



[www.pathwayam.com](http://www.pathwayam.com)

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PERSONAL & CONFIDENTIAL

September 30, 2009

Dear Investor:

**Re: Pathway Mining 2007-II Flow-Through Limited Partnership**  
**FINAL Reporting Letter & Mutual Fund Rollover Process**

**EXECUTIVE SUMMARY**

I would like to take this opportunity to thank you for investing in Pathway Mining 2007-II Flow-Through Limited Partnership (“**Pathway Mining 2007-II**”). We regret to report that (very rare for us, and only the second time), we are rolling over a limited partnership at less than its \$10 per unit initial sale price. We believe that the 2007 series is an aberration, as we recently rolled over on a very accelerated basis a Pathway 2008 LP (namely, Pathway Quebec 2008-II) at \$12.25. But as you know, 2007 was the worst year on the markets since the Great Depression, and all investments have suffered greatly. Each \$10 unit of Pathway Mining 2007-II is now worth \$2.7321, and investors had the additional benefit of receiving tax breaks of approximately 60 cents on the dollar.

**As at September 30, 2009, your investment of Pathway Mining 2007-II is valued at \$2.7321 per \$10 unit and is converted to mining class shares in Pathway Multi Series Fund Inc. (the “Mutual Fund”) valued on the same date at \$3.9527 per share. Accordingly, each Pathway Mining 2007-II unit entitles the holder to 0.6913 mining class Mutual Fund shares.**

The following are your options as an investor in Pathway Mining 2007-II :

- (i) **hold on** to your rollover Mutual Fund shares as an investment, in your name;
- (ii) **transfer** some or all of your rollover Mutual Fund shares to your **self-directed RRSP**;
- (iii) **redeem** (cash-out) some or all of your Mutual Fund shares;
- (iv) **exchange** some or all of your mining class Mutual Fund shares for **energy** class Mutual Fund shares (at no cost to you and no taxable disposition triggered);
- (v) **exchange** some or all of your mining class Mutual Fund shares for shares of our exciting **Flex™ series** of Mutual Fund shares – Canadian Flex™, Resource Flex™ and Flex Dividend and Income Growth™ (at no cost to you and no taxable disposition triggered);
- (vi) **donate** some or all of your mining class Mutual Fund shares to a Canadian registered charitable organization or other qualified donee for an additional tax deduction; **or**
- (vii) a **combination** of the above.

Please contact your financial advisor with respect to affecting any of the above steps. Let your financial advisor know that he or she can obtain the required forms from Pathway, most easily by e-mailing a request to: [rolloverinformation@mineralfields.com](mailto:rolloverinformation@mineralfields.com)

The entire MineralFields advisory team, including our two senior mining analysts (Ronald J. Wortel, MBA, P.Eng. and Barbara Y. Thomae, P.Geo), our portfolio manager (William D.B. (Bill) Koenig, CFA,CMA of Pathway Investment Counsel Inc.) the geological and engineering consulting firm of Watts, Griffis and McOuat, senior technical analyst consultant Horst Mueller, and Pathway Investment Counsel Inc., feel that mining stocks will continue to perform well this year, and that our Mutual Fund mining class portfolio has excellent potential. See below for details:

**Thank you for participating in Pathway Mining 2007-II, and we look forward to your interest and support long into the future. Our new Pathway Quebec Mining 2009-II series is now available for a limited time to help you shelter 2009 income tax.**

## DETAILED REPORT

If you have a financial advisor, please give a copy of this letter to him or her as soon as possible.

We report in detail as follows.

### **(a) Final Valuation of Each Investor's Investment Upon Dissolution of Pathway Mining 2007-II Flow-Through Limited Partnership ("Pathway Mining 2007-II")**

Pathway Mining 2007-II Flow-Through Limited Partnership was dissolved as at September 30, 2009. Stocks held by Pathway Mining 2007-II as at September 30, 2009, were valued at the final closing price, or last trade, of such stocks on this day, for purposes of distributions to the limited partners.

We regret to report that for the first time in Pathway's history, we are rolling over a limited partnership at less than its \$10 per unit initial sale price. We believe that the 2007 series is an aberration, as we recently rolled over on a very accelerated basis a Pathway 2008 LP (namely, Pathway Quebec 2008-II) at \$12.25. But as you know, 2007 was the worst year on the markets since the Great Depression, and all investments have suffered greatly. Each \$10 unit of Pathway Mining 2007-II is now worth \$2.7321 and investors had the additional benefit of receiving tax breaks of approximately 60 cents on the dollar.

The entire Pathway-MineralFields advisory team, including our two senior mining analysts (Ronald J. Wortel, MBA, P.Eng. and Barbara Y. Thomae, P.Geo), the geological and engineering consulting firm of Watts, Griffis and McOuat, senior technical analyst consultant Horst Mueller, and Pathway Investment Counsel Inc. and William D.B. (Bill) Koenig, CFA, CMA feel that mining stocks will continue to perform well this year, and that our Mutual Fund mining class portfolio has excellent potential.

### **(aa) The State of the Markets and the Impact on the Pathway Mining 2007-II Final Portfolio Value**

As you know, we are in the midst of extraordinary financial turbulence on a level not experienced since the Great Depression. In early October of 2008, former Federal Reserve Chairman Alan Greenspan described recent events as a "once in 100 years event".

We are witnessing the toughest market conditions most of us have ever experienced. Here are some useful facts:

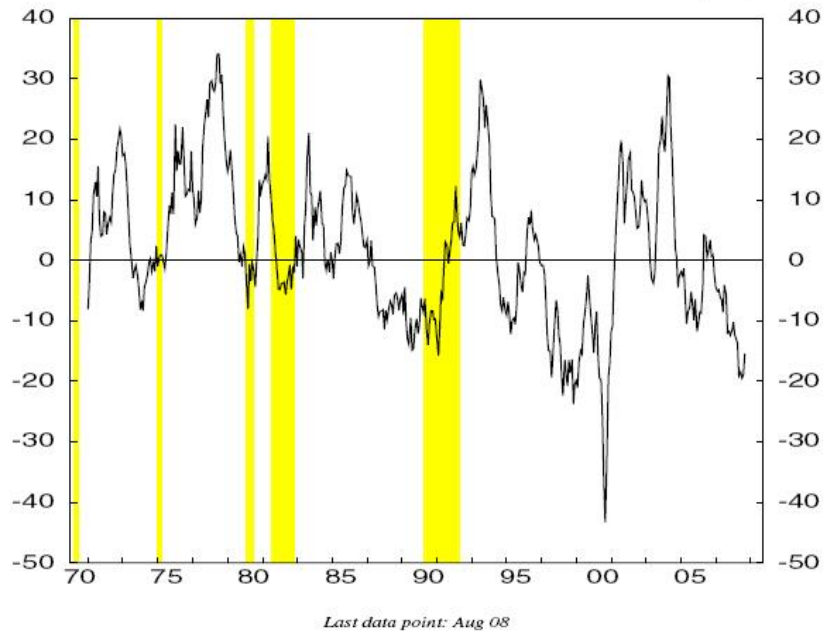
- Sentiment has shifted to a level of extreme fear, resulting in a 33 % slump YTD for the BMO Small Cap Equity Only Weighted Total Return Index by October.
- With each significant correction downside risk is diminishing and small caps tend to outperform in the latter stages of a bear market, during the expansionary phase and over the long-term.

History consistently shows us that market corrections tend to be temporary. We have seen, experienced and been pained by recessions, the Dot Com Bubble, Black Monday, the Long Term Capital bailout, the Asian financial crisis as well as many made in Canada corrections. Even though some of these corrections tend to be severe, what people forget is that they are often short in term. The market has absorbed each of these shocks and has eventually appreciated in value providing investors positive real rates of return.

From a historical perspective, when looking at past bear markets the patterns are few. However, during the past five recessions, Canadian small caps have retreated in price by an average of six percent. The most severe was in the March to June 1970 recession which saw stock price decreases of 21%. To put this into perspective, by September 30, 2008, Canadian small caps were down 33 % according to the BMO Small Cap Equity Only Weighted Total Return Index.

We are all aware that the road to the bottom varies with each cycle. That said, in the United States over the past 50 years bear markets have declined an average of 32 % over 13 months, with 10 % coming in the final month. Investors that have suffered the downward pendulum swing can ill afford to miss the snap back, which is often quick, meaningful and happens before investors witness the evidence in the earnings numbers of small cap companies. Take for example the return of the BMO Small Cap Index in the twelve months following a recession. On average the index has appreciated by 36 %. Further, in the United States the Russell 2000 has increased by an average of 30 % in the 12 months following a recession and both have outperformed large caps in these periods. The chart below shows the relative performance between the BMO Small Cap Index and the S&P/TSX since 1970.

### BMO Small Cap Index vs S&P/TSX Composite 12-Month Relative Performance (%)



Bottom line: while the extraordinary market conditions of the last 10 months resulted in Pathway worst limited partnership performance ever, we are confident that your rollover Mutual Fund investment will allow a very significant recoupment of much, if not all of the losses, over the course of the next year or so. We are particularly confident that some of our portfolio investments, which have migrated from Pathway Mining 2007-II to our Mutual Fund have the potential to demonstrate some very powerful upside moves, and are joining other such investments already in the Mutual Fund.

The previous two years have been very challenging for flow-through investors, other than in late 2008 (our late 2008 LPs are doing very well, and as stated above we recently rolled over a Pathway 2008 LP @ \$12.25 per \$10, and several MineralFields 2008 LPs at well over \$10 per unit). Several events have combined to cause declining values for flow-through LP units across the board:

- a) 2007-2008: global financial crises caused a flight to large cap; small caps suffered.
- b) 2008: "global margin call", deleveraging of hedge funds, redemptions in mutual funds, across-the-board margin calls resulted in forced selling of commodity-related stocks driving share prices down significantly.
- c) 2008: Global Recession-Commodity prices collapse --
  - Oil fell from \$147.00 to \$42.00 a barrel: -71%
  - Nickel fell from \$24.00 to \$4.30/lb: -82%
  - Copper fell from \$4.00 to \$1.50/lb: -63%
  - Zinc fell from \$2.11 to \$0.50/lb: -76%

That is the past. *The key for investors will be to look forward instead of backward. We have turned the corner.*

## **(b) The Mutual Fund Rollover Process -- Background**

As at September 30, 2009, each mining class Mutual Fund share was worth \$3.9527. Accordingly, each Fund Unit (originally issued in 2007 @ \$10) entitles the holder to **0.6913** mining class Mutual Fund shares.

The Mutual Fund recently filed a new simplified prospectus (SP) and annual information form (AIF), dated and received November 27, 2008, with the appropriate securities commissions in Canada, as it is a reporting issuer under securities legislation in Ontario – see enclosed. This new simplified prospectus (along with its predecessor released late last year) has introduced several improvements, including allowing the Mutual Fund to accept investor subscriptions from the general public, and not only from flow-through rollover investors, thereby increasing the asset size and allowing purchases of a higher proportion of higher market cap companies. The original final prospectus for the Mutual Fund was filed and received back in 2005. The Mutual Fund has had a profile on the SEDAR website for several years. The mining class shares of the Mutual Fund have been in existence since January 15, 2005, as this was the initial class of shares established for the Mutual Fund for investors in MineralFields. The energy class shares of the Mutual Fund have been in existence since September 1, 2006. We have also introduced our 3 exciting Flex™ Series Mutual Fund series, namely Canadian Flex™ and Resource Flex™, and Flex Dividend and Income Growth™. As such, our Mutual Fund is a true multi-series corporate class family of funds, allowing our investors several longer term options for their investments.

The rollover from **Pathway Mining 2007-II** occurred as at September 30, 2009, and investors in **Pathway Mining 2007-II** were registered “on book” in the Mutual Fund on the same date.

Anyone who wants to redeem (“cash out”), transfer to a self-directed RRSP, exchange into energy class, or into a Flex™ series, any or all of their investment, September do so at any time (forever) on or after October 5, 2009 as long as proper notice is received by Pathway (Felcom), and proper procedures are followed.

**However, there will be a deemed disposition if you redeem (“cash out”) or transfer to an RRSP, which will trigger capital gains. Please note that the capital gains must be reported based on the ACB per mutual fund share. The ACB form will be sent out with your final tax package mid March of 2010. If you need the ACB form sooner, it will be available on our website in a few weeks, as the ACBs are confirmed by our external auditors.**

The following are your options as an investor in **Pathway Mining 2007-II**:

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- (ii) **transfer** some or all of your rollover Mutual Fund shares to your **self-directed RRSP**;
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- (v) **exchange** some or all of your mining class Mutual Fund shares for shares in our exciting **Flex™ series** of Mutual Fund shares – Canadian Flex™, Resource Flex™ and Flex Dividend and Income Growth™ (at no cost to you and no taxable disposition triggered);

- (vi) **donate** some or all of your mining class Mutual Fund shares to a Canadian registered charitable organization or other qualified donee for an additional tax deduction; **or**,
- (vii) a **combination** of the above.

**Please contact your financial advisor with respect to affecting any of the above steps.** Let your financial advisor know that he or she can obtain the required forms from Pathway most easily by e-mailing a request to [rolloverinformation@mineralfields.com](mailto:rolloverinformation@mineralfields.com).

#### **(c) Ongoing Reporting of Mutual Fund Net Asset Value (“NAV”)**

Our Mutual Fund’s mining class is now priced daily. If you would like to see our Mutual Fund’s mining class daily prices, Pathway is now on Fundata’s Website at [www.fundata.com](http://www.fundata.com). Type in Pathway.

Pathway also keeps a historical record of our weekly valuations for the Mutual Fund’s mining class, energy class, and new Flex <sup>TM</sup> class shares on our website at [www.pathwayam.com](http://www.pathwayam.com) under the tab “Mutual Fund, Rollover”. These postings usually occur late on Friday, or on the weekend.

#### **(d) New 2009 Flow-Through Offerings**

Pathway has released a new offering this year – **Pathway Quebec Mining 2009-II Flow-Through Limited Partnership** – which is now available *for a limited time* to help you shelter 2009 income tax.

Similar to prior years, investors will again enjoy up to a **121% equivalent tax deduction**, plus exposure to the exciting mining sector -- and right now, there are attractive investment opportunities in the mining sector (including gold, silver, uranium, zinc, molybdenum and other base metals, as well as diamonds).

Our 5-part due diligence team Pathway-MineralFields believes that the 2009 series of our Flow-Through LPs will have the best potential in decades. Why?

- (a) massive global fiscal stimulus packages (infrastructure spending);
- (b) potential return to positive economic growth in 2009;
- (c) economic growth leads to increased demand for commodities;
- (d) potential for corporate mergers and acquisition activity in the resource sector in 2009;
- (e) decreased willingness to bring on supply by commodity producers until prices increase, thereby exacerbating a supply shortfall which will become very apparent once economic growth resumes; and,
- (f) lack of credit from banks coupled with an inability to access equity financing will lead to continued lower premiums for flow-through shares

**Please contact your financial advisor if you are interested in participating in our new Pathway Quebec Mining 2009-II offering.**

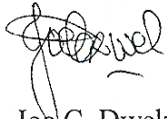
#### **(e) Method of Transmission of This Letter**

This letter is being mailed to the investors' address on their initial subscription information or their last known address if we have been advised of a change-of-address in writing.

As we suggested at the outset, please give a copy of this letter to your financial advisor.

If you, or your financial advisor, have any technical questions relating to the forms or process, please call Felcom at (416) 365-4374. If you have more general questions, Pathway' CFO, Mr. Imtiaz Hashmani, is available at (416) 665-9339 ext 229.

Sincerely,  
Pathway Mining 2007-II Inc.

A handwritten signature in black ink, appearing to read "Jos C. Dwek". The signature is fluid and cursive, with a prominent initial "J" and a long, sweeping underline.

Jos C. Dwek, C.A.  
President