



# ***CGS Flow-Through 2010 LP***

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**CGS Asset Management Ltd.**  
*Focused Energy Investing*





# CGS Flow-Through 2010 LP

- **Available through FundSERV to accredited or eligible investors across Canada**  
FundSERV Code: CGS 100                      Selling Concession: 5.00%
- **Initial closing expected on August 31, 2010** (with monthly closings thereafter)
- **\$5,000 minimum purchase** (200 units); multiples of \$1,000 thereafter (40 units)
- **Focused on junior oil & gas exploration and development**
  - At least 80% of the portfolio will be invested in publicly listed companies
  - Up to 20% of the portfolio may be invested in private companies
- **Targeted close to 100% tax deduction in 2010**
- **Tax-free rollover on or about June 30, 2011 with less than 9 months locked up**
- **2.00% management fee per annum** (calculated & paid monthly in arrears)
- **Performance bonus equal to 20% of any gains over the issue price of \$25** (accrued monthly, paid at rollover)



# The Importance of Lower Issue Costs

(An example for Ontario Investors; assuming maximum deal size)



<u>Prospectus Based Flow-Through</u>		<u>CGS Flow-Through 2010 LP</u>		<u>Differential</u>
➤ Unit Price:	\$25.00	➤ Unit Price:	\$25.00	
➤ <b>Issue Costs:</b>	<b>10.00%</b>	➤ <b>Issue Costs:</b>	<b>5.33%</b>	<b>- 46.7%</b>
➤ Available for CEE:	\$22.50	➤ Available for CEE:	\$23.67	+ <b>5.2%</b>
➤ <b>FT Premiums:</b>	<b>20%</b>	➤ <b>FT Premiums:</b>	<b>20%</b>	
➤ Initial NAV:	\$18.75	➤ Initial NAV:	\$19.73	+ <b>5.2%</b>
➤ Required return at rollover to restore \$25 Issue Price:	33.3%	➤ Required return at rollover to restore \$25 Issue Price:	26.7%	- <b>19.8%</b>
➤ After Tax Money at Risk:	\$13.40	➤ After Tax Money at Risk:	\$13.40	
➤ Breakeven Proceeds at Disposition, BIT:	\$17.45	➤ Breakeven Proceeds at Disposition, BIT:	\$17.45	





# Leadership at CGS Asset Management Ltd.

## **Clarence Chow, P. Eng** **President & CEO**

- Former VP, Business Development of Morrison Petroleum
- Former President & CEO of Mountain Energy, and Justinian Explorations
- Former Chairman of Canadian Petroleum Institute
- Former Coordinator and Manager of the Alberta-California natural gas trade restructuring
- Director or past Director of Artemis Exploration, FX Energy, Dorian Energy, Triwest Energy, Aliron Energy, Black Bore Resources, Western Energy Services, Standard Energy, In Depth Resources, Angle Energy and Impala Resources

## **Sandra Lutyck, CGA** **Vice President & CCO**

- Chief Compliance Officer of CGS Asset Management
- Former Treasurer and Corporate Secretary of Justinian Explorations
- Former Business & Market Representative of Morrison Petroleum and Alberta Natural Gas
- Over 20 years of financial, accounting and regulatory experience
- Director of AGS Capital Management Ltd., AGS Resource Management Ltd., AGS Financial Management Ltd., Energy Equities Ltd. and CGS GP Ltd.

## **Miles Nagamatsu, CA** **Chief Financial Officer**

- Former CFO of Lawrence & Company Inc. and its various funds and affiliates.
- Former executive of National Bank of Canada and Continental Bank of Canada.
- Former manager of Clarkson Gordon (now Ernst & Young LLP)
- Over 30 years of accounting, auditing, financial and fund management experience

**Rare combination of executive management coupled with technical & hands-on operational experience**





# The Advantages of Investing with CGS – Flow Through

- **Experienced Oil & Gas Professionals Providing Technical and Operational Due Diligence**
  - Capital Management experience in flow-through LPs and private equity
  - Hands-on operational and executive experience in managing oil & gas companies
  - Excellent geo-science & engineering backgrounds
  
- **Focused Investment Strategy**
  - Smaller offering size affords the Manager greater selectivity
  - Approximately 15-25 companies, based on a maximum LP size of \$30 million portfolio
  - At least 80% of the portfolio will be in publicly listed companies
  - Up to 20% of the portfolio in private companies
  
- **Low Cost Structure**
  - Partnership issue expenses are 5.33% based on a maximum offering size (10% on average with a prospectus based offering)
  - Translates into an initial NAV of \$23.67 (\$22.50 with a prospectus based offering)
  
- **Lower Average Premium-to-NAV**
  
- **Access to Higher Quality, Proprietary Deal Flow**
  - Potential for over-sized exposure
  - Provides valuation torque to the partnership
  
- **Short Hold Period (9 months or less)**
  - Tax-free rollover scheduled to occur on or about June 30, 2011





# CGS Asset Management Ltd.

Investment Period	Investment	Strategy	RTN/NAV
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**Existing Funds/Partnerships** *(Closed for new investments/investors):*

May 2004 – April 2011	AGS Energy Fund, LP	Private Equity	70.76%/\$85,381
June 2006 – June 2011	AGS Energy Fund II, LP	Private Equity	4.99%/\$5,250
Feb 2008 – Feb 2011	AGS Energy Fund III, LP	Private Equity	82.25%/\$9,112
Sept 2006 – Aug 6, 2011	AGS Lawrence Resource Fund Ltd.	Mutual Fund	see below/\$15.85

**New Funds/Partnerships** *(Open for new investments/investors):*

**Unit Price/ NAV**

March 2010 –Open End	CGS Resource Fund Ltd.	Mutual Fund	\$15.85
March 2010 – June 2011 (1)	CGS Flow-Through 2010 LP	Flow Through	\$25.00

Note (1) Monthly Closing Potentially to December 15, 2010





# CGS Asset Management Ltd.

- Based in Calgary, CGS Asset Management Ltd. specializes in energy and energy-related equities, and creates leading investment products for high net worth investors & institutions across Canada
- The principals at CGS are experienced investment professionals, as well as seasoned oil & gas operators. This unique skill-set differentiates CGS from other investment managers in the Canadian energy sector, and translates into risk-adjusted exposure for investors in its products

Investment Period	Investment	Strategy	IRR/NAV <sup>(1)</sup>
June 2002 – Dec 2004	Canadian Energy Equities	Private Equity	27.8%
May 2004 – April 2011 <sup>(3)</sup>	AGS Energy Fund, LP	Private Equity	13.5%
June 2006 – June 2011 <sup>(3)</sup>	AGS Energy Fund II, LP	Private Equity	1.2%
Feb 2008 – Feb 2011 <sup>(3)</sup>	AGS Energy Fund III, LP	Private Equity	25.5%
Sept 2004 – July 2006	AGS Energy 2004 LP	Flow-Through	\$29.95 <sup>(2)</sup>
April 2005 – April 2007	AGS Energy 2005 LP	Flow-Through	\$13.93 <sup>(2)</sup>
Feb 2006 – April 2008	AGS Energy 2006-1 LP	Flow-Through	\$11.42 <sup>(2)</sup>
Sept 2006 – Sept 2008	AGS Energy 2006-2 LP	Flow-Through	\$13.04 <sup>(2)</sup>
Feb 2007 – April 2009	AGS Energy 2007-1 LP	Flow-Through	\$11.39 <sup>(2)</sup>
Sept 2006 – Present	CGS Resource Fund Ltd. <i>(formerly AGS Lawrence Resource Fund Ltd.)</i>	Mutual Fund	\$15.85

1. Unaudited, Net of Fees & Expenses, as of June 30, 2010
2. NAV calculated net of Fees & Expenses. After tax deduction unit cost = \$13.40 (Ontario resident)
3. General Partner has the sole discretion to extend the initial term of the LP for an additional two years from the maturity date

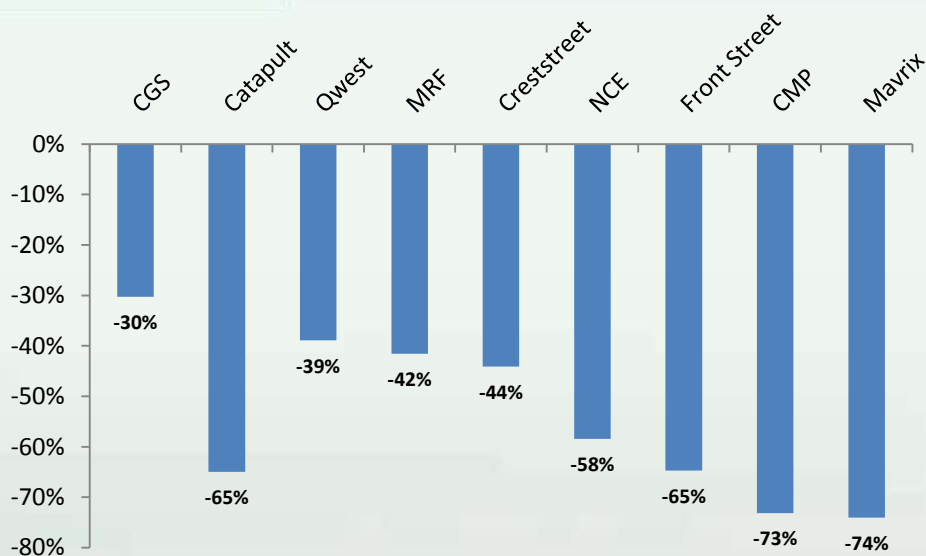


# 2007 Flow-Through Evaluation

## LP Rollover Values & Mutual Fund Performance Post-Rollover

### 2007 FT Issuers

After-Tax Return to Rollover



### Rollover Fund Performance

(Jan 1/08 to Dec 31/09)



\*Assuming \$100 investment on Jan 1, 2008

- AGS/CGS Energy 2007 LP was among the top 5 performers on an after-tax basis across the entire FT industry
- The performance of CGS Resource Fund Ltd. (the rollover vehicle for previous AGS FT products) has been very strong. As of August 6, 2010 the 1-year return is 15.9%.

**AGS/CGS delivered a superior after-tax return relative to other 2007 FT issuers, and its rollover vehicle has further enhanced the overall performance**





# Benefits of Flow-Through Investing

- **100% Tax Deductible against income from any source**
- **Shelter income taxed at the highest marginal tax rate**
- **Defer taxes until a future date**
- **Convert tax on current income into a more favourable capital gain tax rate**
- **Gain better control of taxation**
- **Utilize capital losses to offset capital gains**
- **Ability to donate proceeds upon rollover to an eligible Charity**





# Target Markets for Flow-Through LP's

- **Individuals or corporations interested in reducing taxes**
- **Individuals or corporations with unused capital losses**
- **Individuals or corporations interested in charitable donations**
- **Individuals looking to reduce OAS claw back**
- **Recipients of large, lump-sum taxable income**
- **Investors seeking to withdraw large sums from an RRSP or RRIF in a tax efficient manner**



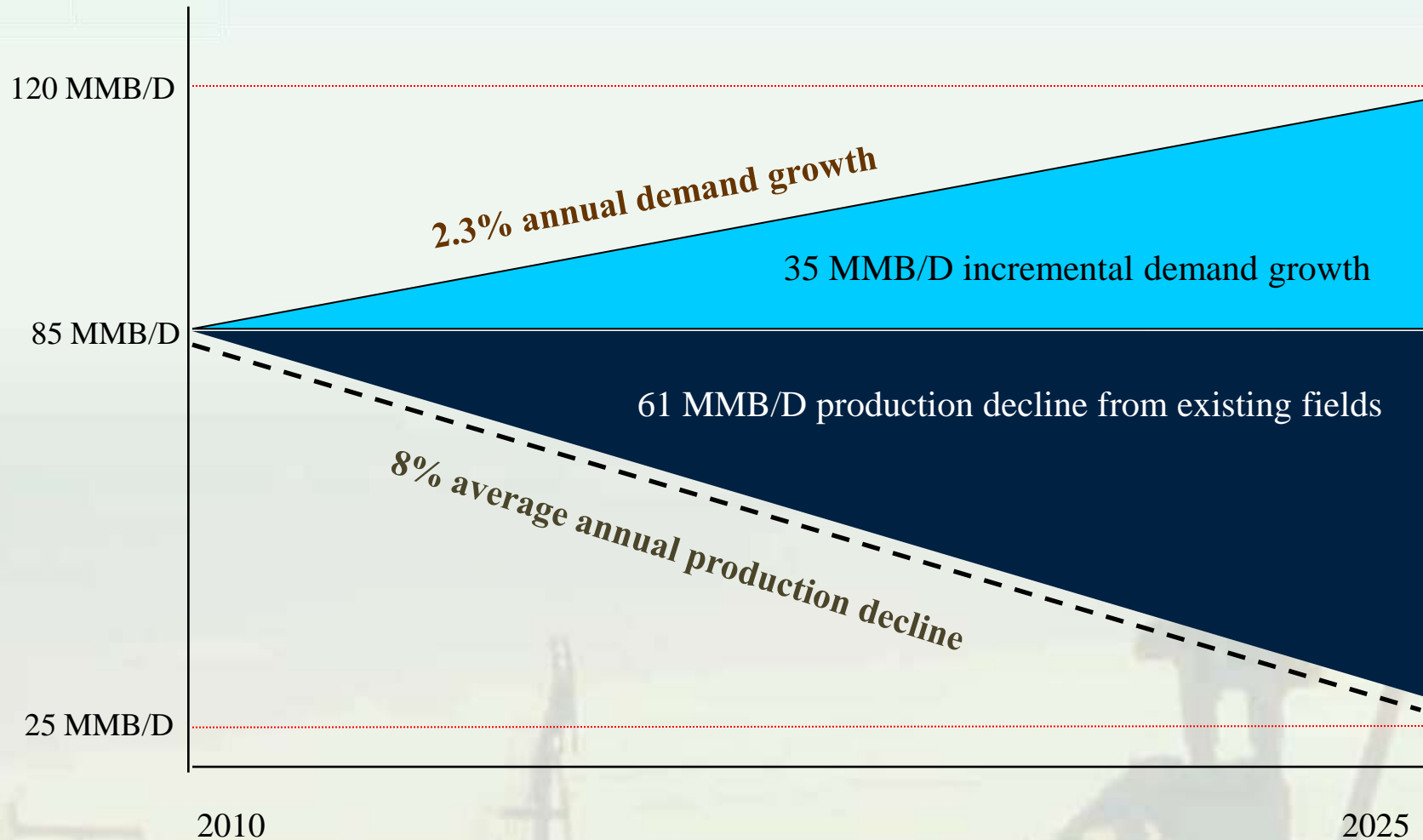


# Commodity Outlook – Oil

- **Oil has separated from inverse USD relationship for now. Trading range between \$70 and \$85.**
- **OPEC production cuts successfully offset demand destruction, but cheating has increased. Monitor closely.**
- **Inflation trade has been extending (Gold, Silver, Copper, Oil, etc.). Without interest rate hikes by worlds central banks, this influence may wane.**
- **Many super majors remain long term oil bulls (ex. Total buying UTS)**
- **May not lead to old highs in the near term, but the trend is favourable – especially when combined with reasonable valuations in large caps**
- **Medium & long-term bullish fundamentals remain intact**



# Supply/Demand of Crude Oil to 2025



Source: Simmons & Company International



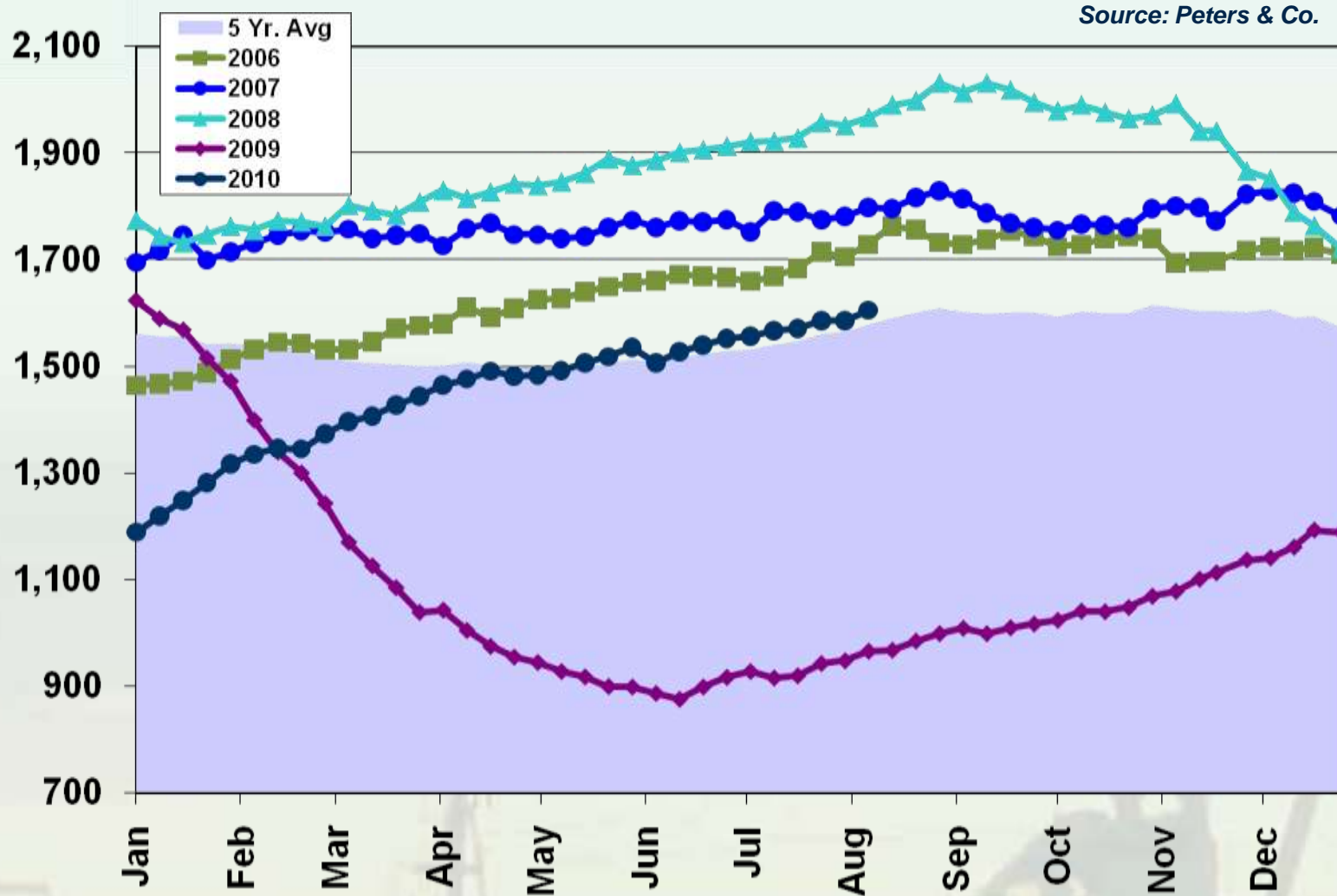


# Commodity Outlook – Natural Gas

- **US industrial demand increasing. Storage below last years levels. Shoulder season could be weak, but need to watch supply and decline rates of shale plays. Weather and hurricanes will be the swing factor**
- **US natural gas production continues to creep higher, but some shale gas plays may have higher declines than initially thought (ex. Barnett and Haynesville)**
- **Higher per rig drilling efficiencies more important than declining rig count**
- **LNG prices in Asia and Europe remain higher than North America**
  - **Should mitigate expected LNG imports over the next 12 months**
- **Canadian drilling levels up year over year, but still down 50%+ from the peak**
- **Historic oil to gas ratio (6:1) is very bullish for gas prices (currently 18:1)**
- **Low prices from Q3 2009 will hold in medium term; prices likely capped below \$7**
- **Valuation of select stocks remains attractive. Mostly small cap names**



# Natural Gas Outlook – US Rig Count

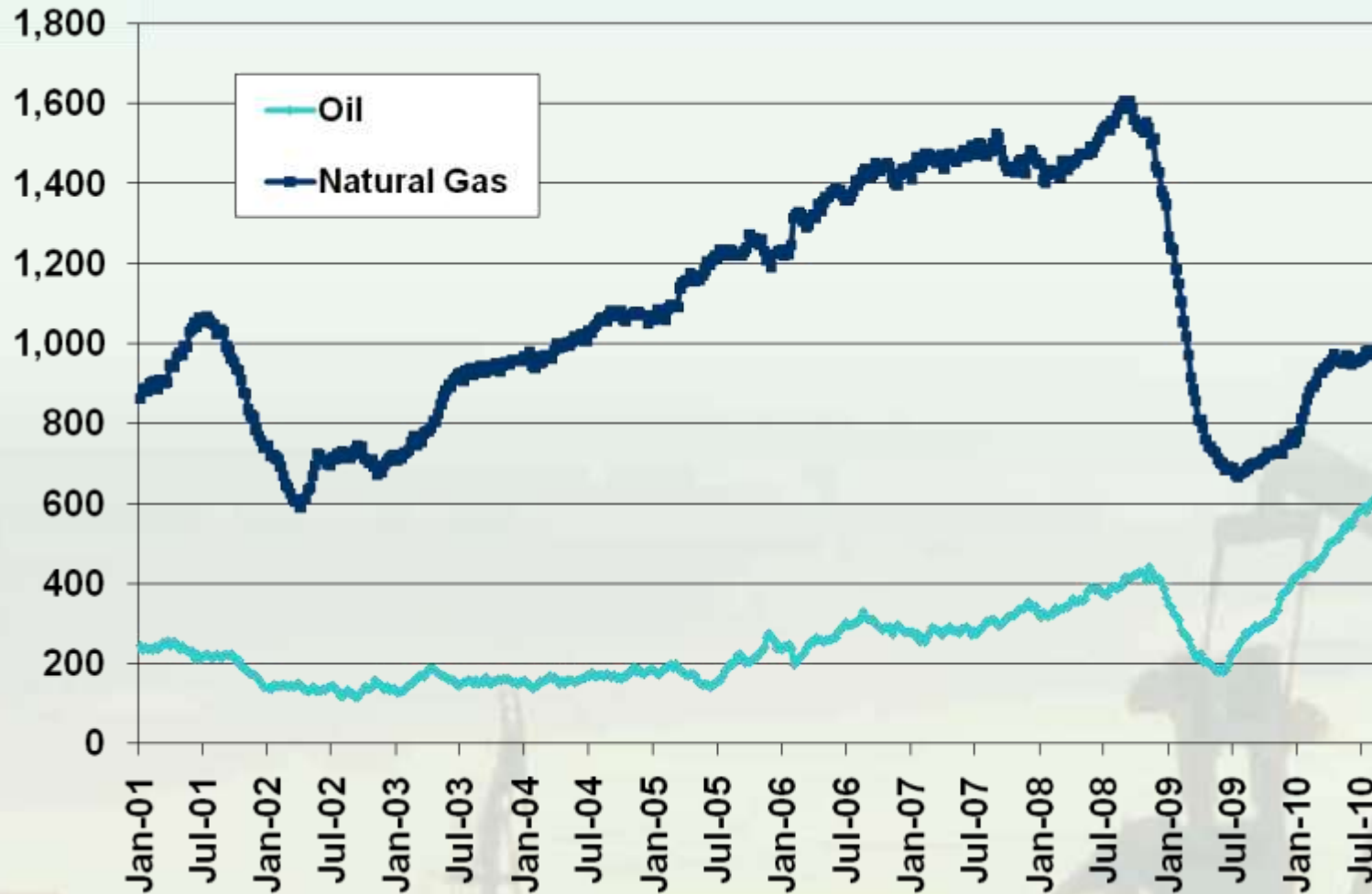


25% of US production will come from wells drilled within the last 12 months



# Natural Gas Outlook – US Rig Count Breakdown

Source: Baker Hughes, Peters & Co.

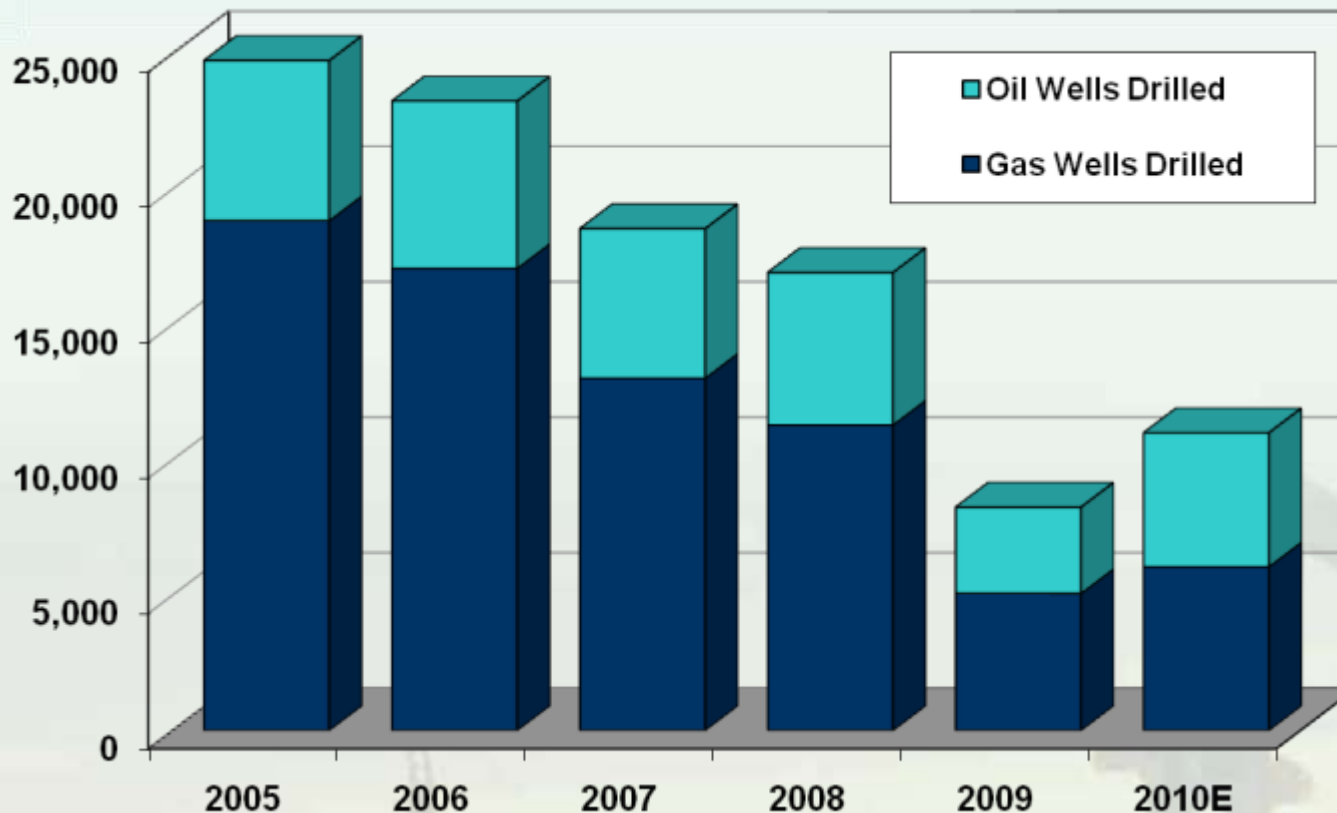


Natural gas rig count plateauing. Monitor monthly supply.



# Annual Drilling Activity in Western Canada

Source: Nickles. 2010 estimate from Peters & Co.

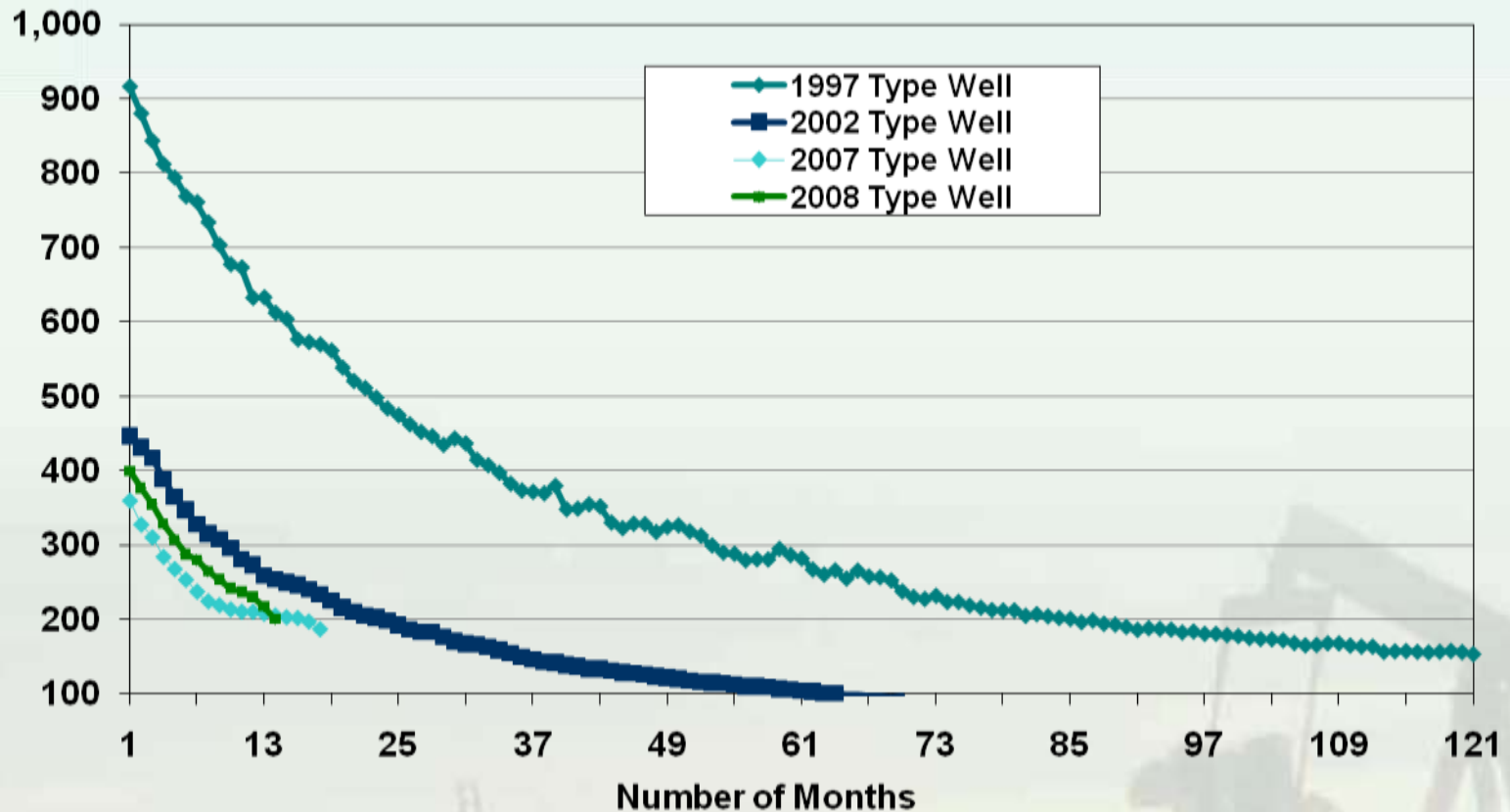


- Gas drilling down 68% from peak while total drilling down 55% (both positive for gas supply)
- Gas wells are approximately 55% of total drilling (down from over 70%)
- Estimated 2009 total wells drilled back to 1998 levels (far lower than estimated)



# WCSB Gas Well Productivity and Decline Curves

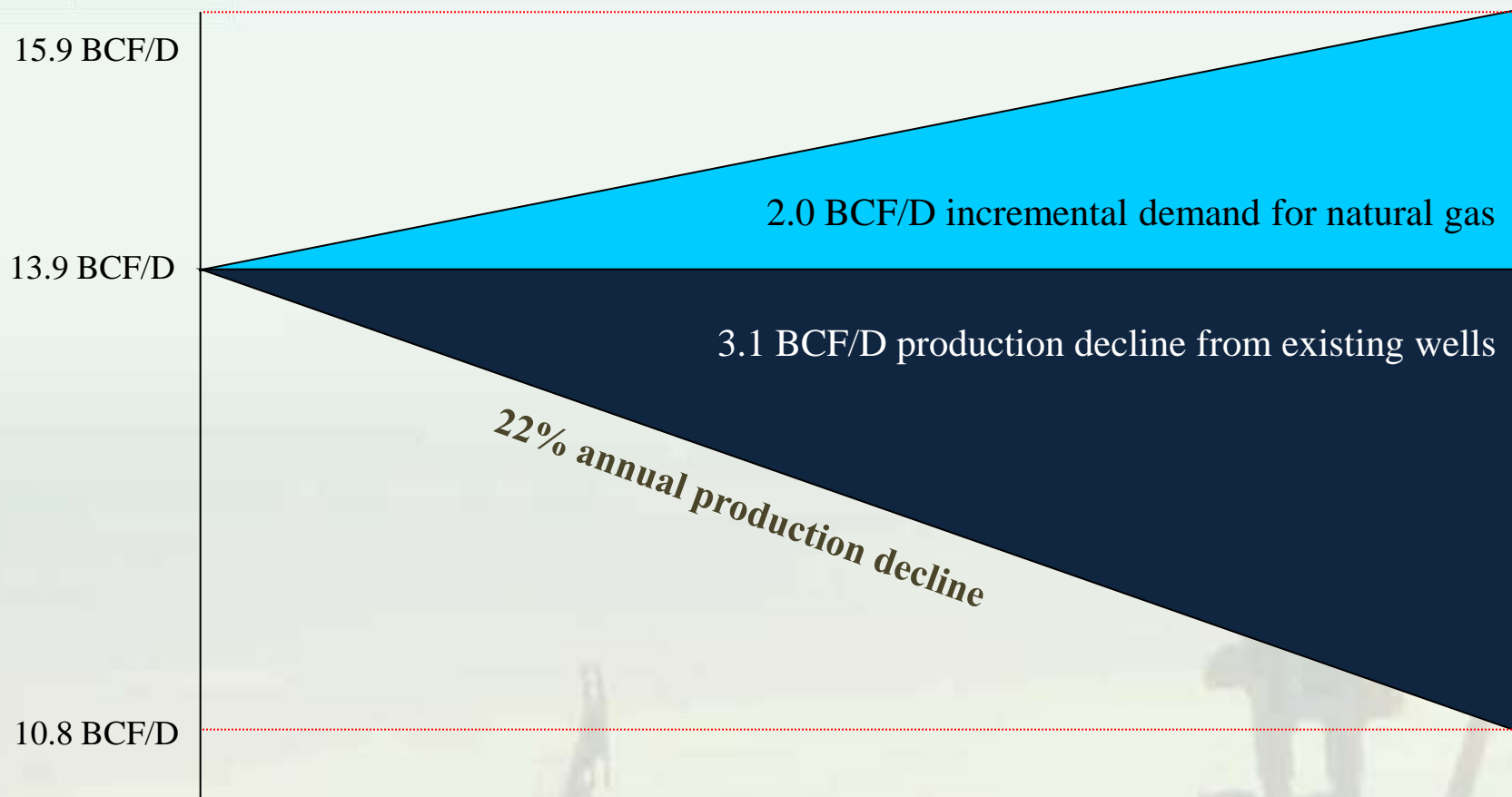
Source: Peters & Co.



- Well productivity is down dramatically from late 1990's
- Horizontal multi-stage fracs have improved productivity but declines are steeper
- Declines of over 50% in first year for multi-stage frac wells



# Supply/Demand of Canadian Natural Gas in 2010

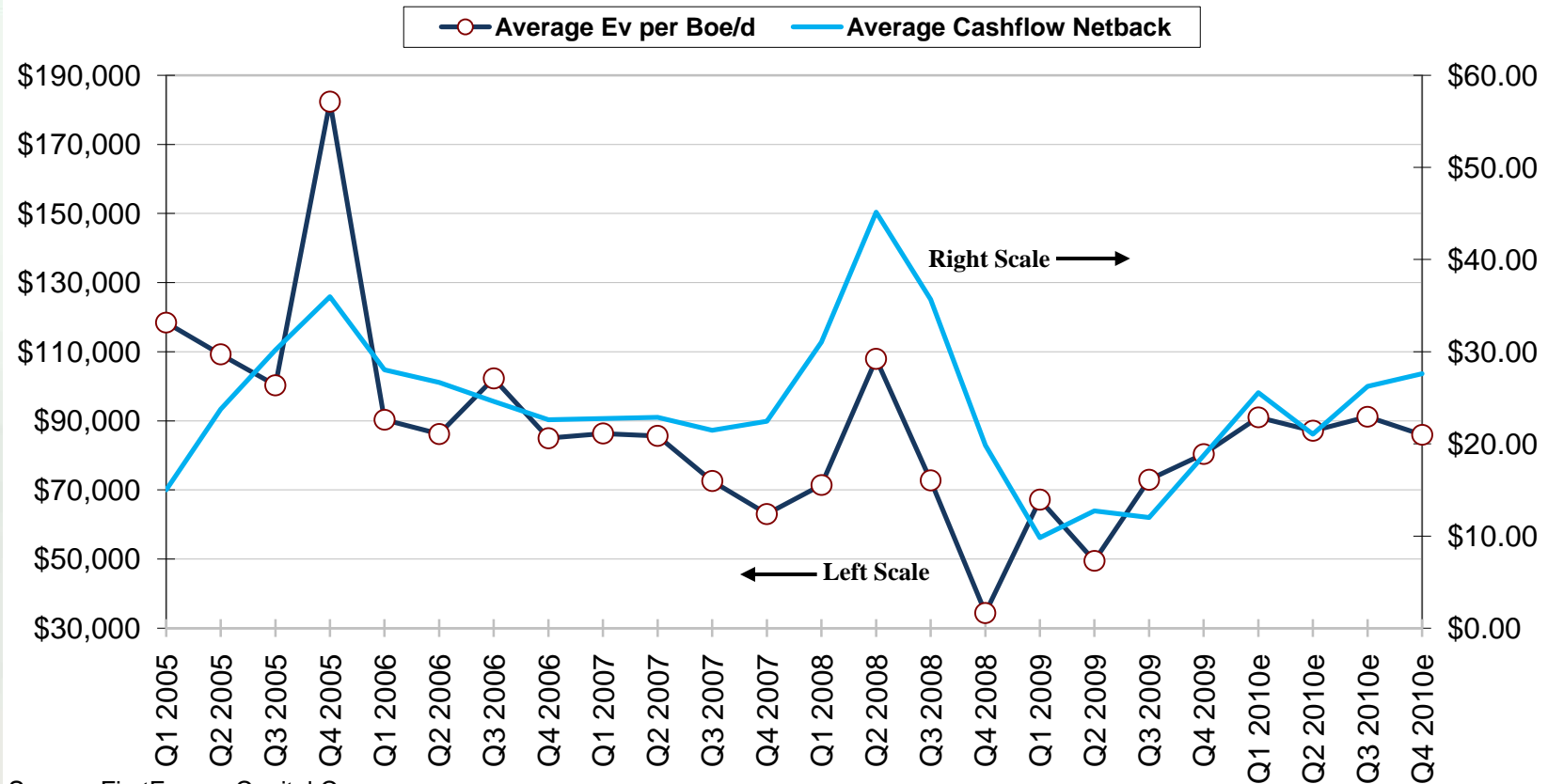


**Current field receipts of 13.9 BCF/D; in 2005, the figure was 15.5 BCF/D**



# Small Cap Valuation – EV/BOEd

## Trailing EV per Boe/d vs. Netbacks - Small Caps



Source: FirstEnergy Capital Corp.

- **Multiples track sector average cash flow netbacks**
- **Expected improvements in netbacks in 2H 2010 not reflected in current multiples**





# Commodity Outlook Summary

- **Relative value exists in certain sub-sectors of the oil & gas market**  
(small caps, service companies, some large caps)
- **Natural gas prices are likely capped for next 6 months. Upside opportunities exist in value names and trading strategies**
- **Medium to long-term energy fundamentals remain robust**
- **Investors must continue to focus on the full cycle of the commodities**
- **Stock selection will be key as this cycle develops**
- **Proprietary deal flow will continue to help CGS differentiate itself from its competitors**





# The Advantages of Investing with CGS

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# Contact Information

*For further information regarding CGS Asset Management Ltd. or its various investment products please contact:*

**Clarence Chow, P. Eng.**

President & CEO

CGS Asset Management Ltd.

Suite 2108, 335 – 8<sup>th</sup> Avenue SW

Calgary, Alberta T2P 1C9

T: (403) 571-0692 or TF: 1.866.CGS.7789

[clarence@cgsam.com](mailto:clarence@cgsam.com)

