OUTLOOK FOR THE RESOURCE INDUTRY

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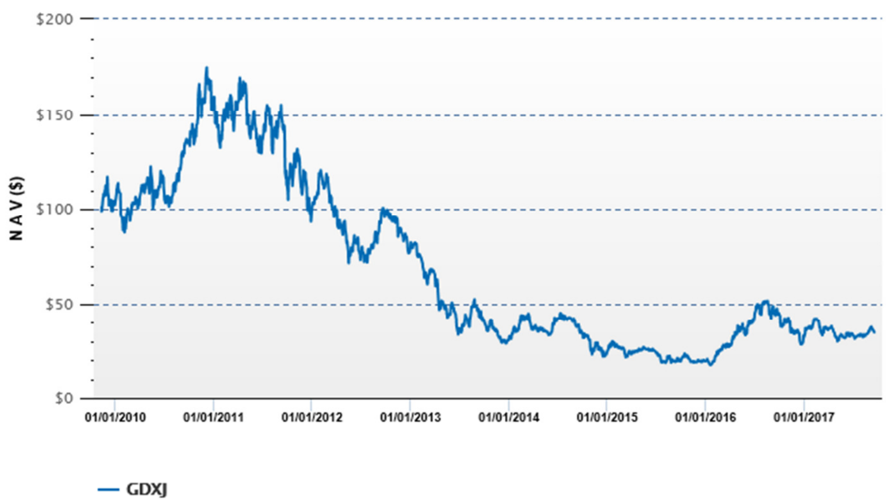
On the Road to Recovery

The chart below shows, with better than a thousand words, the damage inflicted by the last and historic market downturn that sent stock prices of major resource companies tumbling by more than 85 per cent to hit a multi-year lows in December 2015.



VanEck Vectors Junior Gold Miners ETF

After all these dark years, prices of minerals as well as shares of publicly listed resources companies finally registered some impressive technical rebounds in the first half of 2016 that marked the end of a this long and deep bear market for the resource industry. The year 2017 to date has seen a consolidation of the previous advance which is considered technically sound when in preparation for another major move upward in the months and year ahead as resource prices are anticipated to continue to move forward. The resource industry is recovering and is well positioned to offer attractive investments.

Precious Metals

Gold was first to lead the rebound in 2016 closing the year up 10% on 2015. Not a bad return when compared to 7.5% for the NASDAQ and 11% for the S&P 500. To date this year, gold is up another 15% at US$1,306 (CAN$1,608) an ounce in September against 11% for the S&P 500 and 20% for the NASDAQ. Not a bad return, either.

One of the biggest drivers of the gold price is the negative interest rates that persist around the globe. With sovereign debts continuing to grow, higher volumes of negative interest rate bonds being issued, and inflation rates and geopolitical tensions on the rise, the price of gold should continue to rise over its recent level of $1,358 to reach anywhere between $1,400 and $1,450 an ounce in 2017, if not before the end of this year. Gold stocks should benefit from these developments.

Base Metals
Base metal prices have also been good followers to gold since the beginning of 2016. The price of zinc at US$1.40 per pound currently is up 133% from an extremely depressed US$0.60 a pound in December 2015. The price of copper which just recently reached US$3.00 a pound was closer to US$2.00 in December 2015. However, these price increases do not appear to be fully reflected in the price of base metal stocks and offer, accordingly, an excellent opportunity for substantial capital gains. The fuel for this revival of demand is coming, this time, not so much from China but from Southeast Asian countries such as Indonesia, Thailand, Malaysia, Philippines and Vietnam. With the most recent IMF economic forecast suggesting global growth 0f 3.5% in 2017 and 3.6% in 2018, base metal prices are expected to improve further over the next two years.

Crude Oil
West Texas Intermediate (WTI) is currently negotiated around US$50 per barrel with production curtailment by OPEC and Russia. Recently, OPEC and Russia announced further restriction of production in the coming months. Barring no other disruptions in production due to wildfires or other unforeseen events, oil is expected to range from US$45 to US$60 per barrel over the next twelve months.

Flow-Through Resource Funds Offer Upside Potential Plus Tax Savings

PROFESSIONALLY MANAGED **Flow-Through Resource Limited Partnership**
Investing at the beginning of a recovery and, particularly after a severe bear market, has always been a profitable decision. Individual investors can benefit from a recovery of the resource industry by purchasing a selection of publicly listed securities coupled with a few units of a **Flow-Through Resource Limited Partnership**. Why a Limited Partnership? Because the limited partnership is a tax shelter that offers diversification, attractive tax savings and a potential for capital gains.

A flow-through partnership is a professionally managed portfolio of, generally, junior resource stocks that exists for a defined period of time. At the end of that period, the shares are sold and the proceeds distributed and treated as a capital gain by limited partners.

WHAT ARE THE TAX ADVANTAGES?

Below is a hypothetical example of a flow-through share fund, assuming the top tax bracket of 47.7 percent for a B.C. investor. For the sake of simplicity, the fund is also assumed to be invested entirely in B.C. resource companies, though in actual fact a fund manager is more likely to spread risk across the country.

Investment amount	$1,000
Combined Fed & Prov. Tax rebate (47.7% rate)	$ 477
Federal Investment Tax Credit	$ 132
B.C Tax Credit	$ 150

Total tax savings	$ 759
Less income tax on inclusion of federal & provincial tax credit	$ 135
	$ 624

Now let's assume the fund is redeemed at a 100 percent of the investment value, bearing in mind the proceeds are fully taxable as a capital gain. Let's do the math!

Proceeds of the sale	$1,000
Less capital gains at 47.7% tax bracket	$ 239
Net proceeds	**$ 761**

In the end, money can be made since the investment also garnered some handsome tax savings, making the total return to the investor of:

Tax savings	$ 624
Net proceeds	$ 761
	$1,385

Under the above assumption, the final cash benefit to the investor is $1,385 on an investment of $1,000. In addition, for the investment to break even, proceeds of the sale would have to be as low as $494. Therefore, an investment in units of a Flow-Through Resource Limited Partnership offers a downside risk as well as an attractive potential for capital gain.
