

TerraFunds

Tax-Smart Investments

Terra 2012 Flow-Through LP

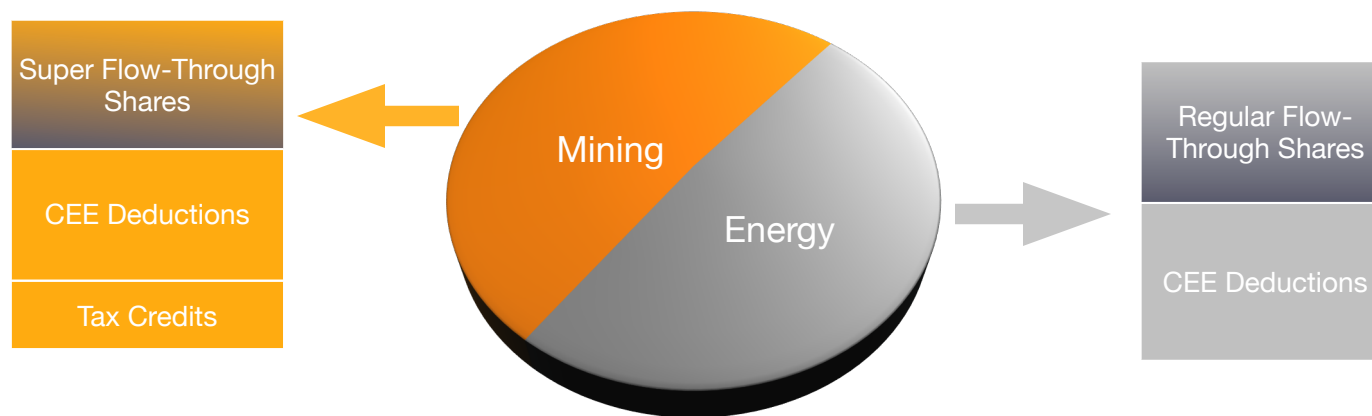
Mining + Energy > Opportunity

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About Flow-Throughs

- First introduced to Canadian tax system in **1954** to assist in the financing of exploration projects in Canada.
- **1983** Federal Budget allowed individual investors to deduct exploration expenses against any income source to further encourage exploration.
- ‘Super’ flow-through share is introduced in **2000** to help encourage investment in mining firms.
- Flow-Through shares help to maintain Canada’s competitiveness in the face of fierce global competition for exploration investment.

Types of Flow-Through Shares



Mining and Energy companies issue flow-through shares which in turn provide investors with tax deductions. Mining flow-through shares also provide an additional 15% federal tax credit. To distinguish this additional tax credit from a “regular” flow-through (typically issued by an oil & gas firm) these shares are called “super” flow-through shares. **Terra FTLPs invest in both “super” flow-through shares and regular flow-through shares.**

Benefits of Flow-Through Investing

- ▶ 100% deductible against income from any source
- ▶ Shelter income taxed at the highest marginal rate
- ▶ Defer taxes until redemption
- ▶ Convert income taxed at a higher rate into a capital gain with a tax deferral until sale
- ▶ Utilize capital losses to offset capital gains

Who should consider Flow-Throughs

- ▶ Individuals or corporations interested in reducing taxes
- ▶ Individuals & corporations with unused capital losses
- ▶ Charitable donors
- ▶ Individuals looking to reduce OAS clawbacks
- ▶ Recipients of large lump sums of taxable income
- ▶ Individuals seeking to withdraw large sums from a RRSP/RRIF in a tax effective manner

Terra Investment Philosophy

Terra's objective is to outperform by **actively** managing its portfolio of **public energy & mining** flow-through investments.

Terra Investment Strategy

- ▶ Limit the number of investments to approx. **35 issuers**
- ▶ Target premiums between **0% & 15%**
- ▶ Invest only in **publicly traded firms**
- ▶ Diversify across the **energy & mining** sectors
- ▶ **Actively manage** the portfolio

Terra Benefits

Terra provides 5 benefits

1. Speed

Unlike regular Flow-Through LPs, which generally allow redemptions two years later, Terra's FTLP allows for early redemptions beginning September 30, 2013.

2. Additional Tax Savings / Lower Break-even

An initial investment provides up to 115% in tax deductions and 15% in investment tax credits. The additional tax savings also provides for a lower break-even.

3. Enhanced Liquidity & Diversification

Unlike other FTLPs, we only invest in publicly listed mining & energy firms. Our portfolios are also actively managed to further reduce risk and enhance returns.

4. Flexibility / Tax Deferral

Terra offers 4 Corporate Class Funds of which two are focused on *capital preservation* and providing a *predictable income stream*. What's more, investors may switch between these funds to change their asset mix without triggering tax.

5. Proven Track Record

Terra's Flow-Through LPs have provided investors with consistent after-tax returns with a shorter hold period.

1. Timeline Comparison

Today

Sept 30, 2013

Jan 1, 2014

April 2014

Terra 2012 Flow-Through LP

Regular 2012 FTLPs

24-month
hold

Sept 30, 2013
Terra FTLP
Redemption
Date

Feb 28, 2014
Competing FTLP
Redemption
Date

2. More Tax Deductions & Credits

All Investors

Maximum Tax Deductions & Tax Credits per \$10,000 investment	Amount
Tax deductions - Year 1	\$9,500
Maximum CEE - Year 2	\$1,500
Other	\$736
Total Tax Deductions	\$11,736
Tax Credit (Federal)	\$675
Tax Savings - Ontario investor	\$5,406

Notes:

Canadian Exploration Expenses (CEE) are expenses incurred by Canadian Resource Companies in conducting exploration and renounced to the LP. Tax credits will also apply on qualified mining investments. The actual tax deductions and tax credits received may differ. Investors should refer to the Offering Memorandum for a more detailed description of the assumptions and notes.

A 15% federal investment tax credit will apply for all qualified mining investments. Additional provincial credits may also apply.

Tax deductions can be carried forward indefinitely. Tax credits may be carried back 3 years, or forward 10 years. Additional provincial tax credits may also apply.

2. Lower Break-even

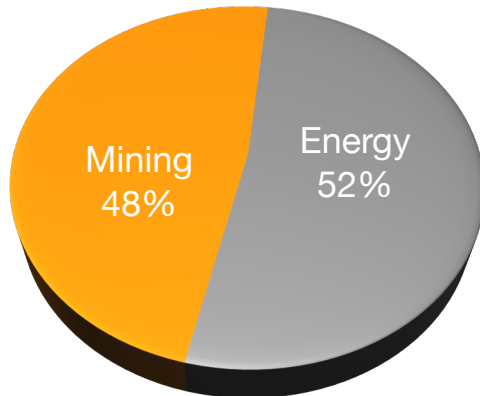
Ontario Investor

	TERRA FT	TERRA Advantage	Typical FT
A. Investment	\$10,000		\$10,000
B. Tax savings (maximum)	5,406	765	4,641
C. After-Tax Cost (A – B)	4,594		5,359
D. Break-even proceeds (A – C)	\$5,984	\$996	\$6,980
E. Downside protection	40%	10% difference	30%

The break-even amount represents the total proceeds required to fully recoup the net investment cost (i.e. after-tax cost). Downside protection is the amount the original investment can decline in percentage terms before an investor begins to lose money. Because Terra offers more tax savings its funds provide more downside protection.

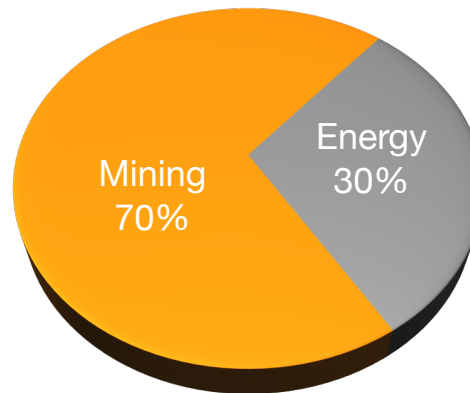
3. Liquidity & Diversification

◀ Terra 2008 Flow-Through LP



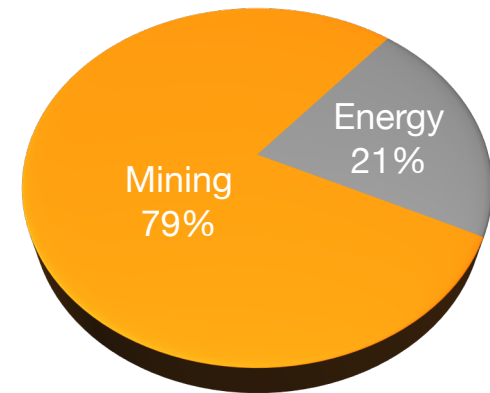
**26 Public
Investments**

◀ Terra 2009 Flow-Through LP



**35 Public
Investments**

◀ Terra 2010 Flow-Through LP



**41 Public
Investments**

4. Flexibility / Tax Deferral

Mutual Fund Characteristics - Switch between Funds without triggering tax

Terra Funds

	Asset Class	Role in Portfolio	Income Generation	Potential Capital Growth
TerraTundra Money Market	Cash	High degree of safety	Moderate	Lower
TerraTundra Equity Income	Largest Cdn dividend-paying equities	Dual return potential of rising share values + dividend income	Higher	Moderate
Terra Resource ETF	Global resource equities & hard assets	Growth potential of resource markets around the world	Lower	Higher
Terra Small Cap Resource	Cdn small cap resource equities	Growth potential of Cdn small cap resource market	Lower	Higher

5. Proven Past Performance

FLOW-THROUGH LP	INVESTED AMOUNT	NAV	AFTER-TAX RETURN	REDEMPTION DATE	HOLD PERIOD**
Terra 2011 Foundation	\$10,000	\$7,173	10%	April 2012	4 months
Terra 2011	\$10,000	\$6,545	9%	Sept 2012	9 months
Terra 2010 Mining & Energy	\$10,000	\$8,785	47%	Sept 2011	9 months
Terra 2009 Mining & Energy	\$10,000	\$9,285	62%	July 2010	7 months
Terra 2008 Mining & Energy	\$10,000	\$6,578	21%	April 2010	16 months
Terra 2007 Energy & Mining	\$10,000	\$4,567	-19%	March 2009	15 months
Terra 2006 Energy & Mining (Avg.)	\$10,000	\$6,311	20%	April 2008	16 months
Terra 2005 Energy & Mining (Avg.)	\$10,000	\$10,297	85%	March 2007	15 months

** Hold Period is calculated from the 1st year end of the Limited Partnership.

** The Terra 2005 and 2006 FTLPs are hypothetical funds and represent the average return on the rollover date for an equal investment in each separate mining and energy FTLP for that year; they have been combined for comparison purposes only.

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