscal period, and reduced by any share of losses (including the full amount of any capital losses realized by the Partnership) in a previous fiscal period, the amount of Eligible Expenditures renounced to the Partnership and allocated to him or her, the amount of any investment tax credits claimed in preceding years, and the amount of any Partnership distributions made to him or her. 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 of the Partnership (including the Agents' fee) 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 capital gain realized by the Limited Partner at that time from the disposition of the Unit and, also at that time, the Limited Partner's adjusted cost base of the Unit will be increased in an amount equal to that of the deemed capital gain, so that the Limited Partner's adjusted cost base of the Unit at the time will be nil.

One-half of any capital gain (the "taxable capital gain") realized upon a disposition by a Limited Partner of his or her 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") may 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.

A Limited Partner that is a Canadian-controlled private corporation (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 2/3% on taxable capital gains. This refundable tax generally will be refunded to the corporate Limited Partner at the rate of $1 for every $3 of taxable dividends paid while it is a private corporation.

A Limited Partner that disposes of his or her Units before the end of the Partnership's fiscal year end may, under the Partnership Agreement, be considered not to be a partner for the purposes of allocating the income or loss of the Partnership for that period. Ceasing to be a Limited Partner before the end of the Partnership's fiscal year may also result in certain adjustments to his or her adjusted cost base, and may adversely affect his or her entitlement to a share of the Partnership's losses and Eligible Expenditures. Therefore, a Limited Partner should seek tax advice before disposing of his or her Units.

***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 Alternative is not implemented the Partnership will be dissolved, unless the Limited Partners approve, by Extraordinary Resolution, the continuation of the operations of the Partnership and active management of the Investment Portfolio. The

General Partner has advised counsel that prior to such dissolution, all amounts outstanding under the Partnership 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 the Agents' fee 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 or her Units will be reduced by the aggregate of such undeducted expenses allocated to the Limited Partner. In circumstances where Limited Partners receive a proportionate undivided interest in each asset of the Partnership on the dissolution 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 (i) the adjusted cost base of their Units; and (ii) the aggregate of the adjusted cost bases of the undivided interests distributed to the Limited Partners plus the amount of any money distributed to the Limited Partners. This may be followed by a partition of such assets such that Limited Partners each receive a divided interest therein, which partition may or may not result in a disposition by Limited Partners for purposes of the Tax Act. Provided that under the relevant law shares may be partitioned, the CRA has a published administrative position that shares may be partitioned on a tax-deferred basis.

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

If the Partnership transfers its assets to a Mutual Fund pursuant to the Liquidity Alternative, 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. The Mutual Fund 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 the Mutual Fund, the shares of the 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 less the amount of any money distributed to the Limited Partner and the Limited Partner will be deemed to have disposed of the Units for proceeds of disposition equal to that same cost plus the amount of any money so distributed. As a result, a Limited Partner will generally not be subject to tax in respect of such transaction.

***Alternative Minimum Tax on Individuals***

Under the Tax Act, income tax payable by an individual is the greater of an alternative minimum tax and the tax otherwise determined. 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 or her share of Eligible Expenditures renounced to the Partnership in a particular fiscal period thereof to the extent such deductions exceed his or her share of the Partnership's income. In computing adjusted taxable income for alternative minimum tax purposes, an exemption of $40,000 is allowed to a taxpayer who is an individual, other than most *inter vivos* trusts. The federal rate of minimum tax is 15% for 2011. 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 or her 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 or her tax otherwise payable for any such year.

***Tax Shelter***

The federal and Quebec tax shelter identification numbers in respect of the Partnership are TS 078139 and QAF-11-01416, respectively. The identification numbers issued for this tax shelter are to be included in any income tax return filed by the 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.

## ORGANIZATION AND MANAGEMENT DETAILS OF THE PARTNERSHIP

### The General Partner

The General Partner was incorporated under the provisions of the *Canada Business Corporations Act* on December 8, 2010. The General Partner is a wholly-owned subsidiary of the Promoter. The registered office of the General Partner is 1200 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia, V7X 1T2. The head office of the General Partner is Suite 1601 - 650 West Georgia Street, Vancouver, British Columbia, V6B 4N7, Telephone: (604) 602-1142, Fax: (604) 689-8892, Email: info@qwestfunds.com.

The General Partner has exclusive authority, responsibility and obligation to administer, manage, conduct, control and operate the business and affairs of the Partnership and has all power and authority, for and on behalf of and in the name of the Partnership, to do any act, take any proceeding, make any decision and execute and deliver any instrument, deed, agreement or document necessary or appropriate for or incidental to carrying on the business of the Partnership. The authority and power so vested in the General Partner is broad and includes all authority necessary or incidental to carry out the objects, purposes and business of the Partnership. The General Partner may contract with any third party to carry out the duties of the General Partner under the Partnership Agreement and may delegate to such third party any power and authority of the General Partner under the Partnership Agreement where in the discretion of the General Partner it would be in the best interests of the Partnership to do so, but no such contract or delegation will relieve the General Partner of any of its obligations under the Partnership Agreement. Pursuant to the terms of the Investment Advisor and Fund Manager Agreement, the General Partner has delegated certain of its duties to direct and manage the business and affairs of the Partnership to the Investment Advisor and Fund Manager.

During the existence of the Partnership, the General Partner's sole business activity will be the management of the Partnership.

The General Partner will not co-mingle any of its own funds with those of the Partnership.

### Officers and Directors of the General Partner

The General Partner's management group has extensive experience in the financing and management of syndicated tax-assisted investments and has significant experience and strong relationships in the oil and natural gas industry. The name, municipality of residence, office and principal occupation of each of the directors and senior officers of the General Partner are set out below:

| Name and Municipality of Residence | Position with the General Partner | Principal Occupation |
| --- | --- | --- |
| STEPHEN P. MCCOACH, C.A. ................<br>Vancouver, B.C. | Chairman, Managing Director, Chief Executive Officer and Director | Chairman, Managing Director, Chief Executive Officer and director, Qwest Investment Management Corp., Chairman and director, Heritage Bancorp Ltd. and Chairman, President, and director of Qwest Investment Fund Management Ltd. |
| MAURICE LEVESQUE .............................<br>North Vancouver, B.C. | Managing Director, President and Director | Managing Director, President and a director, Qwest Investment Management Corp., President and director, Heritage Bancorp Ltd. and Chief Compliance Officer and director of Qwest Investment Fund Management Ltd. |
| DON SHORT, C.F.A. .............................<br>Calgary, Alta | Senior Vice President, Portfolio Manager and Director | Senior Vice President and Portfolio Manager of Qwest Investment Management Corp. and Senior Vice President, Portfolio Manager and director of Qwest Investment Fund Management Ltd. |

| Name and Municipality of Residence | Position with the General Partner | Principal Occupation |
|---|---|---|
| CHRIS HARRISON, C.G.A....................... Surrey, B.C. | Chief Financial Officer | Chief Financial Officer and Secretary, Qwest Investment Management Corp. and Heritage Bancorp Ltd. and Chief Financial Officer of Qwest Investment Fund Management Ltd. |

There are no committees of the board of directors of the General Partner, other than the Audit Committee, which consists of the board of directors as a whole.

Biographies of each of the directors and senior officers of the General Partner, including his or her principal occupations for the last five years, are set out below.

The officers of the General Partner will not be fulltime employees of the General Partner, but will devote such time as is necessary to the business and offices of the General Partner.

*Stephen P. McCoach, C.A.* – Chairman, Managing Director, Chief Executive Officer and Director

Mr. McCoach is the Chairman, Managing Director, Chief Executive Officer and a director of Qwest Investment Management Corp., the promoter of the Offering and the parent company of the General Partner and QIFM, the Chairman and a director of Heritage Bancorp Ltd., a British Columbia-based asset and administrative management company, which is also a subsidiary company of the Promoter and the President, Chairman and director of QIFM. Mr. McCoach is also the Chairman and a director of Qwest Bancorp Ltd., Trilogy Bancorp Ltd., and Trilogy Holdings Corp. which are British Columbia-based companies with varied investment banking, structured finance, syndication, investment management and fund administration activities. In addition, Mr. McCoach is the Chairman, Managing Director, Chief Executive Officer and a director of QE Funds Corp.

Mr. McCoach is also a founder, officer and director of Qwest Energy Corp., a company which structured, managed and syndicated tax-assisted investments in the oil & gas industry. Qwest Energy Corp. and its subsidiaries were, from 1999 to 2005, involved in the management of energy investments, including in-house accounting, financial reporting, investor relations and tax reporting.

Mr. McCoach is also a founder, officer and/or director of the general partner of each of the Prior Partnerships, as well as Qwest Energy Financial Corp., Opus Cranberries Corp., Western Royal Ginseng (VCC) Corp., Pacific Canadian Ginseng I Ltd. and II Ltd. and Ponderosa Ginseng Ltd. He is also a director and officer of Imperial Ginseng Products Ltd. and Knightswood Financial Corp., both publicly traded companies listed on the TSX Venture Exchange.

Mr. McCoach has been a member of the Canadian Institute of Chartered Accountants and the British Columbia Institute of Chartered Accountants since 1984. He is also a member of the Institute of Corporate Directors and the China Canada Business Council.

*Maurice Levesque* – Managing Director, President and Director

Mr. Levesque is the Managing Director, President and a director of Qwest Investment Management Corp., the promoter of the Offering and the parent company of the General Partner and the President and director of Heritage Bancorp Ltd., a British Columbia-based asset and administrative management company, which is also a subsidiary company of the Promoter. He is also the Chief Compliance Officer and a director of QIFM.

Mr. Levesque is also a founder, director and officer of Qwest Energy Corp., a company which from 1999 to 2005 structured and assisted in financing tax-assisted investments and opportunities in the oil & gas industries, and its various related entities. In addition, Mr. Levesque is the President, Managing Director and a director of QE Funds Corp. Mr. Levesque is also a founder, director and/or officer of the general partner of each of the Prior Partnerships, as well as Qwest Energy RSP/Flow-Through Financial Corp. and Qwest Energy Financial Corp.

Mr. Levesque is the President and a director of Qwest Bancorp Ltd., Trilogy Bancorp Ltd., and Trilogy Holdings Corp. which are British Columbia-based companies with varied investment banking, structured finance, syndication, investment management and fund administration activities. Mr. Levesque is a director and officer of Opus Cranberries Corp., a private company. Mr. Levesque is also the Executive Vice President and a director of Imperial Ginseng Products Ltd., and a director and President of Knightswood Financial Corp., both publicly traded companies listed on the TSX Venture Exchange.

Mr. Levesque graduated from The Northern Alberta Institute of Technology with a diploma in Administration Management. Mr. Levesque is a member of the Canadian Association of Petroleum Producers and the Institute of Corporate Directors.

*Don Short, C.F.A..* – Senior Vice President, Portfolio Manager and Director

Mr. Short is a Senior Vice President and Portfolio Manager of Qwest Investment Management Corp., the promoter of the Offering and the parent company of the General Partner, and QIFM. Mr. Short, based in Calgary, Alberta, has been involved as an investment manager and equity analyst in the energy sector since the early 1990's.

From 2006 to mid 2010, Mr. Short was the President and Portfolio Manager of Origin Capital Management Ltd., a Calgary based investment management company he founded which specialized in the energy sector. At Origin, Mr. Short managed several private equity funds and the Rhone flow through limited partnerships. Prior to establishing Origin, Mr. Short was an oil and gas equity analyst at Raymond James Ltd. from 2003 to late 2005. There he was responsible for Canadian energy and royalty trust research. From 2001 to 2003, he was a founder and principal of Core Partners Inc., a business advisory services firm. Prior to this, from 1995 to 2001, Mr. Short was an institutional equity salesman and investment analyst with First Energy Capital Corp., providing Canadian energy industry research focused on institutional sales coverage. From 1991 to 1994, Mr. Short was an energy market analyst for Northridge Canada Inc. where he researched NYMEX natural gas price behaviour and also developed and managed one of the early offerings in Canada of an oil and gas flow-through limited partnership.

Mr. Short holds both a B.Comm and B.Sc. (computer science and math), with distinction, from the University of Calgary and is a licensed Portfolio Manager and Investment Counsellor. Mr. Short is also a Chartered Financial Analyst charterholder.

*Chris Harrison, CGA* – Chief Financial Officer

Mr. Harrison is the Chief Financial Officer for Qwest Investment Management Corp., QIFM and Heritage Bancorp Ltd. where he is responsible for overseeing the financial and tax reporting for all entities in the Qwest group. In addition, he is the Chief Financial Officer of the general partners of each of the Prior Partnerships.

Mr. Harrison has a strong background in managing investment funds both operationally and from a financial reporting perspective. From 1997 to 2007, Mr. Harrison was employed by Genus Capital Management Inc., a Vancouver-based investment counsel and portfolio management firm. Mr. Harrison left Genus in the position of Senior Manager of Administration, in which capacity he was responsible for operations, compliance, regulatory reporting and internal and external financial reporting for the Genus group of funds. From 2007 to 2010 Mr. Harrison was Vice-President, Finance & Compliance for the Promoter and QIFM.

Mr. Harrison, a Certified General Accountant, is a graduate of the University of Victoria (B.A. Economics) and the British Columbia Institute of Technology (Diploma of Technology in Financial Management). Mr. Harrison is a member of the Certified General Accountants Association of British Columbia and the Certified General Accountants Association of Canada.

**Details of the Partnership Agreement**

The rights and obligations of the Limited Partners and the General Partner are governed by the Partnership Agreement, the *Partnership Act* (British Columbia) and applicable legislation in each jurisdiction in which the Partnership carries on business. The statements in this prospectus concerning the Partnership Agreement summarize

only some of its provisions and do not purport to be complete. Reference should be made to the Partnership Agreement for the complete details of these and other provisions therein.

***Limited Partners***

A subscriber whose Subscription Agreement has been accepted by the General Partner will become a Limited Partner upon the entering of his or her name on the register of Limited Partners and the General Partner executing the Partnership Agreement on behalf of the subscriber. Limited Partners will not be permitted to take part in the management or control of the business of the Partnership or exercise power in connection with the business of the Partnership.

***Units***

The interests of the Limited Partners in the Partnership will be divided into an unlimited number of Units, of which a minimum of 200,000 Units and a maximum of 2,000,000 Units will be issued pursuant to the Offering. Except as otherwise expressly provided for in the Partnership Agreement, each issued and outstanding Unit shall be equal to each other Unit with respect to all rights, benefits, obligations and limitations provided for in the Partnership Agreement and all other matters, including the right to distributions from the Partnership and no Unit shall have preference, priority or right in any circumstances over any other Unit. At all meetings of the Limited Partners, each Limited Partner will be entitled to one vote for each Unit held. Each Limited Partner will contribute to the capital of the Partnership $25 for each Unit purchased. There are no restrictions as to the maximum number of Units that a Limited Partner may hold in the Partnership, subject to limitations on the number of Units that may be held by Financial Institutions and provisions relating to take-over bids. The minimum purchase for each Limited Partner is 100 Units. Additional purchases may be made in single Unit multiples of $25. Fractional Units will not be issued.

The Initial Limited Partner has contributed the sum of $25.00 to the capital of the Partnership. The initial Unit issued to the Initial Limited Partner will be redeemed, and such capital contribution repaid, on the Closing Date. The General Partner has contributed the sum of $10.00 to the capital of the Partnership. The General Partner is not required to subscribe for any Units or otherwise contribute further capital to the Partnership.

***Financing Acquisition of Units***

Under the terms of the Partnership Agreement, each Limited Partner represents and warrants that no portion of the subscription price for his or her Units has been financed with any borrowing that is a Limited Recourse Amount. Under the Tax Act, if a Limited Partner finances the acquisition of his or her Units with a Limited Recourse Amount the expenses incurred by the Partnership may be reduced. The Partnership Agreement provides that where the expenses incurred by the Partnership are so reduced and such reduction results in the reduction of a loss to the Partnership, the General Partner will reduce the amount of that loss which would otherwise be allocated to that Limited Partner by the amount of such reduction, before allocation of that loss to the other Limited Partners. **Subscribers who propose to borrow or otherwise finance the subscription price of Units should consult their own tax and professional advisers to determine whether any such borrowing or financing will be a Limited Recourse Amount.**

***Transfer of Units***

**There is no market through which the Units may be sold and none is expected to develop. The Units will not be listed on any stock exchange. Investors are likely to find it difficult or impossible to sell their Units.** Under the Partnership Agreement, Units may be transferred by a Limited Partner subject to the following conditions: (a) the Limited Partner must deliver to the Registrar and Transfer Agent, a form of transfer and power of attorney, substantially in the form annexed as Schedule B to the Partnership Agreement, duly completed and executed by the Limited Partner, as transferor, and the transferee and other necessary documentation duly executed, together with such evidence of the genuineness of the endorsement, execution and authorization thereof and of such other matters as may reasonably be required by CDS and/or the Registrar and Transfer Agent; (b) the transfer of Units must be recorded in the book-based system; (c) the transferee will not become a Limited Partner in respect of

the Unit transferred to him or her until the prescribed information has been entered on the register of Limited Partners; (d) no transfer of a Unit shall cause the dissolution of the Partnership; (e) no transfer of a fractional part of a Unit shall be recognized; (f) any transfer of a Unit is at the expense of the transferee (but the Partnership will be responsible for all costs in relation to the preparation of any amendment to the Partnership's register and similar documents in jurisdictions other than British Columbia); and (g) no transfer of Units will be accepted by the Registrar and Transfer Agent after notice of dissolution of the Partnership is given to the Limited Partners.

A transferee of Units, by executing the transfer form, agrees to become bound and subject to the Partnership Agreement as a Limited Partner as if the transferee had personally executed the Partnership Agreement and to grant the power of attorney provided for in Article 19 of the Partnership Agreement. The form of transfer includes representations, warranties and covenants on the part of the transferee that the transferee is not a "non-resident" for purposes of the Tax Act and is not a "non-Canadian" for purposes of the *Investment Canada Act*, that no holder of an equity interest in the investor is a "tax shelter investment", as defined in the Tax Act, that the investor is not a partnership, that he or she is not a Financial Institution unless such investor has provided written notice to the contrary prior to the date of acceptance of the investor's subscription, that, in a written notice provided to the General Partner on or before the date of acceptance of the subscription, the investor identifies all Resource Issuers with which the investor does not deal at arm's length (and, where the investor is a Resource Issuer, acknowledges that the investor is a Resource Issuer), that the acquisition of Units by the transferee was not, and will not be, financed through indebtedness which is a Limited Recourse Amount and that he or she will continue to comply with these representations, warranties and covenants during the time that the Units are held by him or her. If the General Partner reasonably believes the transferee has financed the acquisition of Units with indebtedness that is a Limited Recourse Amount, it will reject the transfer. The General Partner has the right to reject the transfer of Units to a transferee who it believes to be a "non-resident" for the purposes of the Tax Act or a "non-Canadian" for the purposes of the *Investment Canada Act*. In addition, the General Partner may reject any transfer: (a) if in the opinion of counsel to the Partnership such transfer would result in the violation of any applicable securities laws; or (b) if the General Partner believes that the representations and warranties provided by the transferee in the required form of transfer are untrue. A transferor of Units will remain liable to reimburse the Partnership for any amounts distributed to such transferor by the Partnership which may be necessary to restore the capital of the Partnership to the amount existing immediately prior to such distribution, if the distribution resulted in a reduction of the capital of the Partnership and the incapacity of the Partnership to pay its debts as they became due.

The Partnership Agreement provides that 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, among other rights set forth in the Partnership Agreement, the General Partner has the right to refuse to issue Units or register a transfer of Units to any person unless that person provides a declaration that it is not a Financial Institution.

***Functions and Powers of the General Partner***

Pursuant to the Partnership Agreement the General Partner has agreed, among other things: (a) to deliver certain tax shelter information forms, annual reports and financial statements to the Limited Partners; (b) to engage such counsel, auditors and other professionals or other consultants as the General Partner considers advisable in order to perform its duties under the Partnership Agreement and to monitor the performance of such advisors; (c) to execute and file with any governmental body any documents necessary or appropriate to be filed in connection with the business of the Partnership or in connection with the Partnership Agreement; (d) to raise capital on behalf of the Partnership by offering Units for sale; (e) to work with the Agents in developing and implementing all aspects of the Partnership's communications, marketing and distribution strategy; (f) to identify (with the assistance of the Investment Advisor and Fund Manager) prospective investments in Resource Issuers; (g) to invest Available Funds in Flow-Through Shares and other securities, if any, of Resource Issuers in accordance with the Investment Strategy and the Investment Guidelines; (h) to execute and file with any governmental body or stock exchange, any document necessary or appropriate to be filed in connection with such investment; (i) pending the investment of the Available Funds in Resource Issuers, to invest, or cause to be invested, all Available Funds in High-Quality Money Market Instruments; (j) to monitor the Investment Portfolio of the Partnership to ensure compliance with the Investment Guidelines; (k) to distribute property of the Partnership in accordance with the provisions of the Partnership Agreement; (l) to make on behalf of the Partnership and each Limited Partner, in respect of each such Limited Partner's interest in the Partnership, any and all elections, determinations or designations under the Tax Act

or any other taxation or other legislation or laws of like import of Canada or any province or jurisdiction; and (m) to file, on behalf of the Partnership and each Limited Partner, in respect of such Limited Partner's interest in the Partnership, any information return required to be filed in respect of the activities of the Partnership under the Tax Act or any other taxation or other legislation or laws of like import of Canada or any province or jurisdiction.

Generally, the General Partner is required to exercise its powers and discharge its duties honestly, in good faith, and in the best interests of the Limited Partners and the Partnership and shall, in discharging its duties, exercise the degree of care, diligence and skill that a reasonably prudent and qualified manager would exercise in discharging its duties in similar circumstances. During the existence of the Partnership, the officers of the General Partner will devote such time and effort to the business of the Partnership as may be necessary to promote adequately the interests of the Partnership and the mutual interests of the Limited Partners. Prior to the dissolution of the Partnership, the General Partner shall not engage in any business other than acting as the General Partner of the Partnership.

Pursuant to the terms of the Investment Advisor and Fund Manager Agreement, the General Partner has delegated certain of its duties to direct and manage the business and affairs of the Partnership to the Investment Advisor and Fund Manager. See "Organization and Management Details of the Partnership – Details of the Investment Advisor and Fund Manager and Fund Management Agreement".

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

The General Partner has agreed to 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, provided that such loss of limited liability was caused by an act or omission of the General Partner or by the negligence or wilful misconduct in the performance of, or wilful disregard or breach of, the obligations or duties of the General Partner under the Partnership Agreement. See "Limited Liability of Limited Partners". Such indemnity will apply only with respect to losses in excess of the capital contribution of the Limited Partner. The General Partner has also agreed to indemnify and hold harmless the Partnership and each Limited Partner from and against 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 negligence or wilful misconduct in the performance of, or wilful disregard or breach of, the obligations or duties of the General Partner under the Partnership Agreement. The General Partner currently has and will have minimal financial resources or assets and, accordingly, such indemnities of the General Partner will have only nominal value.

In any action, suit or other proceeding commenced by a Limited Partner against the General Partner, other than a claim for indemnity pursuant to the Partnership Agreement, the Partnership shall bear the reasonable expenses of the General Partner in any such action, suit or other proceedings in which or in relation to which the General Partner is adjudged, not to be in breach of any duty or responsibility imposed upon it hereunder, otherwise, such costs will be borne by the General Partner.

The General Partner has unlimited liability for the debts, 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 the General Partner's negligence or wilful misconduct in the performance of, or wilful disregard or breach of, a material obligation or duty 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.

***Fees and Expenses Payable Under the Partnership Agreement***

The Partnership Agreement provides for the payment of certain fees and the reimbursement of certain expenses, all of which are set out under "Fees and Expenses".

***Resignation, Replacement or Removal of General Partner***

The General Partner may voluntarily resign as the general partner of the Partnership at any time upon giving at least 180 days' written notice to the Limited Partners, provided the General Partner nominates a qualified successor whose admission to the Partnership as a general partner is ratified by the Limited Partners by Ordinary Resolution within such period. Such resignation will be effective upon the earlier of: (i) 180 days after such notice is given, if a meeting of Limited Partners is called to ratify the admission to the Partnership as a general partner of a qualified successor; and (ii) the date such admission is ratified by the Limited Partners by Ordinary Resolution. The General Partner will be deemed to have resigned upon its bankruptcy or dissolution and in certain other circumstances and a new general partner shall be appointed by the Limited Partners by Ordinary Resolution within 180 days' notice of such event, provided that the General Partner shall not cease to be the general partner of the Partnership until the earlier of the appointment of a new general partner or the expiry of the 180 day period. The General Partner is not entitled to resign as general partner of the Partnership if the effect of its resignation would be to dissolve the Partnership.

The General Partner may be removed at any time if (a) the General Partner has committed fraud or wilful misconduct in the performance of, or wilful disregard or breach of, any material obligation or duty of the General Partner under the Partnership Agreement, (b) its removal as general partner has been approved by an Extraordinary Resolution and (c) a qualified successor has been admitted to the Partnership as the general partner and has been appointed as the general partner of the Partnership by Ordinary Resolution of the Limited Partners, provided that the General Partner shall not be removed in respect of a curable breach of an obligation or duty of the General Partner under the Partnership Agreement unless it has received written notice thereof from a Limited Partner and has failed to remedy such breach within 20 business days of receipt of such notice. It is a condition precedent to the removal of the General Partner that the Partnership shall pay all amounts payable by the Partnership to the General Partner pursuant to the Partnership Agreement accrued to the date of removal.

The remuneration of any new general partner will be determined by Ordinary Resolution of the Limited Partners. Upon any resignation, replacement or removal of a general partner, the general partner ceasing to so act is required to transfer title of any assets of the Partnership in its name to the new general partner.

***Allocation of Income and Loss***

Net income or loss of the Partnership for each fiscal year and on dissolution shall be allocated, with respect to net income, as to 0.01% to the General Partner and the balance divided *pro rata* among the Limited Partners of record on December 31 of such fiscal year or on dissolution and, with respect to net loss, as to 100% divided *pro rata* among the Limited Partners of record on December 31 of such fiscal year and on dissolution.

***Allocation of Eligible Expenditures***

The Partnership will allocate all Eligible Expenditures renounced (directly or indirectly) to it by Resource Issuers with an effective date in a particular fiscal year *pro rata* to the Limited Partners of record at the end of that fiscal year (subject to adjustment in certain events: see "Financing Acquisition of Units"), and will make such filings in respect of such allocations as are required by the Tax Act.

***Distributions***

The General Partner may (with the agreement of the Investment Advisor and Fund Manager), on behalf of the Partnership, sell Flow-Through Shares or any other securities in the Partnership's Investment Portfolio.

Although the Partnership does not presently expect to make cash distributions to Limited Partners prior to the dissolution of the Partnership, subject to the terms of the Partnership Loan Facility, the General Partner has the ability to make distributions on or about April 30 of each year beginning in 2012, to Limited Partners of record of the Partnership on the preceding December 31. Such distributions, if any, will be of an amount per Unit that is approximately equal to 50% of the amount estimated by the General Partner that a typical Limited Partner will be required to include in such Limited Partner's income for tax purposes in respect of each Unit held, after taking into

account amounts previously distributed and deductions available for tax purposes to individuals arising from participation in the Partnership. Such distributions will not be made to the extent that the General Partner determines, in its sole discretion, that it would be disadvantageous for the Partnership to make such distributions (including in circumstances where the Partnership lacks available cash).

On dissolution, the Partnership shall distribute: (a) to the Limited Partners, 99.99% of any remaining cash of the Partnership and of any other assets of the Partnership in specie; and (b) to the General Partner, the remaining 0.01% of any remaining cash of the Partnership and of any other assets of the Partnership in specie. See "Liquidity Alternative and Termination of the Partnership".

***Limited Liability of Limited Partners***

The Partnership was formed in order for Limited Partners to benefit from liability limited to the extent of their capital contributions to the Partnership and their pro rata share of the undistributed income of the Partnership. Under the Partnership Agreement, Limited Partners may lose the protection of limited liability: (a) to the extent that the principles of Canadian law recognizing the limitation of liability of limited partners have not been authoritatively established with respect to limited partnerships formed under the laws of one province but operating, owning property or incurring obligations in another province; or (b) by taking part in the management or control of the business of the Partnership; or (c) as a result of false or misleading statements in public filings made pursuant to the *Partnership Act* (British Columbia). The General Partner will cause the Partnership to be registered as an extra provincial limited partnership in the jurisdictions in which it operates, owns property, incurs obligations, or otherwise carries on business, to keep such registrations up to date and to otherwise comply with the relevant legislation of such jurisdictions. To ensure, to the greatest extent possible, the limited liability of the Limited Partners with respect to activities carried on by the Partnership in any jurisdiction where limitation of liability may not be recognized, the General Partner will cause the Partnership to operate in such a manner as the General Partner, on the advice of counsel, deems appropriate. See " - Indemnification of Limited Partners and Liability of General Partner".

***Liquidity Alternative***

In order to provide Limited Partners with enhanced liquidity and the potential for long-term growth of capital and for income, the General Partner may, on or before June 30, 2013, implement a transaction to improve liquidity, which the General Partner intends will involve an exchange transaction pursuant to which the Partnership will transfer its assets to a Mutual Fund, on a tax-deferred basis, in exchange for redeemable shares of the Mutual Fund and, within 60 days thereafter, the shares of the Mutual Fund will be distributed to the Limited Partners, *pro rata* on a tax-deferred basis upon the dissolution of the Partnership. The General Partner may, in its sole discretion, call a meeting of Limited Partners to approve a Liquidity Alternative, but does not intend to call such a meeting unless the terms of the Liquidity Alternative are substantially different from those presently intended. **There can be no assurance that any such Liquidity Alternative will be proposed, receive the necessary approvals (including regulatory approvals) or be implemented.** In the event a Liquidity Alternative is not implemented by June 30, 2013, then, at the discretion of the General Partner, the Partnership may: (a) be dissolved on or about December 31, 2013 and its net assets distributed *pro rata* to the Partners, or (b) subject to the approval by Extraordinary Resolution of the Limited Partners, continue in operation with an actively managed portfolio.

The terms of any Liquidity Alternative will provide for the receipt of all necessary regulatory approvals. There can be no assurances that any such transaction will receive the necessary regulatory approvals.

The Partnership Agreement provides that the General Partner will be irrevocably authorized to transfer the assets of the Partnership to a Mutual Fund and implement the dissolution of the Partnership in connection with any such Liquidity Alternative and to file all elections under applicable income tax legislation in respect of any such Liquidity Alternative or the dissolution of the Partnership.

*Power of Attorney*

By placing an order for Units which is accepted by the General Partner, an investor grants to the Agents (or an authorized member of the selling group formed by the Agents) an irrevocable power of attorney to execute the subscription form attached to the Partnership Agreement. The Subscription Agreement contains a further power of attorney coupled with an interest, the effect of which is to constitute it an irrevocable power of attorney. This power of attorney authorizes the General Partner on behalf of the Limited Partners, among other things, to execute the Partnership Agreement, any amendments to the Partnership Agreement, and all instruments necessary to reflect the dissolution of the Partnership and distribution and partition of assets distributed to Partners on dissolution, as well as any elections, determinations or designations under the Tax Act or taxation legislation of any province or territory with respect to the affairs of the Partnership or a Limited Partner's interest in the Partnership, including elections under subsections 85(2) and 98(3) of the Tax Act and the corresponding provisions of applicable provincial legislation in respect of the dissolution of the Partnership. **By subscribing for Units, each investor acknowledges and agrees that he or she has given such power of attorney and will ratify any and all actions taken by the General Partner pursuant to such power of attorney.**

The General Partner is required to keep at its principal place of business proper and complete records and books of account reflecting the activities of the Partnership and, through the Registrar and Transfer Agent, maintain a register that will, among other things, list the names and addresses of all the Limited Partners and the number of Units held by each of them. The register will be available for inspection and audit by a Limited Partner or its duly authorized representative, during normal business hours at the offices of the Registrar and Transfer Agent. Any other books and records will be available for inspection and audit by a Limited Partner or its duly authorized representative, during normal business hours at the offices of the General Partner. Notwithstanding the foregoing, a Limited Partner will not have access to any information which, in the opinion of the General Partner, should be kept confidential in the interests of the Partnership.

**Prior Partnerships**

The following is a brief description of Qwest Energy RSP/Flow-Through Limited Partnership, Qwest Energy IV Flow-Through Limited Partnership, Qwest Energy 2004 Flow-Through Limited Partnership, Qwest Energy 2005 Flow-Through Limited Partnership, Qwest Energy 2005-II Flow-Through Limited Partnership, Qwest Energy 2005-III Flow-Through Limited Partnership, Qwest Energy 2006 Flow-Through Limited Partnership, Qwest Energy 2006-II Flow-Through Limited Partnership, Qwest Energy 2007 Flow-Through Limited Partnership, Qwest Energy 2007-II Flow-Through Limited Partnership, Qwest Energy 2008 Flow-Through Limited Partnership, Qwest Energy 2008-II Flow-Through Limited Partnership, Qwest Energy 2009 Flow-Through Limited Partnership, Qwest Energy 2009-II Flow-Through Limited Partnership, Qwest Energy 2010 Flow-Through Limited Partnership and Qwest Energy 2010-II Flow-Through Limited Partnership (collectively, the "Prior Partnerships"), of which affiliates of the Promoter act or acted as general partners.

After-tax returns for the Prior Partnerships below are estimated based upon Ontario's highest marginal tax rate and other specific assumptions made by management. The after-tax return estimates for the Prior Partnerships below are based upon the investor's capital at risk at the date of measurement or, if the portfolio has been liquidated, at the date of the liquidation alternative transaction, as indicated under the heading for each Prior Partnership below. The after-tax return has been calculated assuming: (i) the limited partner is an individual resident in Ontario and who was subject to the highest marginal tax rate for the relevant taxation years; (ii) the limited partner deducted, for income tax purposes, the full unit price invested in the year of investment and, once the loan proceeds have been paid (which is assumed to occur prior to liquidation), is entitled to deduct the issue costs which were paid with the proceeds of the loan at the appropriate deduction rate per year; (iii) each flow-through share and each unit has an initial adjusted cost base of nil; (iv) the limited partner disposes of each unit at the indicated net asset value per unit on the date in respect of which such net asset value per unit was determined; and (v) the limited partner's proceeds of disposition are reduced by the tax owing in respect of his or her capital gain on such disposition. Capital at risk for the purposes of these estimated after-tax returns is calculated as the total investment less income tax savings in the first year.

Actual after-tax rates of return for a limited partner will vary depending on a number of factors including Province of residence, date of disposition and actual deductions or credits received. Historical returns of the Prior

Partnerships are not indicative of how this Offering will perform in the future. There is no assurance that stated returns will in fact be realized.

***Qwest Energy RSP/Flow-Through Limited Partnership***

Pursuant to an offering memorandum dated July 10, 2003, Qwest Energy RSP/Flow-Through Limited Partnership issued 317,460 units at a price of $25 per unit, for gross proceeds of $7,936,500. The investment structure of Qwest Energy RSP/Flow-Through Limited Partnership was substantially different from that of the Partnership. In accordance with the partnership agreement, Qwest Energy RSP/Flow-Through Limited Partnership was dissolved as at December 31, 2003 after distributing all of the assets to the limited partners. At June 21, 2005, 79.4% of the former limited partners of Qwest Energy RSP/Flow-Through Limited Partnership elected to roll, pursuant to an Asset Exchange Agreement executed by the former limited partners, their pro-rata share of the assets of the portfolio, into redeemable Series A Shares of Clarington Canadian Resource Inc., a mutual fund corporation. At the time of the rollover, the net asset value per unit was $26.77, and the after-tax return on an investment made in Qwest Energy RSP/Flow-Through Limited Partnership as at June 21, 2005 for an Ontario taxpayer who paid tax at the highest marginal (46.4%) rate is estimated to be 52.68% (or 29.47% on an annualized basis). For the former limited partners of Qwest Energy RSP/Flow-Through Limited Partnership who did not elect to roll their shares of the portfolio into Series A Shares of Clarington Canadian Resource Inc., their net assets were liquidated on December 15, 2005 pursuant to the terms of the Qwest Energy RSP/Flow-Through Limited Partnership Offering Memorandum. The net asset value per unit of the investment portfolio was $31.68 at December 15, 2005.

***Qwest Energy IV Flow-Through Limited Partnership***

Pursuant to a prospectus dated April 26, 2004, Qwest Energy IV Flow-Through Limited Partnership issued 610,666 units at a price of $25 per unit, for gross proceeds of $15,266,650. The investment structure of Qwest Energy IV Flow-Through Limited Partnership was substantially similar to that of the Partnership. The limited partners of Qwest Energy IV Flow-Through Limited Partnership passed an extraordinary resolution on May 15, 2006 approving the exchange on May 16, 2006 of all units of Qwest Energy IV Flow-Through Limited Partnership for redeemable Series A shares of the QE Canadian Resource Class.

At the time of the rollover, the net asset value per unit, calculated at the close of business on May 15, 2006, was $34.15 per unit, and the after-tax return on an investment made in Qwest Energy IV Flow-Through Limited Partnership for an Ontario taxpayer who pays tax at the highest marginal (46.4%) rate is estimated to be 87.63% (or 35.61% on an annualized basis), based on the net asset value and the capital at risk with respect to such investments as of such date.

***Qwest Energy 2004 Flow-Through Limited Partnership***

Pursuant to a prospectus dated September 16, 2004, as amended October 18, 2004, Qwest Energy 2004 Flow-Through Limited Partnership issued 235,377 units at a price of $100 per unit, for gross proceeds of $23,537,700. The investment structure of Qwest Energy 2004 Flow-Through Limited Partnership was substantially different from that of the Partnership. In accordance with the Qwest Energy 2004 Flow-Through Limited Partnership Agreement, Qwest Energy 2004 Flow-Through Limited Partnership was dissolved as at December 31, 2004, after distributing all of the assets to the limited partners. Pursuant to a liquidity alternative outlined in the prospectus of Qwest Energy 2004 Flow-Through Limited Partnership, all units of Qwest Energy 2004 Flow-Through Limited Partnership were exchanged for Series A shares of the QE Canadian Resource Class.

At the time of the rollover, the net asset value per unit calculated at the close of business on May 15, 2006 was $100.26 per unit, and the after-tax return on an investment made in Qwest Energy 2004 Flow-Through Limited Partnership for an Ontario taxpayer who pays tax at the highest marginal (46.4%) rate is estimated to be 45.73% (or 27.88% on an annualized basis), based on the net asset value and the capital at risk with respect to such investments as of such date.

*Qwest Energy 2005 Flow-Through Limited Partnership*

Pursuant to a prospectus dated February 21, 2005, Qwest Energy 2005 Flow-Through Limited Partnership issued 137,606 units at a price of $100 per unit, for gross proceeds of $13,760,600. The investment structure of Qwest Energy 2005 Flow-Through Limited Partnership was substantially different from that of the Partnership. In accordance with the partnership agreement, Qwest Energy 2005 Flow-Through Limited Partnership was dissolved as at December 31, 2005, after distributing all of its assets to the limited partners. Pursuant to a liquidity alternative outlined in the prospectus of Qwest Energy 2005 Flow-Through Limited Partnership, all units of Qwest Energy 2005 Flow-Through portfolio were exchanged for redeemable Series A shares of the QE Canadian Resource Class.

At the time of the rollover, the net asset value per unit calculated at the close of business on June 25, 2007 was $62.20 per unit, and the after-tax return on an investment made in Qwest Energy 2005 Flow-Through Limited Partnership is estimated to be –0.63% (or –0.27% on an annualized basis), based on the net asset value and the capital at risk with respect to such investments as of such date.

*Qwest Energy 2005-II Flow-Through Limited Partnership*

Pursuant to a prospectus dated June 6, 2005, Qwest Energy 2005-II Flow-Through Limited Partnership issued 1,200,000 units at a price of $25 per unit, for gross proceeds of $30,000,000. The investment structure of Qwest Energy 2005-II Flow-Through Limited Partnership was substantially similar to that of the Partnership. Pursuant to a liquidity alternative outlined in the prospectus of Qwest Energy 2005-II Flow-Through Limited Partnership, all units of Qwest Energy 2005-II Flow-Through Limited Partnership were exchanged for redeemable Series A shares of QE Canadian Resource Class.

At the time of the rollover, the net asset value per unit calculated at the close of business on June 25, 2007 was $13.92 per unit, and the after-tax return on an investment made in Qwest Energy 2005-II Flow-Through Limited Partnership is estimated to be –11.25% (or –5.76% on an annualized basis), based on the net asset value and the capital at risk with respect to such investments as of such date.

*Qwest Energy 2005-III Flow-Through Limited Partnership*

Pursuant to a prospectus dated October 13, 2005, Qwest Energy 2005-III Flow-Through Limited Partnership issued 1,000,000 units at a price of $25 per unit, for gross proceeds of $25,000,000. The investment structure of Qwest Energy 2005-III Flow-Through Limited Partnership was substantially similar to that of the Partnership. Pursuant to a liquidity alternative outlined in the prospectus of Qwest Energy 2005-III Flow-Through Limited Partnership, all units of Qwest Energy 2005-III Flow-Through Limited Partnership were exchanged for redeemable Series A shares of QE Canadian Resource Class.

At the time of the rollover, the net asset value per unit calculated at the close of business on June 25, 2007 was $12.28 per unit, and the after-tax return on an investment made in Qwest Energy 2005-III Flow-Through Limited Partnership is estimated to be –20.24% (or –12.58% on an annualized basis), based on the net asset value and the capital at risk with respect to such investments as of such date.

*Qwest Energy 2006 Flow-Through Limited Partnership*

Pursuant to a prospectus dated March 10, 2006, Qwest Energy 2006 Flow-Through Limited Partnership issued 3,000,000 units at a price of $25 per unit, for gross proceeds of $75,000,000. The investment structure of Qwest Energy 2006 Flow-Through Limited Partnership is substantially similar to that of the Partnership. At the time of the rollover, the net asset value per unit calculated at the close of business on June 18, 2008 was $15.31 per unit, and the after-tax return on an investment made in Qwest Energy 2006 Flow-Through Limited Partnership is estimated to be –8.00% (or -3.65% on an annualized basis), based on the net asset value and the capital at risk with respect to such investments as of such date.

***Qwest Energy 2006-II Flow-Through Limited Partnership***

Pursuant to a prospectus dated September 11, 2006, Qwest Energy 2006-II Flow-Through Limited Partnership issued 1,600,000 units at a price of $25 per unit, for gross proceeds of $40,000,000. The investment structure of Qwest Energy 2006-II Flow-Through Limited Partnership is substantially similar to that of the Partnership. At the time of the rollover, the net asset value per unit calculated at the close of business on June 18, 2008 was $18.87 per unit, and the after-tax return on an investment made in Qwest Energy 2006-II Flow-Through Limited Partnership is estimated to be 14.89% (or 8.25% on an annualized basis), based on the net asset value and the capital at risk with respect to such investments as of such date.

***Qwest Energy 2007 Flow-Through Limited Partnership***

Pursuant to a prospectus dated January 30, 2007 (as amended April 18, 2007), Qwest Energy 2007 Flow-Through Limited Partnership issued 944,608 units at a price of $25 per unit, for gross proceeds of $23,615,200. The investment structure of Qwest Energy 2007 Flow-Through Limited Partnership is substantially similar to that of the Partnership. Pursuant to a liquidity alternative outlined in the prospectus of Qwest Energy 2007 Flow-Through Limited Partnership, all units of Qwest Energy 2007 Flow-Through Limited Partnership were exchanged for redeemable Series A shares of QE Canadian Resource Class.

At the time of the rollover, the net asset value per unit calculated at the close of business on May 5, 2009 was $10.45 per unit, and the after-tax return on an investment made in Qwest Energy 2007 Flow-Through Limited Partnership is estimated to be -32.87% (or -16.44% on an annualized basis), based on the net asset value and the capital at risk with respect to such investments as of such date.

***Qwest Energy 2007-II Flow-Through Limited Partnership***

Pursuant to a prospectus dated September 27, 2007, Qwest Energy 2007-II Flow-Through Limited Partnership issued 853,715 units at a price of $25 per unit, for gross proceeds of $21,342,875. The investment structure of Qwest Energy 2007-II Flow-Through Limited Partnership is substantially similar to that of the Partnership. Pursuant to a liquidity alternative outlined in the prospectus of Qwest Energy 2007-II Flow-Through Limited Partnership, all units of Qwest Energy 2007-II Flow-Through Limited Partnership were exchanged for redeemable Series A shares of QE Canadian Resource Class.

At the time of the rollover, the net asset value per unit calculated at the close of business on May 5, 2009 was $10.64 per unit, and the after-tax return on an investment made in Qwest Energy 2007-II Flow-Through Limited Partnership is estimated to be -33.17% (or -22.64% on an annualized basis), based on the net asset value and the capital at risk with respect to such investments as of such date.

***Qwest Energy 2008 Flow-Through Limited Partnership***

Pursuant to a prospectus dated February 28, 2008, Qwest Energy 2008 Flow-Through Limited Partnership issued 555,674 units at a price of $25 per unit, for gross proceeds of $13,891,850. The investment structure of Qwest Energy 2008 Flow-Through Limited Partnership is substantially similar to that of the Partnership. Pursuant to a liquidity alternative outlined in the prospectus of Qwest Energy 2008 Flow-Through Limited Partnership, all units of Qwest Energy 2008 Flow-Through Limited Partnership were exchanged for redeemable Series A shares of QE Canadian Resource Class.

At the time of the rollover, the net asset value per unit calculated at the close of business on April 7, 2010 was $15.12 per unit, and the after-tax return on an investment made in Qwest Energy 2008 Flow-Through Limited Partnership is estimated to be -6.54% (-3.19% on an annualized basis), based on the net asset value and the capital at risk with respect to such investments as of such date.

***Qwest Energy 2008-II Flow-Through Limited Partnership***

Pursuant to a prospectus dated September 24, 2008, Qwest Energy 2008-II Flow-Through Limited Partnership issued 800,000 units at a price of $25 per unit, for gross proceeds of $20,000,000. The investment structure of Qwest Energy 2008-II Flow-Through Limited Partnership is substantially similar to that of the Partnership. Pursuant to a liquidity alternative outlined in the prospectus of Qwest Energy 2008-II Flow-Through Limited Partnership, all units of Qwest Energy 2008-II Flow-Through Limited Partnership were exchanged for redeemable Series A shares of QE Canadian Resource Class.

At the time of the rollover, the net asset value per unit calculated at the close of business on April 7, 2010 was $24.75 per unit, and the after-tax return on an investment made in Qwest Energy 2008-II Flow-Through Limited Partnership is estimated to be 49.54% (or 30.48% on an annualized basis), based on the net asset value and the capital at risk with respect to such investments as of such date.

***Qwest Energy 2009 Flow-Through Limited Partnership***

Pursuant to a prospectus dated April 16, 2009 Qwest Energy 2009 Flow-Through Limited Partnership issued 360,018 units at a price of $25 per unit, for gross proceeds of $9,000,450. The investment structure of Qwest Energy 2009 Flow-Through Limited Partnership is substantially similar to that of the Partnership. Pursuant to a liquidity alternative outlined in the prospectus of Qwest Energy 2009 Flow-Through Limited Partnership, all units of Qwest Energy 2009 Flow-Through Limited Partnership were exchanged for redeemable Series A shares of QE Canadian Resource Class.

At the time of the rollover, the net asset value per unit calculated at the close of business on January 17, 2011 was $36.00 per unit, and the after-tax return on an investment made in Qwest Energy 2009 Flow-Through Limited Partnership is estimated to be 126.04% (or 60.52% on an annualized basis), based on the net asset value and the capital at risk with respect to such investments as of such date.

***Qwest Energy 2009-II Flow-Through Limited Partnership***

Pursuant to a prospectus dated November 2, 2009 Qwest Energy 2009-II Flow-Through Limited Partnership issued 333,846 units at a price of $25 per unit, for gross proceeds of $8,346,150. The investment structure of Qwest Energy 2009-II Flow-Through Limited Partnership is substantially similar to that of the Partnership. As at January 18, 2011, the net asset value of the investment portfolio of Qwest Energy 2009-II Flow-Through Limited Partnership was $8,628,509, and the after-tax return on an investment made in Qwest Energy 2009-II Flow-Through Limited Partnership for an Ontario taxpayer who pays tax at the highest marginal (46.4%) rate is estimated to be 64.22% (or 51.76% on an annualized basis) based on a net asset value of approximately $25.85 per unit of Qwest Energy 2009-II Flow-Through Limited Partnership and the capital at risk with respect to such investments as of such date.

The following table shows the top ten holdings in the investment portfolio of Qwest Energy 2009-II Flow-Through Limited Partnership as at January 18, 2011:

| Company Name | Exchange | Percentage of Investment Portfolio[1] |
|---|---|---|
| Stikine Energy Corp. | TSX-V | 11.47% |
| Surge Energy Inc. | TSX-V | 9.70% |
| TamarackValley Energy Ltd. | TSX-V | 8.43% |
| Arsenal Energy Inc. | TSX | 8.15% |
| Torquay Oil Corp. | TSX-V | 7.02% |
| Forum Uranium Corp. | TSX-V | 6.69% |

| Company Name | Exchange | Percentage of Investment Portfolio[(1)] |
|---|---|---|
| Hyperion Exploration Corp. | TSX-V | 6.03% |
| Vero Energy Inc. | TSX | 4.66% |
| Emerge Oil & Gas Inc. | TSX | 4.47% |
| Arriva Energy Inc. | Private | 4.46% |

(1) As a percentage of net asset value as at January 18, 2011.

***Qwest Energy 2010 Flow-Through Limited Partnership***

Pursuant to a prospectus dated March 15, 2010 Qwest Energy 2010 Flow-Through Limited Partnership issued 710,318 units at a price of $25 per unit, for gross proceeds of $17,757,950. The investment structure of Qwest Energy 2010 Flow-Through Limited Partnership is substantially similar to that of the Partnership. As at January 18, 2011, the net asset value of the investment portfolio of Qwest Energy 2010 Flow-Through Limited Partnership was $20,060,117, and the net asset value per unit of Qwest Energy 2010 Flow-Through Limited Partnership was approximately $28.24.

The following table shows the top ten holdings in the investment portfolio of Qwest Energy 2010 Flow-Through Limited Partnership as at January 18, 2011:

| Company Name | Exchange | Percentage of Investment Portfolio[(1)] |
|---|---|---|
| Stikine Energy Corp. | TSX-V | 12.03% |
| SkyWest Energy Corp. | TSX-V | 8.36% |
| Tourmaline Oil Corp. | TSX | 8.14% |
| RPT Resources Ltd. – subscription receipts[(2)] | TSX-V | 7.75% |
| Bellatrix Exploration Ltd. | TSX | 7.67% |
| Forum Uranium Corp. | TSX-V | 7.62% |
| TriOil Resources Ltd. | TSX-V | 6.33% |
| Premier Gold Mines Limited | TSX | 6.16% |
| Manitok Energy Inc. | TSX-V | 5.86% |
| Sabina Gold & Silver Corp. | TSX | 4.65% |

(1) As a percentage of net asset value as at January 18, 2011.
(2) The subscription receipts are not listed but entitle the Partnership, for no additional consideration, to receive common shares that are listed on the TSX-V and warrants.

***Qwest Energy 2010-II Flow-Through Limited Partnership***

Pursuant to a prospectus dated October 26, 2010 Qwest Energy 2010-II Flow-Through Limited Partnership issued 457,318 units at a price of $25 per unit, for gross proceeds of $11,432,950. The investment structure of Qwest Energy 2010-II Flow-Through Limited Partnership is substantially similar to that of the Partnership. As at January 18, 2011, the net asset value of the investment portfolio of Qwest Energy 2010-II Flow-Through Limited Partnership was $10,785,118, and the net asset value per unit of Qwest Energy 2010-II Flow-Through Limited Partnership was approximately $23.58.

The following table shows the top ten holdings in the investment portfolio of Qwest Energy 2010-II Flow-Through Limited Partnership as at January 18, 2011:

| Company Name | Exchange | Percentage of Investment Portfolio[(1)] |
|---|---|---|
| Culane Energy Corp. | TSX-V | 24.14% |
| Rock Energy Inc. | TSX | 14.91% |
| Pace Oil & Gas Ltd. | TSX | 12.58% |
| Westfire Energy Ltd. | TSX | 11.89% |
| Waldron Energy Corporation | TSX | 10.40% |
| DeeThree Exploration Ltd. | TSX | 6.05% |
| Avatar Energy Ltd. | TSX-V | 5.53% |
| Yoho Resources Inc. | TSX-V | 4.57% |
| Crosshair Exploration & Mining Corp. | TSX | 3.93% |
| Coral Hill Energy Ltd. | Private | 3.65% |

(1) As a percentage of net asset value as at January 18, 2011.

**The Investment Advisor and Fund Manager**

QIFM has been retained by the General Partner as Investment Advisor and Fund Manager to provide investment advisory, portfolio management and investment fund management services to the Partnership pursuant to the Investment Advisor and Fund Manager Agreement.

QIFM is a wholly-owned subsidiary of the Promoter incorporated under the provisions of the *Canada Business Corporations Act* on September 27, 2005. QIFM is registered as investment counsel and fund manager (or the equivalent) under the securities legislation of British Columbia and Alberta. QIFM was established to provide investment advisory services to investment vehicles established by the Promoter. The principal office of QIFM is #1601 – 650 W. Georgia Street, Vancouver, British Columbia V6B 4N7.

The name, municipality of residence, position with QIFM and principal occupation of each of the directors and officers of QIFM are as follows:

| Name and Municipality of Residence | Position with the Investment Advisor and Fund Manager | Principal Occupation |
|---|---|---|
| STEPHEN P. MCCOACH ..........................<br>Vancouver, B.C. | Chairman, President and Director | Chairman, Managing Director, Chief Executive Officer and director, Qwest Investment Management Corp., Chairman and director, Heritage Bancorp Ltd. and Chairman, President and director of Qwest Investment Fund Management Ltd. |
| DON SHORT ...........................................<br>Calgary, Alberta | Senior Vice President, Portfolio Manager and Director | Senior Vice President and Portfolio Manager of Qwest Investment Management Corp. and Senior Vice President, Portfolio Manager and director of Qwest Investment Fund Management Ltd. |

| Name and Municipality of Residence | Position with the Investment Advisor and Fund Manager | Principal Occupation |
|---|---|---|
| CAM HUI BON HOA................................ North Vancouver, B.C. | Director | Director and Portfolio Manager of Qwest Investment Fund Management Ltd. since September 2009. Prior to September 2009, self-employed consultant since March 2007. Prior to March 2007, Vice President and research analyst, Merrill Lynch Pierce Fenner & Smith since September 2004. |
| MAURICE LEVESQUE............................. North Vancouver, B.C. | Compliance Officer and Director | Managing Director, President and director, Qwest Investment Management Corp., President and director, Heritage Bancorp Ltd. and Compliance Officer and director of Qwest Investment Fund Management Ltd. |
| CHRIS HARRISON .................................. Surrey, B.C. | Chief Financial Officer | Chief Financial Officer and Secretary, Qwest Investment Management Corp., and Heritage Bancorp Ltd. and Chief Financial Officer of Qwest Investment Fund Management Ltd. |

Biographies of each of the directors and senior officers of the Investment Advisor and Fund Manager, other than Cam Hui, are set out under the heading "- Officers and Directors of the General Partner" above. The biography for Cam Hui, including his principal occupation for the last five years, is set out below.

*Cam Hui* - Director

Cam Hui is a director of QIFM, in addition to being a Portfolio Manager with QIFM. Mr Hui brings his broad business experience, knowledge and insight as well as a diverse background in investment management, equity quantitative research and experience in all phases of investment processes to QIFM.

Prior to joining QIFM, Mr. Hui was employed by Merrill Lynch, Pierce, Fenner & Smith in New York City as a Relative Value and Technical Research Analyst as part of an Institutional Investor ranked research team. Mr. Hui also has extensive portfolio management experience. He managed equity long-short portfolios at Graham Capital Management LLC, a Connecticut based hedge fund. He was a portfolio manager with the Boston based Batterymarch organization for over ten years, first with Batterymarch: Canada and then with Batterymarch Financial Management, where he managed Canadian, U.S., international and emerging market equity portfolios using mainly quantitative modeling techniques. During his tenure at Batterymarch, notable large public sector clients whose portfolios he managed included Ontario Teachers' Pension Plan and California State Teachers' Retirement System. Prior to Batterymarch, Mr. Hui was an equity analyst specializing in quantitative analysis and small capitalization stock research for Wood Gundy Inc. (now CIBC World Markets).

Over the course of his career, Mr. Hui has lectured extensively and presented numerous papers to quantitative discussion groups. He has consulted with various hedge funds on topics such as quantitative stock selection strategies, portfolio risk control and trading cost optimization.

Mr. Hui obtained his Bachelor of Science degree (Honours) in Computer Science in 1980 at the University of British Columbia, and passed the Canadian Securities Course in 1985 and the CFA Charter in 1989.

**Details of the Investment Advisor and Fund Manager Agreement**

Pursuant to the Investment Advisor and Fund Manager Agreement, the Investment Advisor and Fund Manager will (either directly or through sub-advisors) provide advice to the Partnership on its investments in Flow-

Through Shares and with respect to the Investment Portfolio and assist and advise the General Partner with respect to the following:

- the investment strategy for the Partnership;
- the examination, evaluation and analysis of Flow-Through Share investment opportunities;
- reviewing Resource Issuers and the resource marketplace;
- educating underwriters and investment advisors;
- monitoring holdings of the Partnership and executing buy and sell orders with a view to maintaining appropriate portfolio weightings, crystallizing gains, minimizing losses and capitalizing on market trading opportunities;
- monitoring the holdings of the Partnership and the Investment Portfolio with a view to ensuring a smooth transition to the Mutual Fund and maximizing Net Asset Value in the event that a Liquidity Alternative is effected;
- reviewing and recommending investment opportunities for the Partnership;
- exercising Warrants or other convertible or exchangeable securities in the Partnership's Investment Portfolio and to take all steps necessary, including making arrangements for non-cash exercise, if warranted, in connection with such exercise, conversion or exchange;
- monitoring cash balances in the Investment Portfolio and repaying debt or purchasing or selling of money market instruments as appropriate to maximize the utility of any cash balances in the Investment Portfolio;
- determining the timing and means of liquidating the Investment Portfolio holdings; and
- complying with the Investment Strategy and Investment Guidelines and other mutually agreed policies with respect to the day-to-day operation of the Partnership's Investment Portfolio.

The Investment Advisor and Fund Manager expects to utilize its extensive contacts in the Canadian resource sector as well as its contacts in the investment dealer and investment management communities to evaluate and recommend investment opportunities consistent with the Investment Strategy and the Investment Guidelines. The Investment Advisor and Fund Manager will not be responsible for any record-keeping activities in respect of the Investment Portfolio and such record-keeping activities will be undertaken by the General Partner or by third parties.

In addition to the services described above, the Investment Advisor and Fund Manager will provide investment fund management services and administer, manage, conduct, control and operate the business and affairs of the Partnership. The Investment Advisor and Fund Manager will be entitled to reimbursement by the Partnership for all reasonable out-of-pocket costs and expenses that are incurred on behalf of the Partnership in the ordinary course of business.

Under the Investment Advisor and Fund Manager Agreement, QIFM has agreed to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Partnership and the General Partner, and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent investment advisor would exercise in the circumstances. The Investment Advisor and Fund Manager Agreement provides that QIFM will not be liable in any way for any liability, loss, damages, expenses or claims, except in respect of acts or omissions of QIFM or its directors, officers, employees or representatives done or suffered in bad faith or through negligence, willful misconduct, willful neglect or failure to fulfill its duties or standard of care, diligence and skill described above or comply with applicable laws.

Unless terminated as described below, the Investment Advisor and Fund Manager Agreement will continue for a term that expires on the earlier of: (a) June 21, 2016; and (b) if no Liquidity Alternative involving the exchange of all of the assets of the Partnership for securities of a Mutual Fund is completed and the operations of the Partnership are not extended with the approval of Limited Partners, December 31, 2013 (or, if the Partnership's operations are extended, then the date of dissolution of the Partnership).

QIFM may terminate the Investment Advisor and Fund Manager Agreement without payment to the General Partner or the Partnership: (a) in certain circumstances involving the bankruptcy or insolvency of the General Partner; (b) if the Partnership or General Partner is in breach or default of the provisions thereof and, if capable of being cured, such breach or default has not been cured within 20 Business Days' written notice of such breach or default to the General Partner; or (c) in the event there is a fundamental change in the Investment Strategy or Investment Guidelines of the Partnership. The General Partner may terminate the Investment Advisor and Fund Manager Agreement without payment to QIFM, other than fees accrued to the date of termination, if: (a) QIFM is in breach or default of any material provision thereof and, if capable of being cured, such breach or default has not been cured within 20 Business Days' written notice of such breach or default to QIFM; (b) if QIFM ceases to carry on business or an order is made or a resolution is passed for the winding-up, dissolution or liquidation of QIFM; (c) if QIFM becomes bankrupt or insolvent or makes a general assignment for the benefit of creditors or a receiver is appointed for QIFM; (d) if any of the licenses or registrations necessary for QIFM to perform its duties under the Investment Advisor and Fund Manager Agreement are no longer in full force and effect; or (e) upon 180 days' written notice. The Limited Partners may cause the General Partner to terminate the Investment Advisor and Fund Manager Agreement by passage of an Extraordinary Resolution to that effect.

In the event that the Investment Advisor and Fund Manager Agreement is terminated as provided above, the General Partner in its sole discretion may elect to appoint a successor investment advisor and fund manager to carry out the activities of QIFM.

In consideration for its services under the Investment Advisor and Fund Manager Agreement, the General Partner will pay to QIFM a fee equal to one-twelfth of 0.4% of the Net Asset Value, calculated and paid monthly in arrears (which will be paid from the General Partner's Fee) and 20% of the General Partner's Performance Bonus. See "Fees Charges and Expenses Payable by the Partnership - General Partner's Fee".

Subject to applicable law, QIFM is authorized to delegate its powers and duties under the Investment Advisor and Fund Manager Agreement to agents or sub-contractors, provided that QIFM will be liable to the Partnership for any failure of such agents to discharge any responsibility of QIFM in accordance with the standard of care QIFM owes to the Partnership under the Investment Advisor and Fund Manager Agreement. Any fees or expense payable to agents or sub-contractors so retained by QIFM will be paid by QIFM, and not by the Partnership.

**Conflicts of Interest**

The General Partner, QIFM and Heritage are wholly-owned subsidiaries of the Promoter and share certain common directors and officers with the Promoter. The General Partner and QIFM will be entitled to receive certain fees from the Partnership and each of the General Partner, QIFM and Heritage will be reimbursed by the Partnership for costs and expenses incurred by it in connection with the operation and administration of the Partnership and for an estimated portion of other costs and expenses incurred by it with respect to services provided to the Partnership. See "Fees and Expenses".

The Promoter, the directors and senior officers of the General Partner and QIFM and other partnerships in respect of which subsidiaries of the Promoter act as general partner or investment advisor may own shares in certain Resource Issuers. In addition, certain directors and officers of the General Partner or QIFM may be or may become directors of certain Resource Issuers in which the Partnership has invested. Except as disclosed herein, none of the Promoter, the General Partner, QIFM or Heritage will receive any benefit in connection with this Offering.

The Promoter, certain of its subsidiaries, certain limited partnerships whose general partner and/or investment advisor is a subsidiary of the Promoter, and the directors and officers of the General Partner and QIFM are and may in the future be actively engaged in a wide range of investment and management activities, some of which are and will be similar to and competitive with those that the Partnership, the General Partner, QIFM and

Heritage will undertake. As a result, actual and potential conflicts of interest (including conflicts as to management's time, resources and allocation of investment opportunities) can be expected to arise in the normal course.

There is no assurance that conflicts of interest will not arise which cannot be resolved in a manner most favourable to investors. **Persons considering a purchase of Units pursuant to this Offering are relying on the judgment and good faith of the General Partner and QIFM and their respective directors and officers in resolving such conflict**.

The services of QIFM and its affiliates are not exclusive to the Partnership. As QIFM's other clients may hold securities in or wish to acquire securities issued by one or more of the Resource Issuers which will issue Flow-Through Shares or other securities to the Partnership, 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. QIFM will address such conflicts of interest with regard to the investment objectives of each of the clients involved and will act in accordance with the duty of care owed to each of them. QIFM is also the manager of the QE Canadian Resource Class, which is currently anticipated to be the Mutual Fund that will participate in a Liquidity Alternative, if implemented. As a result of QIFM's relationship with each of the Partnership and the Mutual Fund, a conflict of interest would arise and therefore, the General Partner, on behalf of the Partnership, and QIFM intend to refer such conflict of interest matter to the independent review committee of the Partnership and Mutual Fund, as required by National Instrument 81-107 *Independent Review Committee for Investment Funds*. For further information on the independent review committee, see "Organization and Management Details of the Partnership – Independent Review Committee" below.

**Independent Review Committee**

In accordance with National Instrument 81-107 *Independent Review Committee for Investment Funds* ("NI 81-107"), the Promoter has established an independent review committee ("IRC") for the Partnership to whom the General Partner will refer all conflict of interest matters for review or approval. The IRC will assist the General Partner and the Investment Advisor and Fund Manager in performing their respective services under the Partnership Agreement by providing independent advice to, and oversight of, the General Partner and the Investment Advisor and Fund Manager, solely with respect to conflicts of interest and potential conflicts of interest identified by the General Partner and the Investment Advisor and Fund Manager. The Partnership will pay its pro rata share of the fees and expenses of the IRC which relate to the Partnership. It is expected that the pro rata fees and expenses payable by the Partnership in relation to its portion of the IRC fees and expenses will be between $4,000 and $9,500 annually, depending on the size of the Offering.

The IRC has approved a Charter which establishes rules of conduct designed to ensure fair treatment of Limited Partners and securityholders of the investment funds managed by the Promoter or its subsidiary companies, including the Partnership, and to ensure that at all times the interests of the funds and their securityholders, including those of the Partnership and its Limited Partners, are placed above personal interests of employees, officers and directors of the General Partner and the Investment Advisor and Fund Manager and their respective affiliates. The IRC meets at least quarterly each year.

The General Partner or the Investment Advisor and Fund Manager will notify each member of the IRC in writing of any conflict of interest or potential conflict of interest concerning the General Partner, the Investment Advisor and Fund Manager or the Partnership (other than any such conflicts of interest or potential conflicts of interest relating to matters with respect to which the approval of Limited Partners is required under the Partnership Agreement) and consult with the IRC in respect of any such conflicts of interest or potential conflicts of interest. In the event of an unresolved dispute between the IRC and the General Partner or the Investment Advisor and Fund Manager with respect to a conflict of interest or potential conflict of interest, the IRC will decide whether the Limited Partners should be notified of such matter and if it decides that notification is required, upon written direction of the IRC, the General Partner must notify Limited Partners of the conflict of interest or potential conflict of interest. Should the conflict result in a breach of a condition imposed by securities legislation or the IRC in its approval of the matter, the IRC would notify the British Columbia Securities Commission. A summary report by the IRC will be included in the Partnership's annual report to Limited Partners. The reports of the IRC will be

available free of charge from the General Partner on request by contacting the General Partner at (604) 602-1142 or by email at info@qwestfunds.com and will be posted on the Internet at www.qwestfunds.com.

Members of the IRC have agreed to serve on the IRC for not less than one year and not longer than three years, but are entitled to terminate their services at any time upon notice to the Partnership. All fees and expenses of the IRC will be paid by the Partnership and the regular fees and expenses of the IRC have been included in the Partnership's estimated annual operating expenses. See "Fees and Expenses". In addition, the IRC will have the authority to retain independent counsel or other advisors if the IRC deems it appropriate to do so. The Partnership will be responsible for the fees and expenses of any such experts which may be retained.

Members of the IRC: (a) will be indemnified by the Partnership in certain circumstances; (b) will not be responsible for the investments made by the Partnership nor for the performance of the Partnership; and (c) may serve in a similar capacity in respect of other entities which may or may not be managed by the General Partner, Investment Advisor and Fund Manager or affiliates thereof.

The IRC is currently comprised of three members, all of whom are independent of the General Partner and Investment Advisor and Fund Manager. The name, municipality of residence and principal occupation of each member of the IRC are set out in the table below.

| Name and Municipality of Residence | Principal Occupation |
|---|---|
| GARY ARCA, CA ........................................................................<br>Delta, B.C. | Chief Financial Officer, Starcore International Ventures Ltd., Golden Oasis Exploration Corp., Highland Resources Inc., Cortez Resources Corp., American Copper Corp. and Lebon Gold Mines Limited |
| DAVID M. DOUGLAS, CA..........................................................<br>Vancouver, B.C. | Chief Financial Officer, Western Keltic Mines Inc., from January 2007; Corporate Secretary, Northair Group, March 2005 to December 2006; Corporate Finance Consultant, July 2002 to March 2005 |
| PETER M. JARVIS, LLB (Chairperson).......................................<br>West Vancouver, B.C. | Contracts Manager, MacDonald Dettwiler & Associates Ltd. from November 2006; Associate Counsel, Miller Thomson LLP from 2004 to 2006; Principal, JRM Law Corp. from 2002 to 2004 |

### Custodian

The custodian of the Partnership is RBC Dexia Investor Services Trust, at its principal offices in Toronto, Ontario. The custodian will provide safekeeping and custodial services in respect of the Partnership's assets.

Pursuant to the custodian agreement dated January 17, 2011 entered into between the Partnership and RBC Dexia Investor Services Trust (the "**Custodian Agreement**"), the custodian may appoint sub-custodians to perform custodial services in countries other than the custodian's country of residence. The Custodian Agreement may be terminated by any party to the agreement on 30 days' written notice. The Custodian shall be entitled to compensation for its services and expenses agreed to between the parties from time to time.

### Auditor

The auditor of the Partnership is PricewaterhouseCoopers LLP, Chartered Accountants of Vancouver, British Columbia.

### Transfer Agent and Registrar

The Partnership has appointed Valiant Trust Company, at its principal offices in Vancouver, British Columbia, as the registrar and transfer agent for the Units.

**Promoter**

The Promoter was incorporated under the provisions of the *Canada Business Corporations Act* on January 20, 2003. The business of the Promoter is to structure syndicated tax-assisted investments, including the Prior Partnerships. The registered office of the Promoter is 1200 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia, V7X 1T2. The head office of the Promoter is Suite 1601 – 650 West Georgia Street, Vancouver, British Columbia, V6B 4N7, Telephone: (604) 602-1142, Fax: (604) 689-8892, Email: info@qwestfunds.com.

The Promoter is committed to achieving excellent customer service. This commitment includes ensuring access to a dedicated customer service team and QIFM's portfolio management team members. The Promoter also provides information on its website to assist clients or their professional advisors with tax information, including estimates of current year capital gains and other estimated tax information to assist in tax planning. Information contained on this website is not incorporated into and does not form part of this prospectus.

The Promoter is continually evolving its customer services to bring added value to its clients. The Promoter provides clients, on a monthly basis, with a conference call with QIFM's portfolio team members.

**Officers and Directors of the Promoter**

The name, municipality of residence, office and principal occupation of each of the directors and senior officers of the Promoter are set out below:

| Name and Municipality of Residence | Position with the Promoter | Principal Occupation |
|---|---|---|
| STEPHEN P. MCCOACH.......................... Vancouver, B.C. | Chairman, Managing Director, Chief Executive Officer and Director | Chairman, Managing Director, Chief Executive Officer and director, Qwest Investment Management Corp., Chairman and director, Heritage Bancorp Ltd. and Chairman, President and director of Qwest Investment Fund Management Ltd. |
| MAURICE LEVESQUE ............................ North Vancouver, B.C. | Managing Director, President and Director | Managing Director, President and director, Qwest Investment Management Corp., President and director, Heritage Bancorp Ltd. and Chief Compliance Officer and director of Qwest Investment Fund Management Ltd. |
| DON SHORT .......................................... Calgary, Alta | Senior Vice President and Portfolio Manager | Senior Vice President and Portfolio Manager of Qwest Investment Management Corp. and Qwest Investment Fund Management Ltd. as well as a director of Qwest Investment Fund Management Ltd. |
| CHRIS HARRISON.................................. Surrey, B.C. | Chief Financial Officer and Secretary | Chief Financial Officer and Secretary, Qwest Investment Management Corp. and Heritage Bancorp Ltd. and Chief Financial Officer of Qwest Investment Fund Management Ltd. |
| DARYL H. GILBERT .............................. Calgary, Alta | Director | Independent businessman; prior to January 31, 2005 President and Chief Executive Officer, GLJ Petroleum Consultants Ltd. |
| CHARLES V. SELBY .............................. Calgary, Alta | Director | President, Caledonian Royalty Corporation, and Vice-President, Pengrowth Corporation |

Biographies of each of the directors and senior officers of the Promoter, other than Daryl Gilbert and Charles Selby, are set out under the heading "- Officers and Directors of the General Partner" above. The biographies for Daryl Gilbert and Charles Selby, including their principal occupations for the last five years, are set out below.

*Daryl H. Gilbert, P.Eng* - Director

Mr. Gilbert is an independent businessman in Calgary, Alberta with over 30 years of experience in the domestic oil and gas industry, as well as extensive international experience, having consulted on oil and gas projects in Australia, Italy and Russia.

Mr. Gilbert was the President and Chief Executive Officer of GLJ Petroleum Consultants Ltd., a private oil and gas geological and engineering services firm based in Calgary, Alberta, until his retirement in early 2005. In this capacity, Mr. Gilbert provided detailed reservoir analyses, merger and acquisition evaluations, fair market value appraisals and expert witness testimony. Mr. Gilbert has also held positions with Alberta Energy Resources Conservation Board and Great Northern Oil Ltd.

Mr. Gilbert serves as a director on several energy-related public entities such as AltaGas Income Trust, Canetic Resources Trust, MGM Energy Corp., Nexstar Energy Ltd. and Falcon Oil & Gas Ltd. Mr. Gilbert is also a director of Qwest Energy Corp. and a number of its related entities, and Qwest Investment Management Corp. and a number of its related entities.

Mr. Gilbert holds a Bachelor of Science degree in Civil Engineering and is a Registered Professional Engineer.

*Charles V. Selby, P.Eng, LLB* - Director

Mr. Selby has over 25 years of involvement in all aspects of the oil and gas industry with a particular focus upon the structuring and financing of domestic and international transactions, the management of business ventures and the negotiation of contracts.

Mr. Selby is currently the President of Caledonian Royalty Corporation, Vice-President of Pengrowth Corporation, a Director of NXT Energy Services Inc., Vecta Energy Corporation and Bridge Resources Corp. and a partner of the Quorum Oil and Gas Technology Fund. He is also Chairman and a Director of AltaCanada Energy Corp. and Wellpoint Technologies Inc. In addition, Mr. Selby is the principal of Ikon Strategies Inc., a professional consulting business. Mr. Selby is also a director of Qwest Energy Corp. and a number of its related entities, and Qwest Investment Management Corp. and a number of its related entities.

From 1995 to 1998, Mr. Selby acted as Corporate Secretary and General Counsel to Arakis Energy Corporation, which was acquired by Talisman Energy Inc. Mr. Selby has a background in securities, corporate and oil and gas law with two Calgary based law firms. Prior thereto, Mr. Selby worked as a petroleum engineer in Canada, the United States and Saudi Arabia.

Mr. Selby is a member of the Canadian Bar Association and the Association of Professional Engineers, Geologists and Geophysicists of Alberta.

The Promoter has an indirect interest in the General Partner's Fee and the Performance Bonus paid or to be paid to the General Partner, as well as the fees to be paid to QIFM. See "Interest of Management and Others in Material Transactions", "Organization and Management Details of the Partnership - The Investment Advisor and Fund Manager" and "Fees and Expenses".

**Penalties, Sanctions and Bankruptcies**

No director, officer or promoter of the Promoter is, or within the ten years prior to the date of this prospectus has been, a director or officer of any issuer that, while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than 30 consecutive days, except as follows.

Globel Direct Inc. was cease-traded for greater than 30 days in 2002 for failure to file financial statements on time, and is currently in receivership. Mr. Gilbert was a director of Globel Direct at the time of the cease trade and is currently a director of Globel Direct.

**Heritage Bancorp Ltd.**

Heritage is a company wholly-owned by the Promoter, Qwest Investment Management Corp. The Promoter established Heritage for the purpose of providing accounting, record keeping, reporting, administrative and general office services necessary to carry out business operations (collectively, the "Services") to the Related Entities, including the Prior Partnerships. Direct costs incurred by a Related Entity, such as legal, audit and regulatory filing fees, are paid directly by the Related Entity incurring such costs. Common costs associated with the provision of the Services to all the Related Entities, such as salaries, benefits and other associated personnel costs, office rent and facilities, independent review committee costs, telephone, travel and office equipment costs, are paid by Heritage and allocated, on a no mark-up cost recovery basis, to the various entities to which Heritage provides the Services. Heritage allocates the costs for the Services provided to the Prior Partnerships on a proportionate basis based on the ongoing Net Asset Value of each partnership as a percentage of the aggregate Net Asset Values of all the Prior Partnerships. Upon Closing, Heritage intends to allocate the costs for Services provided by it to the Partnership on the same basis. The salaries of the Managing Directors of the Promoter will not be allocated to the Partnership directly or indirectly through Heritage.

## CALCULATION OF NET ASSET VALUE

**Calculation of Net Asset Value**

The Net Asset Value of the Partnership will be calculated by the General Partner at 4:00 p.m. (ET) on each Valuation Date by subtracting the aggregate amount of the Partnership's liabilities from the aggregate amount of the Partnership's assets on that date, as determined using the fair market value of the Partnership's assets and liabilities.

**Valuation Policies and Procedures of the Partnership**

The Partnership's Net Asset Value will be calculated as the difference on a Valuation Date between:

(a) the market value of the Investment Portfolio and other assets of the Partnership, 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) 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 closing sale price on such day, or if there is no closing sale price on such day, the average of the 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;

(iii) the value of any security, property or other assets (including any Illiquid Investments) to which, in the reasonable 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;

(iv) 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

(v) where the Partnership has executed an Investment Agreement, but the purchase of the Flow-Through Shares provided for thereunder has not been completed, for the purposes of calculating the Net Asset Value, the Partnership shall be deemed to have invested in the securities of the Resource Issuer at the date the Partnership entered into the applicable Investment Agreement, and the value of the securities deemed to be so acquired valued in accordance with (i), (ii), (iii) and (iv) above, shall be included in calculating Net Asset Value and the amount of cash required to be invested under any Investment Agreement (together with interest accruing thereon for the account of the Resource Issuer, if any) shall be deducted in calculating the Net Asset Value; and

(b) all liabilities of:

(i) the Partnership; and

(ii) the General Partner and the Investment Advisor and Fund Manager incurred in connection with the Partnership or the Investment Portfolio,

as determined by the General Partner.

If an investment cannot be valued under the foregoing principles or if the foregoing principles are at any time considered by the General Partner to be inappropriate under the circumstances, then notwithstanding such principles, the General Partner will make such valuation as it considers fair and reasonable and, if there is an industry practice, in a manner consistent with industry practice for valuing such investment.

The Net Asset Value per Unit will be calculated in accordance with the rules and policies of the Canadian Securities Administrators or in accordance with any exemption therefrom that the Partnership may obtain (“Transaction NAV”). The Net Asset Value per Unit determined in accordance with the principles set out above may differ from Net Asset Value per Unit determined under Canadian GAAP (“GAAP NAV”). The GAAP NAV will be used for financial statement reporting purposes and a reconciliation between GAAP NAV and Transaction NAV will be included.

**Reporting of Net Asset Value**

The Net Asset Value per Unit of the Partnership as at each Valuation Date will be available at the Promoter’s website at www.qwestfunds.com. None of the information contained on the Promoter’s website is or shall be deemed to be incorporated in this prospectus by reference.

## ATTRIBUTES OF THE UNITS

### Description of the Units Distributed

The interests of the Limited Partners in the Partnership will be divided into an unlimited number of Units. A maximum of 2,000,000 Units and a minimum of 200,000 Units will be issued pursuant to the Offering. Except as otherwise expressly provided for in the Partnership Agreement, each issued and outstanding Unit shall be equal to each other Unit with respect to all rights, benefits, obligations and limitations provided for in the Partnership Agreement and all other matters and no Unit shall have preference, priority or right in any circumstance over any other Unit. At all meetings of the Limited Partners, each Limited Partner will be entitled to one vote for each Unit held. Each Limited Partner will contribute to the capital of the Partnership $25 for each Unit purchased. There are no restrictions as to the maximum number of Units that a Limited Partner may hold in the Partnership, subject to limitations on the number of Units that may be held by "Financial Institutions" (as defined in subsection 142.2(1) of the Tax Act) and provisions relating to take-over bids. The minimum purchase for each Limited Partner is 100 Units. Additional purchases may be made in single Unit multiples of $25. Fractional Units will not be issued. See "Summary of Partnership Agreement".

The General Partner may require Limited Partners who are non-residents of Canada for the purposes of the Tax Act or a partnership other than one that is a Canadian Partnership to sell their Units to residents of Canada.

In addition, if the General Partner becomes aware that 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 may send notice to certain of these Limited Partners, 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. If a Limited Partner fails to comply with any such request, the General Partner shall have the right to sell such Limited Partner's Units or to purchase the same on behalf of the Partnership at fair value as determined by an independent third party selected by the General Partner, whose determination will be final and binding and not subject to review or appeal.

On dissolution, the Limited Partners of record holding the then outstanding Units are entitled to receive 99.99% of the assets of the Partnership remaining after payment of debts, liabilities and liquidation expenses of the Partnership. The Initial Limited Partner has contributed $10.00 to the capital of the Partnership. The Initial Unit issued to the Initial Limited Partner will be redeemed, and such capital contribution repaid, on the initial Closing.

By placing an order for Units which is accepted by the General Partner, an investor, among other things:

- irrevocably authorizes and directs the Agents to provide certain information to the General Partner, including such investor's full name, residential address, telephone number, social insurance, business or corporation account number, as the case may be, number of Units purchased and the name and registered representative number of the representative of the Agent or member of its selling group responsible for such subscription and covenants to provide such information to the Agents;

- acknowledges that he or she is bound by the terms of the Partnership Agreement and is liable for all obligations of a Limited Partner;

- makes the representations, warranties and covenants that he or she is not and will not be a "non-resident" for purposes of the Tax Act, that he or she is not and will not be a "non-Canadian" as that expression is defined in the *Investment Canada Act*, that he or she is not a "tax shelter investment" as that term is defined in the Tax Act, that the investor is not a partnership, that he or she is not a Financial Institution unless such investor has provided written notice to the contrary prior to the date of acceptance of the investor's subscription, that, in a written notice provided to the General Partner on or before the date of acceptance of the subscription, the investor identifies all Resource Issuers with which the investor does not deal at arm's length (and, where the investor is a Resource Issuer, acknowledges that the investor is a Resource Issuer), and that payment of the subscription price for

such Limited Partner's Units was not financed through borrowing or other indebtedness which is or is deemed to be a Limited Recourse Amount;

- irrevocably nominates, constitutes and appoints the General Partner as his or her true and lawful attorney with the full power and authority as set out in the Subscription Agreement and the Partnership Agreement; and

- irrevocably authorizes the General Partner to file on his or her behalf all elections, determinations and designations under applicable income tax or other legislation in respect of the business of the Partnership, including the dissolution of the Partnership. See "Income Tax Considerations".

An investor who places an order for Units which is accepted by the General Partner, among other things: (i) acknowledges and agrees that he or she has duly authorized the Agent through which he or she purchases Units (or any authorized member of the selling group formed by the Agent through which he or she purchases Units) to act as his or her agent in connection with his or her purchase of Units, to execute the Partnership Agreement on his or her behalf, to give the representations, warranties and covenants in the Partnership Agreement on his or her behalf as a Limited Partner, and to grant to the General Partner on his or her behalf the power of attorney set out in the Partnership Agreement; (ii) acknowledges and agrees that, if such investor has subscribed for Units through a registered dealer or broker who is a member of the selling group, it is within the scope of the agency relationship that exists between such investor and such broker that such broker may delegate all necessary power and authority to the Agents to enable the Agents to do or cause to be done all those acts which are contemplated to be done by the Agents pursuant to the Partnership Agreement; and (iii) acknowledges and agrees that he or she has duly authorized the Agent through which he or she purchases Units (or an authorized registered dealer or broker through which he or she purchases Units) to execute and deliver to the General Partner a Subscription Agreement.

## LIMITED PARTNER MATTERS

### Meetings of Limited Partners

The Partnership will not be required to hold annual general meetings, but the General Partner may at any time convene a meeting of the Limited Partners and will be required to convene those meetings that are required to be held. The General Partner will also be required to convene a meeting upon receipt of a request in writing of Limited Partners holding, in aggregate, 10% 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. Notice of not less than 21 days or more than 60 days is required to be given for each meeting. All meetings of Limited Partners are to be held in Vancouver, British Columbia. A Limited Partner may attend a meeting of the Partnership in person or by proxy or, in the case of a Limited Partner which is a corporation, by a representative. A quorum will consist of two or more Limited Partners present in person or by proxy and representing not less than 5% of the Units then outstanding at a meeting called to consider an Ordinary Resolution and not less than 20% of the Units then outstanding at a meeting called to consider an Extraordinary Resolution. 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 written request of Limited Partners, will be cancelled, but otherwise will be adjourned to such date not less than ten and not more than 21 days after the original meeting date. At such adjourned meeting, those Limited Partners present in person or by proxy will constitute a quorum.

### Matters Requiring Limited Partner Approval

In addition to the matters listed in "Amendments to Partnership Agreement", the General Partner may not be removed other than by an Extraordinary Resolution in circumstances where the General Partner is in breach or default of its obligations under the Partnership Agreement and, if capable of being cured, such breach or default has not been cured within 20 business days notice of such breach to the General Partner, or if the General Partner becomes bankrupt or insolvent. A quorum for a meeting called for the purposes of removing the General Partner shall consist of two or more individuals present in person or by proxy and representing not less than 50% of the Units outstanding. A new General Partner may be appointed by Ordinary Resolution.

**Amendments to Partnership Agreement**

The General Partner may, without prior notice to or consent from any Limited Partners, amend the Partnership Agreement from time to time if such amendment is to add any provision which, in the opinion of the General Partner, is for the protection and benefit of the Limited Partners, is required to cure any manifest error or ambiguity or to correct or supplement any provision in the Partnership Agreement that may be defective or inconsistent with another provision, or is required by law. The General Partner will notify the Limited Partners of the full details of any amendment so made within 30 days after the effective date of the amendment.

The General Partner may, with the consent of the Limited Partners given by Extraordinary Resolution, amend the Partnership Agreement provided that no amendment may be made that would have the effect of: allowing any Limited Partner to participate in the control or management of the Partnership's business; reducing, eliminating, amending or modifying the obligation of the Partnership to pay the General Partner's Fee and the Performance Bonus to the General Partner; changing provisions concerning the General Partner's costs and expenses (unless the General Partner, in its sole discretion, consents thereto); reducing the interest in the Partnership of any Limited Partner; changing in any manner the allocation of net income or net loss and taxable income or taxable loss between the Limited Partners and the General Partner or the allocation of Eligible Expenditures among Limited Partners; changing the liability of the Limited Partners or the General Partner; changing the right of a Limited Partner or the General Partner to vote at any meeting; changing the Partnership from a limited partnership to a general partnership (unless all of the Limited Partners consent thereto); or which would result in a denial or reduction of any income tax deductions or credits related to Flow-Through Shares (*e.g.*, by rendering them "prescribed shares" or "prescribed rights" under the regulations to the Tax Act) or otherwise available to Limited Partners, but for the amendment. The Investment Strategy and Investment Guidelines adopted by the Partnership may only be changed by Extraordinary Resolution duly passed by the Limited Partners.

**Reporting to Limited Partners**

The Partnership's fiscal year is the calendar year. A copy of the audited financial statements of the Partnership will be mailed by the General Partner to each Limited Partner within 120 days (or such shorter period as may be required under the *Securities Act* (Ontario)) following the end of each fiscal year. Unless the Partnership obtains an exemption from such quarterly reporting requirements, within 60 days (or such shorter period as may be required under the *Securities Act* (Ontario)) following March 31, June 30 and September 30 of each year, an unaudited statement of net assets and financial operations as at and for the period then ended and the corresponding period of the preceding year (if any) will be forwarded by the General Partner to the Limited Partners. Each statement will be accompanied by a narrative report describing the affairs and operations of the Partnership. The General Partner may, in its sole discretion, seek exemptions relieving the Partnership from its quarterly reporting requirements under applicable securities laws and is authorized to do so under the Partnership Agreement.

In addition, the General Partner will, by March 31 of each year (or as soon as possible thereafter) forward to each Limited Partner of record on December 31 of each preceding year such other information as is necessary for such Limited Partners to complete his or her income tax reporting relating to his or her interest in the Partnership.

The General Partner will ensure that the Partnership complies with all other reporting and administrative requirements under securities or partnership law in all applicable jurisdictions in Canada.

## LIQUIDITY ALTERNATIVE AND TERMINATION OF THE PARTNERSHIP

Unless dissolved earlier upon the occurrence of certain events stated in the Partnership Agreement or continued after December 31, 2013 with the approval of Limited Partners given by Extraordinary Resolution, the Partnership will continue until the Termination Date and thereupon will terminate and the net assets of the Partnership will be distributed to the Limited Partners and the General Partner unless a Liquidity Alternative is implemented as described below. Prior to the Termination Date, or such other termination date as may be agreed upon, (a) the General Partner will, in its discretion, take steps to convert all or any part of the assets of the Partnership to cash; (b) all amounts outstanding under the Partnership Loan Facility, including interest accrued thereon, will be repaid in full; and (c) the net assets will be distributed *pro rata* to the Partners. The General Partner may, in its sole discretion and upon not less than 30 days' prior written notice to the Limited Partners, extend the

date for the termination of the Partnership to a date not later than three months after the Termination Date if the Investment Advisor and Fund Manager has been unable to convert all of the portfolio assets to cash and the General Partner determines that it would be in the best interests of the Limited Partners to do so. Should the liquidation of certain securities not be possible or should the Investment Advisor and Fund Manager consider such liquidation not to be appropriate prior to the Termination Date, such securities will be distributed to Partners *in specie*, on a *pro rata* basis, subject to all necessary regulatory approvals and thereafter such property will, if necessary, be partitioned. See "Risk Factors".

Upon the dissolution of the Partnership, the General Partner shall, after payment or provision for the payment of the debts and liabilities of the Partnership and liquidation expenses, distribute to each Partner an undivided interest in each asset of the Partnership which has not been sold for cash. The General Partner will receive a 0.01% undivided interest in each such asset and each Limited Partner will receive an undivided interest in each such asset equal to 99.99% multiplied by the proportionate number of Units owned by the Limited Partner.

In order to provide Limited Partners with enhanced liquidity and the potential for long-term growth of capital and for income, on or before June 30, 2013, the General Partner intends, if all necessary approvals are obtained, to implement a Liquidity Alternative. The General Partner intends the Liquidity Alternative will be an exchange transaction pursuant to which the Partnership will transfer its assets to a Mutual Fund, on a tax-deferred basis, in exchange for redeemable shares of the Mutual Fund and, within 60 days from the day when the assets are transferred to the Mutual Fund, the shares of the Mutual Fund will be distributed to the Limited Partners, *pro rata*, on a tax-deferred basis upon the dissolution of the Partnership. **There can be no assurance that any such Liquidity Alternative will be proposed, will receive the necessary approvals (including regulatory approvals), be implemented or be implemented on a tax-deferred basis.** If the Mutual Fund that participates in a Liquidity Alternative (or an alternate form of liquidity arrangement) is the QE Canadian Resource Class, a class of securities of QE Funds Corp., then the approval of the IRC of the Partnership and the Mutual Fund will be required. See "Organization and Management Details of the Partnership - Conflicts of Interest". In addition, a requirement to obtain approvals, including regulatory approvals, may arise in the situation where the Partnership does not implement a Liquidity Alternative as contemplated in this Prospectus, but proposes to implement an alternative form of liquidity arrangement. In the event a Liquidity Alternative is not implemented on or before June 30, 2013, then, in the discretion of the General Partner, the Partnership may: (a) be dissolved on or about December 31, 2013, and its net assets distributed *pro rata* to the Partners, or (b) subject to the approval by Extraordinary Resolution of the Limited Partners, continue in operation with an actively managed portfolio. See "Organization and Management Details of the Partnership - Details of the Partnership Agreement – Dissolution". The General Partner will not propose or implement any Liquidity Alternative which adversely affects the status of the Flow-Through Shares as flow-through shares for income tax purposes (*e.g.*, by rendering them "prescribed shares" or "prescribed rights" under the regulations to the Tax Act), whether prospectively or retrospectively. Any such dissolution and distribution will be subject to obtaining all necessary approvals and must occur on or prior to December 31, 2013, unless the Partnership's operations are continued past this date in accordance with the Partnership Agreement.

In the event that a Liquidity Alternative is not implemented and (a) the Partnership dissolves on or about December 31, 2013, or (b) if the Partnership continues in operation past this date in accordance with the Partnership Agreement, at the time of dissolution the net assets of the Partnership will consist primarily of cash and securities of Resource Issuers. Prior to that date, the General Partner will attempt to liquidate as much of the Investment Portfolio as possible for cash, with a view to maximizing sale proceeds. In order to allow the property of the Partnership which has not been converted to cash to be distributed on a tax-deferred basis, on dissolution each Limited Partner will receive an undivided interest in each property of the Partnership equal to the Limited Partner's proportionate interest in the Partnership. Immediately thereafter, the undivided interest in each property will be partitioned and the Limited Partners will receive securities of Resource Issuers and other property in proportion to their former interest in the Partnership. The General Partner will then request that the transfer agent for each Resource Issuer provide the General Partner with individual share certificates registered in the name of each Limited Partner for each Resource Issuer. The share certificates registered in the names of the Limited Partners will then be transmitted to the Limited Partners.

The General Partner has been granted all necessary power, on behalf of the Partnership and each Limited Partner, to transfer the assets of the Partnership to a Mutual Fund pursuant to a Liquidity Alternative, implement the dissolution of the Partnership thereafter and to file all elections deemed necessary or desirable by the General

Partner to be filed under the Tax Act and any other applicable tax legislation in respect of any transaction with a Mutual Fund or the dissolution of the Partnership. The General Partner may, in its sole discretion, call a meeting of Limited Partners to approve a Liquidity Alternative and no Liquidity Alternative will be implemented if a majority of the Units voted at such meeting are voted against the Liquidity Alternative. The General Partner does not intend to call such a meeting unless the terms of the Liquidity Alternative are substantially different from those described herein. In addition, the General Partner will not propose a Liquidity Alternative or an alternate form of liquidity arrangement where such Liquidity Alternative or alternate form of liquidity arrangement would result in Limited Partners receiving securities of an issuer that is not a reporting issuer in exchange for their Units.

The Promoter has established the QE Canadian Resource Class, a class of securities of QE Funds Corp., a mutual fund corporation incorporated on March 8, 2006. QIFM has been appointed as portfolio manager for the QE Canadian Resource Class. It is anticipated that this mutual fund corporation will be the Mutual Fund that participates in a Liquidity Alternative, if implemented. A copy of the simplified prospectus and annual information form for the QE Canadian Resource Class may be obtained on the Internet at www.sedar.com.

## USE OF PROCEEDS

**This is a blind pool offering**. The Gross Proceeds of the Offering will be $50,000,000 if the maximum Offering is completed, and $5,000,000 if the minimum Offering is completed. The Partnership will use the Available Funds to acquire (directly or indirectly) Flow-Through Shares of Resource Issuers. The Operating Reserve will be used to fund the ongoing operating and management fees and expenses of the Partnership (see “Fees and Expenses”).

The following table sets out the Operating Reserve and the Available Funds in connection with each of the maximum and minimum Offering.

| | **Maximum Offering** | **Minimum Offering** |
|---|---|---|
| Operating Reserve ............................................................. | $700,000 | $200,000 |
| Available Funds [(1)].............................................................. | $49,300,000 | $4,800,000 |

(1) The Agents’ fee ($337,500 in the case of the minimum Offering and $3,375,000 in the case of the maximum Offering) and the expenses of the Offering (estimated by the General Partner to be $100,000 in the case of the minimum Offering and $465,000 in the case of the maximum Offering) will be paid by the Partnership from funds borrowed by the Partnership for such purpose pursuant to the Partnership Loan Facility. See “Investment Structure – Partnership Loan Facility” and “Fees and Expenses”.

The Gross Proceeds from the issue of the Units will be paid to the Partnership at Closing and deposited in its bank account and managed on behalf of the Partnership by the General Partner. Pending the investment of Available Funds in Flow-Through Shares and other securities, if any, of Resource Issuers, all such Available Funds will be invested in High Quality Money Market Instruments. Interest earned by the Partnership from time to time on Available Funds will accrue to the benefit of the Partnership.

The General Partner and the Investment Advisor and Fund Manager will use all commercially reasonable efforts to invest all of the Available Funds in Flow-Through Shares on or before December 31, 2011. In the event the General Partner and the Investment Advisor and Fund Manager is unable to enter into Investment Agreements by December 31, 2011 for the full amount of the Available Funds from this Offering, up to 5% of the Available Funds may be invested in shares of Resource Issuers that do not have the attributes of Flow-Through Shares. Subject to the terms of the Partnership Loan Facility, Available Funds that have not been invested in Flow-Through Shares and other securities, if any, of Resource Issuers (or Alternative Flow-Through Securities) by December 31, 2011, may be returned on a *pro rata* basis to Limited Partners of record on that date, without interest or deduction by January 31, 2012. If uncommitted funds are returned in this manner, Limited Partners will not be entitled to claim all of the anticipated deductions from income for income tax purposes.

The Agents will hold Unit subscription proceeds received from subscribers prior to the Closing until subscriptions for the minimum Offering are received and other closing conditions of the Offering have been satisfied. If the minimum Offering is not subscribed for within 90 days after the issuance of final receipts for this Prospectus, subscription proceeds received will be returned, without interest or deduction, to the investors within 15 days.

## PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement dated as of February 3, 2011 among the Agents, the Partnership, the General Partner and the Promoter, the Agents have agreed to offer Units for sale to the public in each of the provinces and territories of Canada on an agency basis if, as and when issued by the Partnership. The Partnership will pay to the Agents the Agents' fee equal to 6.75% of the selling price for each Unit sold to an investor under the Offering, and reimburse the Agents for reasonable expenses in connection with the Offering.

The Offering consists of a maximum offering of 2,000,000 Units and a minimum offering of 200,000 Units. The minimum purchase is 100 Units. Additional subscriptions may be made in single Unit multiples of $25. The price to the public per Unit was established by the General Partner.

While the Agents have agreed to use their commercially reasonable efforts to sell the Units, they are not obliged to purchase any Units that are not sold. The obligations of the Agents under the Agency Agreement may be terminated, and the Agents may withdraw all subscriptions on behalf of investors, at the Agents' discretion, on the basis of their assessment of the state of the financial markets or upon the occurrence of certain stated events. Pursuant to the Agency Agreement, the Promoter, the Partnership and the General Partner have agreed to jointly and severally indemnify the Agents upon the occurrence of certain events.

The Offering will take place during the period commencing on the date receipts are issued for the prospectus by the British Columbia Securities Commission and the Ontario Securities Commission and ending at the close of business on the date of the final Closing. It is expected that the initial Closing Date will be on or about February 11, 2011. Subscription proceeds received by the Agents will be held by the Agents until the Closing Date. If subscriptions for the minimum Offering are not obtained within 90 days after the issuance of final receipts for this Prospectus, subscription funds will be returned, without interest or deduction, to the investors. If the maximum Offering is not achieved at the Closing Date, subsequent Closings may be completed, provided the last Closing will take place no later than the date that is 90 days from the date of this prospectus.

The General Partner, on behalf of the Partnership, reserves the right to accept or reject any subscription in whole or in part. An investor whose subscription for Units has been accepted by the General Partner will become a Limited Partner upon the entering of his or her name in the register of Limited Partners on or as soon as possible after the relevant Closing.

## PRINCIPAL HOLDERS OF SECURITIES OF THE PARTNERSHIP

### Principal Holders of Partnership Interests

As of the date hereof, the only partners of the Partnership are the Initial Limited Partner, Heritage, whose interest will be redeemed at the time of the initial Closing, and the General Partner.

### Principal Holders of Shares of the General Partner

As of the date hereof, the Promoter owns beneficially and of record 100% of the shares of the General Partner.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Each of the General Partner, QIFM and Heritage is a wholly-owned subsidiary of the Promoter. Some of the directors and officers of the General Partner are also directors and officers of the Promoter, QIFM and Heritage, and the Promoter is wholly owned, directly or through holding companies which they control, by directors and officers of the General Partner, QIFM and Heritage. To the knowledge of the General Partner and QIFM, except as disclosed herein under "Fees and Expenses", no director or officer of the General Partner or QIFM has any interest in any actual material transaction involving the Partnership, or has any interest in any proposed material transaction involving the Partnership.

## PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD

### Policies and Procedures

Subject to compliance with the provisions of applicable law, QIFM, in its capacity as Investment Advisor and Fund Manager, acting on the Partnership's behalf, has the right to vote proxies relating to the securities of Resource Issuers in the Investment Portfolio. Proxies must be voted in a manner consistent with the best interests of the Partnership and the Limited Partners.

Because the Partnership does not purchase securities for the purposes of exercising control or direction over Resource Issuers, proxies will be assessed but generally will be voted with management of a Resource Issuer on routine business. Examples of routine business applicable to a Resource Issuer are voting on the size, nomination and election of the board of directors and the appointment of auditors. All other special or non-routine matters will be assessed on a case-by-case basis with a focus on the potential impact of the vote on the value of the Partnership's investment in that Resource Issuer. Examples of non-routine business are stock based compensation plans, executive severance compensation arrangements, shareholders rights plans, corporate restructuring plans, going private transactions in connection with leveraged buyouts, supermajority approval proposals, and stakeholder or shareholder proposals.

On rare occasions, the Investment Advisor and Fund Manager may abstain from voting a proxy or a specific proxy item when it is concluded that the potential benefit of voting the proxy of that Resource Issuer is outweighed by the cost of voting the proxy. In addition, the Investment Advisor and Fund Manager will not vote proxies received for securities of Resource Issuers which are no longer held in the Investment Portfolio.

### Proxy Voting Conflicts of Interest

Where proxy voting could give rise to a conflict of interest or perceived conflict of interest, in order to balance the interest of the Partnership in voting proxies with the desire to avoid the perception of a conflict of interest, the Investment Advisor and Fund Manager has instituted procedures to help ensure that the Partnership's proxy is voted in accordance with the business judgment of the person exercising the voting rights on behalf of the Partnership, uninfluenced by considerations other than the best interests of the Partnership.

The procedures for voting Resource Issuers' proxies where there may be a conflict of interest include escalation of the issue to the independent members of the Board of Directors of the General Partner, for their consideration and advice, although the responsibility for deciding how to vote the Partnership's proxies and for exercising the vote remains with the Investment Advisor and Fund Manager.

### Disclosure of Proxy Voting Guidelines and Record

A copy of the Investment Advisor and Fund Manager's proxy voting guidelines will be made available on the Internet at www.qwestfunds.com. The most recent proxy voting record for the Mutual Fund for the most recent period ended June 30 of each year will also be available on the Internet at www.qwestfunds.com or will be sent, upon request, to securityholders of the Partnership at any time after August 31 of that year.

## MATERIAL CONTRACTS

The Partnership has entered into, or will enter into on or prior to the Closing Date, the following material contracts:

1. The Partnership Agreement referred to under "Summary of Partnership Agreement";

2. The Agency Agreement referred to under "Plan of Distribution";

3. The Investment Advisor and Fund Manager Agreement referred to under "Organization and Management Details of the Partnership – Details of the Investment Advisor and Fund Manager Agreement"; and

4. The Custodian Agreement referred to under "Organization and Management Details of the Partnership – Custodian".

Copies of the contracts referred to above (or drafts thereof) may be inspected during normal business hours over the course of the Offering at the registered office of the General Partner, 1200 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia, V7X 1T2.

## LEGAL AND ADMINISTRATIVE PROCEEDINGS

Neither the General Partner nor the Partnership are currently involved in any litigation or proceedings which are material either individually or in the aggregate to the continued business operations of the General Partner and/or the Partnership and, to each of their knowledge, no legal proceedings of a material nature involving the General Partner and/or the Partnership are currently contemplated by any individuals, entities or government authorities.

## EXPERTS

### Auditors

The auditors of the Partnership are PricewaterhouseCoopers LLP, Chartered Accountants. As of the date hereof, PricewaterhouseCoopers LLP has advised that they are independent with respect to the Partnership within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

### Legal Opinions

Legal matters in connection with the offering of Units of the Partnership will be passed upon on behalf of the Partnership and the General Partner by Borden Ladner Gervais LLP, and on behalf of the Agents by Miller Thomson LLP. As of the date hereof, the partners and associates of each of Borden Ladner Gervais LLP and Miller Thomson LLP beneficially own, directly or indirectly, less than 1% of the outstanding securities or other property of the Partnership.

## PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the Jurisdictions 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 certain Jurisdictions, securities legislation further provides a purchaser with remedies for rescission or, in some Jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to a purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's Jurisdiction. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's Jurisdiction for the particulars of these rights or consult with a legal advisor.

**AUDITORS' CONSENT**

We have read the prospectus of Qwest Energy 2011 Flow-Through Limited Partnership (the "Limited Partnership") dated February 3, 2011 relating to the issue and sale of limited partnership units of the Limited 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 directors of Qwest Energy 2011 Flow-Through Management Corp. (the "Corporation") in its capacity as general partner of the Limited Partnership on the balance sheet of the Limited Partnership as at February 2, 2011. Our report is dated February 3, 2011.

(signed) PricewaterhouseCoopers LLP
Chartered Accountants
Vancouver, Canada
February 3, 2011

## AUDITORS' REPORT

To the Board of Directors of:

Qwest Energy 2011 Flow-Through Management Corp. in its capacity as general partner of Qwest Energy 2011 Flow-Through Limited Partnership.

We have audited the accompanying balance sheet of Qwest Energy 2011 Flow-Through Limited Partnership as at February 2, 2011 and a summary of significant accounting policies and other explanatory information (together "the financial statement").

### Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, this financial statement presents fairly, in all material respects, the financial position of the Limited Partnership as at February 2, 2011 in accordance with Canadian generally accepted accounting principles.

(signed) PricewaterhouseCoopers LLP
Chartered Accountants
Vancouver, BC
February 3, 2011

**QWEST ENERGY 2011 FLOW-THROUGH LIMITED PARTNERSHIP**
**BALANCE SHEET**

**As at February 2, 2011**

**ASSETS**

| | |
|---|---|
| Cash | $35 |

**PARTNERS' CAPITAL**

| | |
|---|---|
| General Partner Contribution | $10 |
| Issued and fully paid limited partnership unit | $25 |
| | $35 |

See accompanying notes to the balance sheet

Approved on behalf of Qwest Energy 2011 Flow-Through Limited Partnership by the Board of Directors of its General Partner, Qwest Energy 2011 Flow-Through Management Corp.

*(signed) Stephen P. McCoach*
Director

*(signed) Maurice Levesque*
Director

**QWEST ENERGY 2011 FLOW-THROUGH LIMITED PARTNERSHIP**

**NOTES TO BALANCE SHEET**

**February 2, 2011**

## 1. FORMATION OF PARTNERSHIP

Qwest Energy 2011 Flow-Through Limited Partnership (the "Partnership") was formed on December 10, 2010 as a limited partnership under the laws of the Province of British Columbia. The principal purpose of the Partnership is to provide Limited Partners with a tax-assisted investment in a diversified portfolio of flow-through shares of resource issuers for capital appreciation and profits.

The general partner of the Partnership is Qwest Energy 2011 Flow-Through Management Corp. (the "General Partner") and capital of $10 cash was contributed. Under the Partnership Agreement between the General Partner and each of the limited partners (the "LPA") dated December 9, 2010 and amended and restated as of February 2, 2011, 99.99% of the net income of the Partnership, 100% of the net loss of the Partnership and 100% of any Eligible Expenditures renounced to the Partnership will be allocated pro-rata to the Limited Partners and the General Partner is to be allocated 0.01% of the net income of the Partnership. Upon dissolution, Limited Partners are entitled to 99.99% of the assets of the Partnership and the General Partner is entitled to 0.01% of assets.

The Partnership will pay all costs relating to the proposed offering of limited partnership units in the Partnership. However, in the event these offering expenses exceed 2% of the gross proceeds of the offering, the General Partner will be responsible for the shortfall. The Agents for the offering will be paid a fee equal to 6.75% of the gross proceeds realized from the offering. Agents fees are treated as costs of the offering and will be charged against limited partnership capital. The Partnership will pay all ongoing operating and administrative expenses.

The Partnership will enter into a loan and margin facility (the "Partnership Loan Facility") with a Canadian chartered bank or a subsidiary of a Canadian chartered bank in order to maximize funds available for investment in flow-through shares. The Partnership may borrow an amount up to 8.75% of the gross proceeds from the offering pursuant to the Partnership Loan Facility. Such amounts borrowed will be used to finance the Agents' fee and expenses, reasonable out-of-pocket expenses incurred in connection with the operations of the Partnership and other offering expenses that will not be fully deductible in computing income of the Partnership pursuant to the *Income Tax Act* (Canada) for the fiscal period ending December 31, 2011. The Partnership will pay the loan fees and related interest charges in connection with the Partnership Loan Facility.

Pursuant to the LPA, the Partnership is required to pay the General Partner a fee of 2.0% of the net asset value of the Partnership's assets less liabilities and as determined by the formula set forth in the LPA ("Net Asset Value"). In addition, the General Partner is entitled to a performance bonus equal to 20% of the product of: (a) the number of Units outstanding on the Performance Bonus Date; and (b) the amount by which the Net Asset Value per Unit on the Performance Bonus Date (prior to giving effect to the Performance Bonus) plus the total distributions per Unit during the Performance Bonus Term exceeds $28.

At the date of formation of the Partnership, one limited partnership unit was issued to Heritage Bancorp Ltd., a company under common control with Qwest Investment Management Corp., the promoter of the Partnership, for $25 cash.

## CERTIFICATE OF THE GENERAL PARTNER, ON BEHALF OF THE PARTNERSHIP, THE GENERAL PARTNER, THE MANAGER AND THE PROMOTER

Dated: February 3, 2011

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation in each of the Provinces and Territories of Canada.

**Qwest Energy 2011 Flow-Through Limited Partnership**
**by Qwest Energy 2011 Flow-Through Management Corp.**
**(on its own behalf and as General Partner)**

(signed) STEPHEN P. MCCOACH
Chief Executive Officer of the General Partner

(signed) CHRIS HARRISON
Chief Financial Officer of the General Partner

On behalf of the Board of Directors of the General Partner

(signed) MAURICE LEVESQUE
Director

(signed) DON SHORT
Director

On behalf of the Manager

QWEST INVESTMENT FUND MANAGEMENT LTD.

(signed) STEPHEN P. MCCOACH
Chairman, President and Director, acting in the capacity of Chief Executive Officer

(signed) CHRIS HARRISON
Chief Financial Officer

On behalf of the Board of Directors of the Manager

(signed) MAURICE LEVESQUE
Director

(signed) DON SHORT
Director

On behalf of the Promoter

QWEST INVESTMENT MANAGEMENT CORP.

(signed) STEPHEN P. MCCOACH
Managing Director, Chief Executive Officer and Director

(signed) CHRIS HARRISON
Chief Financial Officer

## CERTIFICATE OF THE AGENTS

Dated: February 3, 2011

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation in each of the Provinces and Territories of Canada.

| DUNDEE SECURITIES LTD. | RBC DOMINION SECURITIES INC. | SCOTIA CAPITAL INC. |
|---|---|---|
| (signed) SHELDON MCDONOUGH | (signed) EDWARD JACKSON | (signed) BRIAN D. MCCHESNEY |

BMO NESBITT BURNS INC.

(signed) ROBIN G. TESSIER

| MACQUARIE PRIVATE WEALTH INC. | MANULIFE SECURITIES INCORPORATED | RAYMOND JAMES LTD. |
|---|---|---|
| (signed) RAYMOND SAWICKI | (signed) WILLIAM PORTER | (signed) J. GRAHAM FELL |

| CANACCORD GENUITY CORP. | GMP SECURITIES L.P. | HSBC SECURITIES (CANADA) INC. | WELLINGTON WEST CAPITAL MARKETS INC. |
|---|---|---|---|
| (signed) DAVID RENTZ | (signed) NEIL M. SELFE | (signed) BRENT LARKAN | (signed) SCOTT LARIN |