
49 NORTH RESOURCE FUND LIMITED PARTNERSHIP

**Filing Statement
Respecting the Acquisition of
49 North 2006 Resource
Flow-Through Limited Partnership**

April 30, 2007

Neither the TSX Venture Exchange Inc. nor any securities regulatory authority has in any way passed upon the merits of transactions described in this filing statement.

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EXPLANATORY NOTE

This Filing Statement has been prepared by 49 North Resource Fund Limited Partnership (“49 North”, the “Partnership” or the “2005 Fund”) in connection with a series of Transactions (as hereafter defined) between 49 North and 49 North 2006 Resource Flow-Through Limited Partnership (the “2006 Fund”), including the acquisition by 49 North of all of the outstanding limited partnership units of the 2006 Fund in exchange for limited partnership units of 49 North. 49 North and the 2006 Fund share substantially common management and carry on substantially the same business. Accordingly, the transactions do not constitute either a “Reverse Take-Over” or a “Change of Control” under applicable policies of the TSX Venture Exchange (“TSXV”). The Transactions do, however, result in the acquisition of assets representing greater than 50% of 49 North’s total assets and result in the former holders of limited partnership units in the 2006 Fund holding greater than 50% of the total number of limited partnership units of 49 North. As such, the Transactions constitute a “Fundamental Acquisition” for the purposes of TSXV Policy 5.3 and this Filing Statement has been prepared in fulfillment of the requirements of such Policy and TSXV’s conditional approval of the Transactions.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Filing Statement constitute forward-looking statements with respect to 49 North's current expectations, projections and future results. Words such as "expects", "anticipates", "intends", "plans", "may", "believes", "seeks", "estimates", "appears" and similar expressions generally identify forward-looking statements. These forward-looking statements, by their nature, are not guarantees of future operational or financial performance and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such statements. 49 North considers these forward-looking statements and the assumptions on which they are based to be reasonable but cautions the reader that these forward-looking statements and assumptions regarding future events are in many cases beyond the control of management and may ultimately prove to be incorrect. Readers are cautioned not to place undue reliance on forward-looking statements included or incorporated by reference in this Filing Statement. These statements speak only as of the date of this Filing Statement or as the date otherwise specifically indicated herein. Due to the risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this Filing Statement, actual events may differ materially from current expectations. 49 North undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

GLOSSARY

In addition to certain other terms defined elsewhere in this Filing Statement, when used in this Filing Statement, the following terms have the following meanings:

“**Applicable Securities Law**” means the securities legislation and regulations in each of the provinces of Canada having jurisdiction over 49 North and/or the 2006 Fund or the trading of securities thereof and/or the trading of the securities of Resource Issuers in which 49 North or the 2006 Fund invests, and all applicable rules, general rulings, orders and instruments adopted by the respective securities regulators, or otherwise in force, in such jurisdictions.

"**Available Funds**" when used with respect to the Partnership means all funds from time to time available to the Partnership from subscriptions for Units and/or from borrowings under Loan Facilities, plus or minus the cumulative net gains or losses resulting from Portfolio transactions and less (a) cash returned to the Partners by Distributions; (b) expenses of the Partnership; and (c) cash reserves or other liquid assets as the General Partner in its discretion considers necessary for the proper operation of the Business.

“**Auditor**” means Hergott Duval Stack LLP, Saskatoon, Saskatchewan.

"**Book Entry System**" means the system operated by or on behalf of CDS or, if applicable, another Depository, for recording holdings of securities by Intermediaries.

“**Business**” means the business of the Partnership, which, pursuant to and as more particularly defined in the Partnership Agreement, is to invest in and manage a diversified portfolio of Securities of Resource Issuers based primarily in Canada with the focus on Resource Issuers with exploration programs in Saskatchewan, with the objective of achieving capital appreciation of the Portfolio and with a view to the Partnership making a profit.

"**Calculation Time**" means the close of business on February 7, 2007.

“**Canadian Exploration Expense**” or “**CEE**” means “Canadian exploration expense” as defined in subsection 66.1(6) of the *Tax Act*, including, without limiting the generality of the foregoing but for greater certainty, “Canadian Development Expenses” (“**CDE**”) that may be renounced as CEE in accordance with subsection 66(12.601) of the *Tax Act*.

"**CDS**" or "**Depository**" means The Canadian Depository for Securities Limited or its nominee, or any other depository appointed in substitution and replacement for CDS pursuant to the Partnership Agreement.

"**CDS Participant**" or "**Intermediary**" means a registered dealer or other financial intermediary participating in the Book Entry System.

“**Certificate**” means a certificate evidencing ownership of Units, as more particularly defined in the Partnership Agreement.

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

"**Declaration**" means the declaration of limited partnership in respect of the Partnership or, as applicable, the 2006 Fund, registered under the *Partnership Act* and the *Registration Act* establishing the Partnership and the 2006 Fund, respectively, as limited partnerships pursuant to the laws of Saskatchewan, as from time to time amended.

"**Distribution**" means a distribution of cash to Limited Partners pursuant to Section 5.7 of the Partnership Agreement.

"**Distribution Date**" means any date on which cash is distributed to Limited Partners pursuant to Section 5.7 of the Partnership Agreement.

"**Exchange**" means the TSXV, or such other stock exchange on which the Units may from time to time be listed.

"Extraordinary Resolution" means a resolution passed by 66⅔% or more of the votes cast at a duly constituted meeting, or an adjournment thereof, of the Limited Partners (or as applicable the 2006 LPs) called for the purpose of considering such resolution, or, alternatively, a written resolution signed in one or more counterparts by Limited Partners (or as applicable 2006 LPs) holding 66⅔% or more of the Units (or as applicable the 2006 Units) outstanding and entitled to vote on such resolution at a meeting.

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

"Fiscal Year" or **"Fiscal Period"** means a fiscal year of the Partnership or the 2006 Fund, as applicable, which Fiscal Years shall end December 31 of each year during the term of the Partnership and the 2006 Fund, respectively, except that in the year that the Partnership or 2006 Fund, as applicable, is dissolved, the Fiscal Year shall end on the date of such dissolution.

"Flow-Through Agreement" means a subscription agreement pursuant to which 49 North or the 2006 Fund, as applicable, subscribed or hereafter subscribes for Flow-Through Shares of a Resource Issuer and the Resource Issuer agrees to incur and renounce to 49 North or the 2006 Fund, as applicable, CEE in an amount equal to the subscription price for the Flow-Through Shares.

"Flow-Through Share" means a common share in the capital of a Resource Issuer (or a right, warrant, convertible debenture or other security convertible into common shares of a Resource Issuer) which qualifies as a "flow-through share" as defined in subsection 66(15) of the *Tax Act*.

"General Partner" or **2005 GP** means 49 North Resource Fund Inc., a corporation pursuant to the *SBCA*, the general partner of the Partnership.

"High-Quality Liquid Investments" means high-quality money market instruments which are accorded the rating category of A-1 by Standard & Poors Rating Service, a division of The McGraw-Hill Companies, Inc. ("**Standard & Poors**") or R-1 by Dominion Bond Rating Service; interest-bearing accounts of Canadian chartered banks or Canadian trust companies with assets in excess of \$15 billion; securities issued or guaranteed by the Government of Canada or by the government of any province of Canada or agency thereof; preferred shares with a remaining term of three years or less and having a rating of P-2 (Standard & Poors) or of PFD-2 (Dominion Bond Rating Service) or better; or a money market mutual fund with similar quality constraints.

"Income" or **"Loss"** in respect of any Fiscal Year means, respectively, the net income or net loss of 49 North, or the 2006 Fund, as applicable, for such Fiscal Year determined by the 49 North GP or the 2006 Fund GP, as applicable, including the amount of taxable capital gains or allowable capital losses from the disposition of capital property, as determined in accordance with generally accepted accounting principles.

"Initial Limited Partner" with respect to both the Partnership and the 2006 Fund means T&N Holdings Inc., a corporation pursuant to the *SBCA*.

"Investment Management Agreement" means the Amended and Restated Investment Management Agreement made effective October 26, 2006 among the General Partner on behalf of the Partnership and TMM.

"Investment Manager" means the person or persons from time to time appointed as the investment manager of the Partnership or the 2006 Fund, as applicable, in accordance with the provisions of the Partnership Agreement and the 2006 Fund Agreement, respectively, as applicable, which Investment Manager in respect of both the Partnership and the 2006 Fund as at the time of the Transactions was TMM.

"Investment Tax Credits" or **"ITCs"** means non-refundable investment tax credits as defined in paragraph (a.2) of the definition of "investment tax credits" in subsection 127(9) of the *Tax Act* ("**Federal ITCs**") and/or pursuant to *The Mineral Exploration Tax Credit Regulations* under *The Mineral Resources Act, 1985* (Saskatchewan) ("**Provincial ITCs**" or **"METC"**), or such other federal or provincial tax credits or similar tax benefits under the *Tax Act* or under the taxation or other legislation of Canada or any Canadian province or territory, as may now or hereafter be enacted.

"Loan Facility" and **"Loan Facilities"** means a loan or credit facilities made to the Partnership, or as applicable the 2006 Fund, in accordance with the provisions of the Partnership Agreement or 2006 Fund Agreement, as applicable.

"Limited Partner" or **"2005 LP"** means a person who is admitted to the Partnership as a limited partner and remains a limited partner in the Partnership in accordance with the provisions of the Partnership Agreement.

"Limited Resource Financing" means any financing or other indebtedness for which recourse is or is deemed to be limited within the meaning of the *Tax Act*.

"Listing Date" means the date the Units were first listed on the TSXV, being December 28, 2006.

"Net Asset Value" means the net asset value of the Partnership or the 2006 Fund, as applicable, determined in accordance with the provisions of the Partnership Agreement and 2006 Fund Agreement, respectively, as of any particular Valuation Date.

"NI 81-107" means National Instrument 81-107, *Independent Review Committee for Investment Funds*, as amended from time to time, or any like instrument or rule hereafter adopted in substitution for NI 81-107.

"Ordinary Resolution" means a resolution passed by more than 50% of the votes cast at a duly constituted meeting, or an adjournment thereof, of the Limited Partners (or as applicable the 2006 LPs), or, alternatively, a written resolution signed in one or more counterparts by Limited Partners (or as applicable the 2006 LPs) holding more than 50% of the Units (or as applicable the 2006 Units) outstanding and entitled to vote on such resolution at a meeting.

"Original Agreement" means the Limited Partnership Agreement in respect of the Partnership originally made July 19, 2005, as amended and restated September 30, 2005 between the General Partner, the Initial Limited Partner and each person who, from time to time, becomes a Limited Partner in accordance with the terms of such agreement.

"Partner" means, with respect to the Partnership, any Limited Partner or the General Partner and, with respect to the 2006 Fund means any 2006 LP or the 2006 GP.

"Partnership", **"49 North"** or **"2005 Fund"** means 49 North Resource Fund Limited Partnership.

"Partnership Act" means *The Partnership Act* (Saskatchewan), as amended from time to time.

"Partnership Agreement" means the amended and restated limited partnership agreement in respect of the Partnership made as of October 26, 2006 between the General Partner and the Limited Partners, as the same may be further supplemented, amended, or restated from time to time in accordance with the terms thereof.

"Person" or **"person"** means an individual, corporation, body corporate, partnership, limited partnership, joint venture, association, trust or unincorporated organization or any trustee, executor, administrator or other legal representative.

"Portfolio" means the investment portfolio of the Partnership or the 2006 Fund, as applicable.

"Register" means the register of Limited Partners (or as applicable 2006 LPs) maintained by the Registrar and Transfer Agent in respect of the Partnership or, as applicable, the 2006 Fund.

"Registrar & Transfer Agent" means, in the case of the Partnership, Equity Transfer & Trust Company, and, in the case of the 2006 Fund, the 2006 GP.

"Registration Act" means *The Business Names Registration Act* (Saskatchewan), as amended from time to time.

"Regulations" means the Regulations to the *Tax Act*, as amended from time to time.

"Related Corporation" means a company that is related to a Resource Issuer for the purposes of subsection 251(2) or 251(3) of the *Tax Act*.

“Reorganization Agreement” means the reorganization agreement made as of February 8, 2007 between, *inter alia*, 49 North and the 2006 Fund as more particularly described in Part V hereof, “The Transactions”.

“reporting issuer” means an issuer that is a “reporting issuer” under and as defined in the securities legislation of any Canadian province or territory or that has a status under the securities legislation of any Canadian province or territory substantially similar to that of a reporting issuer.

“Resource Issuer” means a corporation whose principal business (either directly or through a Related Corporation) is:

- (a) mining or exploring for minerals (a **“Mining Issuer”**); and/or
- (b) exploring or drilling for petroleum or natural gas (an **“Oil and Gas Issuer”**); and/or
- (c) the generation of energy through alternative means or the development of projects for alternative energy generation (as more particularly described in paragraph (h) or (i) in subsection 66(15) of the *Tax Act*) (an **“Alternative Energy Issuer”**)

and which, in the case of a Resource Issuer issuing Flow Through Shares, is a “principal-business corporation” as defined in subsection 66(15) of the *Tax Act*.

“Resource Securities” or **“Securities”** means: (a) common shares or other equity or equity-linked securities in the capital of Resource Issuers; (b) special warrants, warrants, options, rights, convertible debentures and other convertible securities entitling the Partnership to acquire equity securities in the capital of Resource Issuers; and (c) any combination of the securities described in (a) and (b) above; and, for greater certainty, includes such Securities whether or not they are Flow-Through Shares.

“Resource Subscription Agreements” means a subscription agreement entered into by the Partnership and a Resource Issuer pursuant to which the Partnership subscribes for Securities of a Resource Issuer.

“Resulting Issuer” means 49 North, after giving effect to the Transactions.

“SBCA” means *The Business Corporations Act* (Saskatchewan), as amended from time to time.

“Securities Act” means *The Securities Act, 1988* (Saskatchewan), as amended from time to time.

“Securities Regulators” means the Saskatchewan Financial Services Commission and the securities commissions or like regulatory authorities in other jurisdictions responsible for the administration of Applicable Securities Law in such jurisdictions.

“SEDAR” means the internet based system for electronic data archiving and retrieval maintained by or on behalf of Canadian securities regulators.

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

“TMM” or **“Investment Manager”** means TMM Portfolio Management Inc., a corporation pursuant to the *SBCA*.

“Transactions” means the transactions under the Reorganization Agreement as more particularly described in Part V hereof, “The Transactions”.

“Transfer Form” means the form of transfer and power of attorney prescribed from time to time by the General Partner for use in connection with the transfer of Units of the Partnership.

“Valuation Date” means the last day of each fiscal quarter and/or such other date or dates as may be determined by the General Partner or, if applicable, the 2006 GP for determining the Net Asset Value and/or Net Asset Value per unit of the Partnership and Units or of the 2006 Fund and 2006 Units, as applicable.

"**2006 Fund**" means 49 North 2006 Resource Flow-Through Limited Partnership, a limited partnership pursuant to the laws of Saskatchewan.

"**2006 Fund Agreement**" means the limited partnership agreement made January 4, 2006, as amended and restated May 18, 2006 between the 2006 GP, as general partner, the Initial Limited Partner, and the 2006 LPs.

"**2006 GP**" means 49 North 2006 Resource Fund Inc., a corporation pursuant to the *SBCA*, the general partner of the 2006 Fund.

"**2006 Fund Investment Management Agreement**" means the Investment Management Agreement made as of May 18, 2006 between the 2006 GP on behalf of the 2006 Fund and TMM.

"**2006 LP**" means a person who is admitted to the 2006 Fund as a limited partner, and remains a limited partner in the 2006 Fund in accordance with the provisions of the 2006 Fund Agreement.

"**2006 Units**" means limited partnership units in the 2006 Fund.

"**\$**" means Canadian Dollars.

PART I - SUMMARY

The following is a summary of certain information relating to 49 North, the 2006 Fund and the Resulting Issuer and should be read together with the more detailed information and financial data and statements contained elsewhere in this Filing Statement. Reference is made to the Glossary for the definitions of certain terms and abbreviations used in this Filing Statement, including this Summary.

49 North

49 North Resource Fund Limited Partnership, a limited partnership formed under the laws of Saskatchewan in July 2005, is currently governed by an amended and restated limited partnership agreement (the "Partnership Agreement") made as of October 26, 2006 between 49 North Resource Fund Inc., as general partner (the "General Partner" or the "2005 GP") and each person who is or from time to time becomes a limited partner of the Partnership (the "Limited Partners" or "2005 LPs") in accordance with the terms of the Partnership Agreement. 49 North is an "investment fund" for securities laws purposes. Pursuant to the Partnership Agreement, its investment objective is to invest in a diversified Portfolio of Securities of Resource Issuers, with the focus on Resource Issuers with exploration programs in Saskatchewan; and with a view to achieving capital appreciation of the Portfolio.

As of December 31, 2006 the Partnership's Portfolio included holdings in twenty-two Resource Issuers and the Partnership had a Net Asset Value of \$5,570,511; or \$4.64 per limited partnership unit (the "Units" or "2005 Units"), based on 1,200,000 Units that were outstanding at that date. The Units were listed on the Exchange on December 28, 2006 and trade under the symbol FNR.UN. 49 North is a reporting issuer in the Provinces of British Columbia, Alberta and Saskatchewan.

The 2006 Fund

49 North 2006 Resource Flow-Through Limited Partnership is also a limited partnership, formed under the laws of Saskatchewan in January 2006 and, prior to the Transactions described herein, was governed by a limited partnership agreement originally made January 4, 2006, as amended and restated May 18, 2006 (the "2006 Fund Agreement") between 49 North 2006 Resource Fund Inc., as general partner (the "2006 GP"), and each person who from time to time becomes a limited partner of the 2006 Fund (the "2006 LPs") in accordance with the terms of the 2006 Fund Agreement. Like 49 North, the 2006 Fund was established as an "investment fund" with its investment objective being to invest in a diversified Portfolio of Flow-Through Shares of Resource Issuers, with the focus on Resource Issuers with exploration programs in Saskatchewan; and with a view to achieving capital appreciation of the Portfolio and maximizing the tax benefits of an investment in the limited partnership units of the 2006 Fund (the "2006 Units") for the 2006 LPs.

As of December 31, 2006 the 2006 Fund's Portfolio included holdings of Flow-Through Shares in 27 Resource Issuers and the 2006 Fund had a Net Asset Value of \$7,399,650, or \$4.56 per 2006 Unit, based on 1,623,006 2006 Units that were outstanding at that date. At the time of the Transactions the 2006 Fund was a reporting issuer in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. The 2006 Units are not listed on any stock exchange and at the time of the Transactions there was no market for the 2006 Units.

The Transactions

Effective February 8, 2007, the Partnership and the 2006 Fund, and/or their respective Partners, entered into a Reorganization Agreement, pursuant to which, effective February 21, 2007, the parties completed a series of Transactions that resulted in the 2006 Fund effectively merging into the Partnership. As more particularly described in Part V hereof "The Transactions", the Transactions included the acquisition by the Partnership of all of the 1,623,006 outstanding 2006 Units in exchange for issuing to the 2006 LPs a total of 1,598,314 Partnership Units, as well as the acquisition by the Partnership of all of the assets and the assumption by the Partnership of all of the liabilities of the 2006 Fund (which was then wound-up and dissolved). The Transactions were carried out on the basis of the Partnership's and the 2006 Fund's respective Net Asset Values and Net Asset Values per Unit calculated as of the close of business on February 7, 2007, which at that time were approximately \$5,244,000 (\$4.37 per Unit) in the case of the Partnership and \$6,985,000 (\$4.30 per unit) in the case of the 2006 Fund. As summarized in Table 2 below, the net result to the Partnership of the Transactions was to:

- (a) increase the number of its issued and outstanding Partnership Units from 1,200,000 to 2,798,314 Units;
- (b) increase the number of companies in the Partnership's investment Portfolio from 22 to 42 and increase the value of the Partnership's investment Portfolio from approximately \$5,858,000 to approximately \$13,892,000 (including cash reserves of approximately \$650,700);
- (c) increase the Partnership's total liabilities from approximately \$614,000 to approximately \$1,662,000; and
- (d) increase the Partnership's Net Asset Value from approximately \$5,244,000 immediately before the Transactions to approximately \$12,229,000 immediately after the Transactions, while maintaining a Net Asset Value of \$4.37 per Unit.

All of the above dollar amounts are based on calculations as at February 7, 2007.

Table 1 below provides selected financial information for the Partnership and the 2006 Fund together with pro forma financial information for the Partnership as of December 31, 2006 and should be read in conjunction with the statements of net assets of the Partnership and the 2006 Fund, respectively, for the year ended December 31, 2006 and the Auditor's reports thereon that form part of the financial statements attached hereto as Schedule A and Schedule B, respectively, and the unaudited pro forma statement of net assets that forms part of the pro form financial statements attached hereto as Schedule C.

Table 2 below provides details of the Net Asset Values of the Partnership and the 2006 Fund (as at the close of business on February 7, 2007) that were used in valuing the Partnership Units and the 2006 Units for the purposes of the Transactions and the resulting Net Asset Value of the Partnership after giving effect to the Transactions.

	49 North Resource Fund Limited Partnership (audited)	49 North 2006 Resource Flow- Through Limited Partnership (audited)	49 North Resource Fund Limited Partnership (pro forma unaudited)
Investments	\$ 6,065,763	\$ 8,277,664	\$ 14,343,427
Cash	68,690	42,674	111,364
Total Assets	6,134,453	8,320,338	14,454,791
Total Liabilities	563,942	920,688	1,484,630
Net Assets representing partner's equity	5,570,511	7,399,650	12,970,161
Number of limited partnership units outstanding	1,200,000	1,623,006	2,798,314
Net asset value per unit	4.64	4.56	4.63

	49 North Resource Fund Limited Partnership	49 North 2006 Resource Flow- Through Limited Partnership	49 North Resource Fund Limited Partnership
Investments	\$ 5,712,454	\$ 7,528,529	\$ 13,240,983
Cash	145,505	505,201	650,706
Total Assets	5,857,959	8,033,730	13,891,689
Total Liabilities	613,628	1,048,656	1,662,284
Net Assets representing partner's equity	5,244,332	6,985,073	12,229,405
Number of limited partnership units outstanding	1,200,000	1,623,006	2,798,314
Net asset value per unit	4.37	4.30	4.37

Resulting Issuer

The Transactions have no material effect on the organizational structure, business objectives or management of the Partnership or on the characteristics of the securities of the Partnership; except, as noted above, to increase (a) the number of outstanding Units; (b) the number of companies in and the value of the Partnership's investment Portfolio; (c) the liabilities of the Partnership; and (d) the Net Asset Value of the Partnership. The Partnership continues to be governed by the amended and restated Partnership Agreement made as of October 26, 2006. In that regard, readers are advised that pursuant to the Partnership Agreement and the 2006 Fund Agreement, the respective businesses and investment objectives of the Partnership and the 2006 Fund were substantially the same as one another – namely investing in securities of Resource Issuers with the focus on Resource Issuers with exploration programs in Saskatchewan – and the two Funds shared substantially common management. More specifically, pursuant to the Partnership Agreement and the 2006 Fund Agreement, respectively, the 2005 GP has, and the 2006 GP had, the exclusive authority to manage the operations and affairs of the Partnership and of the 2006 Fund, respectively, including managing the respective investment Portfolios of the Funds. Mr. Tom MacNeill founded both the Partnership and the 2006 Fund and at the time of the Transactions was the sole shareholder, a director and the President and Chief Executive Officer of both the 2005 GP and the 2006 GP. Mr. MacNeill is also the sole shareholder, director and officer of TMM Portfolio Management Inc. ("TMM"), which at the time of the Transactions was the investment manager for both 49 North and the 2006 Fund and continues to be the investment manager for 49 North.

PART II - RISK FACTORS

To the extent, if any, that the Transactions may alter the risks associated with an investment in the Units from the risks existing prior to the Transactions, in the opinion of management, the Transactions somewhat reduce such risks. Risk reducing factors may include, without limitation, a decrease in risk in the price volatility of the Partnership's Portfolio due to increasing the holdings in the Portfolio from 22 companies immediately before, to 42 companies immediately after the Transactions, and the potential for lower administrative costs on a per Unit basis resulting from the fact that the Transaction more than doubled the number of outstanding Units of the Partnership. Nonetheless, investment in the Units involves numerous risk and uncertainties.

1. **Speculative Nature of Investment:** The Units are speculative as are the securities of Resource Issuers in which the Partnership invests. There is no assurance of a positive, or any, return on an investment in Units.

2. **Reliance on the General Partner and Investment Manager – Conflicts of Interest:** Pursuant to the Partnership Agreement the General Partner has the exclusive authority to manage the operations and affairs of the Partnership and to make all decisions regarding the Business of the Partnership; provided that the General Partner is subject to and is required to comply with the terms and conditions of the Partnership Agreement including, in particular but without limiting the generality of the foregoing, complying with the investment objective, strategy and guidelines set forth in the Partnership Agreement. The business and affairs of the General Partner are in turn managed by or under the direction of its board of directors. Mr. Tom MacNeill is the sole shareholder of the General Partner and the sole shareholder of the Partnership's Investment Manager, TMM and, as such, has the exclusive authority to elect the directors of the General Partner and of TMM. Mr. MacNeill is also the President and CEO of both the General Partner and of TMM and is a director of the General Partner and the sole director of TMM. Investors must appreciate that they are relying on the expertise, good faith and integrity of the officers and directors of the General Partner and of TMM, and especially on the expertise, good faith and integrity of Mr. Tom MacNeill, for the success of the Partnership and their investment in the Units of the Partnership. The services of the officers and directors of the General Partner are not exclusive to either the General Partner or the Partnership and the services of TMM are not exclusive to the Partnership. The officers and directors of the General Partner and their affiliates (other than the General Partner) may engage in activities for their own account which compete with the Partnership. Conflicts may arise from time to time in allocating investment opportunities, timing investment decisions and exercising rights in respect of and otherwise dealing with securities and issuers in which the Partnership and/or the officers and directors of the General Partner and/or their affiliates invest. Potential conflicts of interest may arise in the enforcement of the terms and conditions of the Partnership Agreement and/or the Investment Management Agreement, whether such agreements are being enforced by or against the Partnership.

3. **Investment in Resource Issuers:** Limited Partners must rely substantially on the expertise of the General Partner and TMM in determining (in accordance with the Partnership's investment objectives, strategy and guidelines under the Partnership Agreement) the composition of the Partnership's investment Portfolio and in determining if, when and on what terms to acquire and/or dispose of Securities in such Portfolio. The Partnership may from time to time acquire Securities on a non-brokered private placement basis and, therefore, without the benefit of due diligence by a dealer. Flow-Through Shares may be acquired by 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 substantially on the discretion, knowledge and expertise of the General Partner and TMM in negotiating the pricing of Portfolio Securities.

4. **Tax Related Risks:** Tax related risks include, without limitation, the following:

(a) Flow-Through Agreements now or hereafter entered into, or assumed as part of the Transactions, by or on behalf of the Partnership include and/or are expected to include the agreement of the investee Resource Issuer to incur, in an amount equal to the subscription price for the Flow-Through Shares purchased thereunder, CEE that has been or will be renounced in favour of the Partnership, generally effective as of the year in which the Flow-Through Agreement was entered into. Generally, however, the subscription price for the Flow-Through Shares will be released to the investee Resource Issuer before such CEE is incurred or renounced. There is a risk that any particular Resource Issuer will not incur and/or renounce CEE to the Partnership in an amount equal to the subscription price paid to such Resource Issuer and/or a risk that the expenditures incurred by such Resource Issuer will not qualify as CEE.

(b) The tax consequences to any particular Limited Partner may vary from those that are generally applicable to Limited Partners due to the particular Limited Partner's personal circumstances.

(c) Federal or provincial income tax legislation may be amended, or its interpretation changed, so as to fundamentally alter the tax consequences of acquiring, holding or disposing of Units.

(d) There is a possibility that Limited Partners will receive allocations of income (including taxable capital gains) from the Partnership without receiving a corresponding cash distribution to satisfy any resulting tax liability. In particular, if the Partnership sells Flow-Through Shares from its Portfolio for reinvestment purposes or to fund Partnership expenses, it will realize a capital gain (one-half of which would normally be a taxable capital gain) substantially equal to the sale proceeds because the Flow-Through Shares acquired for the Partnership's Portfolio will generally have a nil cost for tax purposes.

(e) If a Limited Partner finances his investment in Units with a borrowing or other indebtedness that is, or is deemed under the *Tax Act* to be, a limited recourse financing, the tax benefits of the investment to such Limited Partner, and possibly to other Limited Partners, will be adversely affected.

(f) The ability to use the "roll-over" provisions in Sections 97(2) and 98(3) of the *Tax Act* in connection with the Transactions require that at the time the 2006 Units are transferred by the 2006 LPs to the Partnership in exchange for Units and at the time the 2006 Fund is dissolved and its assets distributed to the Partnership, that both the Partnership and the 2006 Fund be a "Canadian partnership" for the purpose of the *Tax Act*. This requires that all partners of both the Partnership and of the 2006 Fund not be "non-residents" of Canada for the purposes of the *Tax Act* at the time of such Transactions. Pursuant to the Partnership Agreement and the 2006 Fund Agreement, respectively, each 2005 LP and each 2006 LP, represents and warrants to the respective Funds, their respective general partner and the other limited partners of such Funds that he is not, and so long as he remains a limited partner will not become, a "non-resident" of Canada. The Partnership Agreement and the 2006 Fund Agreement prohibit the issue or transfer of Units and 2006 Units, respectively, to "non-residents". In addition, if a 2005 LP or a 2006 LP at any time ceases to be a resident of Canada, he is required to sell his Units and/or 2006 Units, as applicable. In structuring and implementing the Transactions, the General Partner and the 2006 GP, and their respective directors, officers and professional advisors have and will rely on these representations and warranties of the 2005 LPs and 2006 LPs and thus expect, but cannot guarantee, that all such limited partners are Canadian residents and, therefore, that both the Partnership and the 2006 Fund are, and as at the closing of the Transactions were, a "Canadian partnership" for the purposes of the *Tax Act*. However, the question as to whether any person is or is not a resident or "non-resident" of Canada is a question of mixed fact and law. If it was determined that either the Partnership or the 2006 Fund was not a "Canadian partnership", such determination could result in the CRA denying the use of the *Tax Act's* section 97(2) and / or section 98(3) "roll-over" provisions to the Funds and their limited partners. Any such determination would have tax consequences to the limited partners of both the Partnership and the 2006 Fund that are materially and adversely different than the tax consequences otherwise contemplated or described in this Filing Statement.

(g) The tax shelter identification number in respect of the Partnership is TS070789. This identification number must be included in any income tax return filed by a Limited Partner. The issuance of the identification number is for administrative purposes only and does not in any way confirm the entitlement of an investor to claim any tax benefits associated with the tax shelter.

See also Part VII, "Canadian Federal Income Tax Considerations".

5. **Concentration Risks:** The Partnership's investment Portfolio is, and after the Transactions continues to be, comprised exclusively of securities of junior and intermediate Resource Issuers engaged in mineral or oil and gas exploration in Canada, with the focus on Resource Issuers with exploration programs in Saskatchewan. Concentrating its investment in this manner may result in the value of the Units fluctuating to a greater degree than if the Partnership invested in a broader spectrum of issuers or in issuers with a broader geographical diversification of their activities.

6. **Marketability of Portfolio Securities:** The value of Units will vary in accordance with the values of the Securities in the Partnership's investment Portfolio, the value of which Portfolio Securities may be affected by such

factors as investor demand, general market trends, and, in some case, resale restrictions, 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. Up to 5% of the Partnerships Portfolio may be invested in Securities of non-reporting issuers which are subject to continuing resale restrictions and up to 20% of the Portfolio may be invested in Securities of companies that are not listed on a stock exchange. The Securities of non-reporting issuers may not be sold by the Partnership unless an exemption is available under Applicable Securities Law and securities of non-listed companies may, regardless of whether or not the issuer is a reporting issuer, be difficult to sell. More generally, many of the Securities held by the Partnership, regardless of the industry sector in which the issuer conducts business and including those listed and not subject to resale restrictions, may be relatively illiquid and may decline in price if a significant number of shares are offered for sale.

7. **General Risks associated with Resource Issuers:** In general, the business of the Partnership is to invest in Resource Issuers. The business activities of Resource Issuers are typically speculative and may be adversely affected by sector specific risk factors, outside the control of the Resource Issuers, which may ultimately have an impact on the Partnership's investments in such companies' securities. Risks associated with the resource sector include, without limitation, the following:

- (a) the business of exploring for minerals and/or oil and gas involves a high degree of risk, many of which risks are beyond the control of the relevant Resource Issuer. Many of the Resource Issuers that the Partnership invests in may not hold, discover or successfully exploit commercial quantities of minerals, petroleum or natural gas and/or may not have a history of earnings or payment of dividends;
- (b) the marketability of natural resources which may be acquired or discovered by a Resource Issuer will be affected by numerous factors which are beyond the control of such Resource Issuer. These factors include market fluctuations in the price of minerals, petroleum and/or natural gas, as applicable, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of materials and environmental protection. The exact effect of these factors cannot be accurately predicted, but any one or a combination of these factors could result in a Resource Issuer not receiving an adequate return for shareholders;
- (c) a Resource Issuer may become subject to liability for pollutions, cave-ins or other hazards against which it cannot insure or against which it may elect not to insure. Such liabilities may have a material, adverse effect on such Resource Issuer's financial position and on the value of the securities of such Resource Issuer held as part of the Partnership's investment Portfolio;
- (d) a Resource Issuer's operations are subject to government legislation, policies and controls relating to prospecting, land use, trade, environmental protection, taxation, rate of exchange, return of capital and labour relations. A Resource Issuer's property interests may be located in foreign jurisdictions, and its exploration operations in such jurisdictions may be affected in varying degrees by the extent of political and economic stability, and by changes in regulations or shifts in political or economic conditions that are beyond the control of the Resource Issuer. Such factors may adversely affect the Resource Issuer's business and/or its property holdings. Although a Resource Issuer's exploration activities may be carried out in accordance with all applicable rules and regulations at any point in time, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development of the Resource Issuer's operations. Amendments to current laws and regulations governing the operations of a Resource Issuer or more stringent enforcement of such laws and regulations could have a substantial adverse impact on the financial results of the Resource Issuer; and
- (e) a Resource Issuer's operations may be subject to environmental regulations enacted by government agencies from time to time. A breach of such legislation may result in the imposition on the Resource Issuer of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which has lead to stricter standards and enforcement and greater fines and penalties for non-compliance. The cost of compliance with government regulations may reduce the profitability of a Resource Issuer's operations.

8. **Nominal Assets:** Pursuant to the Partnership Agreement, the General Partner has agreed to indemnify the Limited Partners in certain circumstances. However, the General Partner has nominal assets and it is unlikely that it will have sufficient assets to satisfy any claims pursuant to such indemnity.

9. **Limited Liability:** Limited Partners may lose their limited liability in certain circumstances, including by taking part in the control of the business or management of the Partnership. Additionally, 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 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.

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.

10. **Purchase and Sale of Units:** The Partnership is a closed-end investment fund and, generally, investors are not entitled to have their Units redeemed by the Partnership. An investor who desires to purchase securities of the Partnership may only do so by purchasing Units in the secondary market, or from time to time if, as and when the Partnership determines to issue Additional Units in accordance with the Partnership Agreement and Applicable Securities Law. An investor may purchase or sell Units through the facilities of the TSXV by contacting their investment advisor. While the Net Asset Value of Partnership Units is calculated on each Valuation Date, investors may not purchase Units at this amount, but rather only through the TSXV and at prices determined by the bid and ask prices as established through the facilities of the TSXV.

PART III - INFORMATION CONCERNING 49 NORTH RESOURCE FUND LIMITED PARTNERSHIP

Name, Formation and History of the Partnership

49 North was formed under the name 49 North Resource Flow-Through Limited Partnership pursuant to the Original Agreement and was constituted a limited partnership under the laws of Saskatchewan upon the registration of the Declaration effective July 20, 2005. This Original Agreement was further amended and restated effective October 26, 2006 as part of a reorganization of the Partnership to, amongst other things, change the name of the Partnership to 49 North Resource Fund Limited Partnership and the Declaration was amended November 8, 2006 to reflect this name change as well as other changes to the Partnership resulting from such reorganization. This amended and restated limited partnership agreement made effective October 26, 2006 (the "Partnership Agreement") together with the *Partnership Act* and *Registration Act* now govern 49 North.

The General Partner of the Partnership was incorporated under the *SBCA* on October 13, 2004 under the name 101062093 Saskatchewan Ltd. and amended its articles effective May 11, 2005 to change its name to 49 North Resource Fund Inc. The head office of both 49 North and the General Partner is 602 – 224 – 4th Avenue South, Saskatoon, Saskatchewan, S7K 5M5, and the registered office of the General Partner is 374 – 3rd Avenue South, Saskatoon, Saskatchewan, S7K 1M5.

In December 2005 the Partnership completed and closed an initial public offering and related private placements (collectively the "2005 Offering"), raising gross proceeds of \$6,000,000 on the issuance of 1,200,000 Units at a price of \$5.00 per Unit. Under the Original Agreement the Partnership's investment objective was to invest its Available Funds in Flow-Through Shares of Resource Issuers, with the focus on Resource Issuers with exploration programs in Saskatchewan, and with a view to achieving capital appreciation of the Portfolio and maximizing the tax benefits of an investment in the Units for its Limited Partners. In furtherance of that objective, prior to December 31, 2005, the Partnership invested \$6,000,000 in a Portfolio of Flow-Through Shares of fourteen Resource Issuers under Flow-Through Agreements pursuant to which the respective investee Resource Issuers agreed to incur and renounce to the Partnership, with an effective date in 2005, CEE in an amount equal to the Partnership's subscription price for such Flow-Through Shares. Generally, investors under the 2005 Offering who were Limited Partners of the Partnership as of December 31, 2005 were able to deduct the CEE so renounced to the Partnership in computing their taxable Income in 2006. Also, subject to certain limitations, such investors were able to claim a 15% non-refundable Federal Income Tax Credit and investors resident in or otherwise subject to Saskatchewan income tax were generally able to claim an additional 10% non-refundable Saskatchewan Provincial Investment Tax Credit on funds invested by the Partnership in Flow-Through Shares of certain Mining Issuers engaged in specified surface "grass roots" mining activities in Saskatchewan.

The Original Agreement contemplated that the Partnership would continue only until March 31, 2007 unless such date was extended by an Extraordinary Resolution of the Limited Partners. The Original Agreement and the Partnership's prospectus in respect of the 2005 Offering also contemplated, as an alternative to such dissolution, and in order to provide potential liquidity and long-term growth of capital to Limited Partners, that the General Partner would call a meeting of Limited Partners in 2006 for the purpose of considering and, if thought fit, approving by Ordinary Resolution a so-called "Reorganization Transaction" pursuant to which the General Partner would be authorized to sell and transfer all or substantially all of the assets of the Partnership or, as attorney and agent for each Limited Partner, to sell and transfer all Units of the Partnership and all of the interests of the respective Limited Partners in the Partnership, on a tax deferred basis, to a mutual fund corporation or another appropriate investment vehicle, such as a publicly listed corporation or a limited partnership (a "Public Entity"), in exchange for shares, limited partnership units and/or other securities of such Public Entity and to thereupon or as soon as reasonably possible thereafter distribute the shares or other securities so received to the Limited Partners on a pro rata basis. Subsequently, however, the General Partner determined that there were no suitable Public Entities which had the unique focus that the Partnership had on the Saskatchewan resource sector or that had a similar depth of experience in Saskatchewan's resource sector. Accordingly, the General Partner recommended to the Limited Partners that, rather than transferring assets or Units to another Public Entity in a Reorganization Transaction of the type described above, it would be in the best interests of the Partnership and the Limited Partners to amend the Original Agreement to, in effect, convert the Partnership into a closed-end investment fund and to list the Units of the Partnership on a stock exchange. At a special meeting held September 19, 2006 the Limited Partner's approved, by Extraordinary Resolution, the General Partner's recommendations in this regard and the General Partner caused the Original Agreement to be amended and restated in accordance with this Extraordinary Resolution effective

October 26, 2006 to, amongst other things: change the name of the Partnership from 49 North Resource Flow-Through Limited Partnership to 49 North Resource Fund Limited Partnership; increase the Partnership's authorized capital from 1,200,000 to an unlimited number of Units; change the Partnership's investment objective, strategy and guidelines to de-emphasize income tax considerations and to clarify that the Partnership could now invest in Securities of Resource Issuers whether or not such Securities were issued on a "flow-through" basis; and to extend the term of the Partnership.

The Partnership's Units were listed on TSXV on December 28, 2006 and trade under the symbol FNR.UN.

Business of the Partnership

General: The Partnership is an "investment fund" for the purposes of and as defined in Applicable Securities Law. The Partnership Agreement stipulates that the business and the investment objective of the Partnership is to invest in and manage a diversified Portfolio of Securities of Resource Issuers, based primarily in Canada with the focus on Resource Issuers with exploration programs in Saskatchewan, with the objective of achieving capital appreciation of the Portfolio and with a view to the Partnership making a profit, and for otherwise conducting the activities described in the Partnership Agreement (collectively the "Business"). The Partnership does not carry on any other business but does have the power to do any and every act and thing necessary, proper, convenient or incidental to the Business as aforesaid.

Investment Strategy: The General Partner is responsible for the management of the Portfolio, including having the responsibility and authority, subject to the provisions of the Partnership Agreement, to select the Resource Issuers in which the Partnership invests and to negotiate and enter into Resource Subscription Agreements on behalf of the Partnership. Management of the Portfolio may also include the sale of Resource Securities held in the Portfolio and the reinvestment of the net proceeds from any such dispositions in additional Securities of Resource Issuers.

The Partnership's investment strategy in this regard includes the following:

- (a) on or prior to December 31, 2005 all Available Funds were invested in Flow-Through Shares under Flow-Through Agreements the terms of which included the agreement by the Resource Issuer to incur, in an amount equal to the aggregate subscription price for the Flow-Through Shares thereunder, CEE that was renounced by the Resource Issuer in favour of the Partnership with an effective date in 2005;
- (b) from and after January 1, 2006 the General Partner may invest Available Funds in Securities of Resource Issuers, regardless of whether or not such Securities are Flow-Through Shares;
- (c) Available Funds may be invested in Resource Issuers engaged in either mineral exploration and development or oil and gas exploration and development, in Canada, without restriction as to the amount of Available Funds that are allocated to investment in Mining Issuers and Oil and Gas Issuers, respectively, and regardless of the provinces or territories in Canada in which such exploration and/or development activities are conducted. However, pursuant to the Partnership Agreement, the General Partner and Limited Partners acknowledge that the General Partner anticipates that the Portfolio will focus on Securities of Mining Issuers and/or Oil and Gas Issuers with exploration programs in Saskatchewan and generally be weighted in favour of investment in Mining Issuers more so than Oil and Gas Issuers;
- (d) Available Funds may also be invested in Flow-Through Shares of Alternative Energy Issuers, subject however to the limits set forth in the investment guidelines; and
- (e) in addition to the specific requirements and restrictions set forth in the investment guidelines, the General Partner will consider, without limitation, the following factors when entering into Resource Subscription Agreements:
 - (i) the experience of management, on a general, overall basis, with specific reference given to the number of directors and officers who have experience or expertise in the relevant resource sector and the depth of such experience or expertise;

- (ii) past production, exploration results and the financial condition of the applicable Resource Issuer;
- (iii) pricing of the Securities under the Resource Subscription Agreements and the relative value, liquidity and potential for growth in value of the Securities of the Resource Issuer; and
- (iv) engineering reports and other information regarding the exploration program to be conducted by the Resource Issuer to the extent that such engineering reports are available. The Partners acknowledge, however, that engineering reports may not be available with respect to any particular Resource Issuer or exploration program of such Resource Issuer or, if available, may not be prepared by independent mining or petroleum engineers and, therefore, an engineering report will not necessarily be a condition or requirement of the Partnership's investment in Securities of any particular Resource Issuer.

Investment Guidelines: Pursuant to the Partnership Agreement, the General Partner must manage the investment Portfolio in accordance with the following investment guidelines¹:

- (a) **Resource Issuers.** All Available Funds of the Partnership in 2005, totalling \$6,000,000, were invested on or prior to December 31, 2005 in Flow-Through Shares issued by Resource Issuers. Thereafter, funds of the Partnership, including without limitation, the net proceeds from any dispositions of Flow-Through Shares after December 31, 2005, may be invested in Resource Securities whether or not they are Flow-Through Shares.
- (b) **Reporting Issuers:** At least 95% of all funds invested in Resource Securities must be invested in Resource Issuers that are reporting issuers under Canadian securities laws, with not greater than 5% of such funds invested in Flow-Through Shares of Resource Issuers which are not reporting issuers and which may, therefore, be subject to continuing resale restrictions.
- (c) **Exchange Listing.** A minimum of 80% of Available Funds must be invested in securities of issuers whose shares are listed and posted for trading on a Canadian stock exchange, including without limitation, the TSX and/or TSXV
- (d) **Alternative Energy Issuers.** The Partnership may invest not more than 5% of Available Funds in Securities of Alternative Energy Issuers.
- (e) **Other Issuers.** The Partnership may, but is not required to, invest up to a maximum of 5% of Available Funds in publicly listed securities of issuers that are not Resource Issuers.
- (f) **Diversification.** The Partnership will limit its investment in any single issuer to a maximum of 10% of Available Funds, provided that, with express, unanimous approval by the board of directors of the General Partner, up to 20% of Available Funds of the Partnership may be invested in a single, publicly traded Resource Issuer.
- (g) **Purchasing Securities.** The Partnership will purchase securities (other than Flow-Through Shares) through normal market facilities unless the purchase price therefore approximates or is less than the prevailing market price or is negotiated or established on an arm's length basis from the Partnership and the General Partner.
- (h) **Fixed Price.** The Partnership will not purchase any security which may by its terms require the Partnership to make a contribution in addition to the payment of the purchase price provided that this restriction shall not apply to the purchase of securities which are paid for on an instalment basis where the total purchase price and the amount of all such instalments is fixed at the time the initial instalment is paid.
- (i) **No Material Interest.** The Partnership will not purchase for or sell securities from its Portfolio to the General Partner or any affiliate of the General Partner, or any officer, director or shareholder of any of them, or any person, trust, firm or corporation managed by the General Partner or any of its or their affiliates or any firm or

¹ All percentage limitations in the investment guidelines apply only immediately prior to the purchase of the relevant Securities and any subsequent change in any applicable percentages resulting from changing values does not require elimination of any Security from the Partnership's Portfolio.

corporation in which any officer, director or shareholder of the General Partner may have a material interest (which, for these purposes, means beneficial ownership of more than 10% of the voting securities of such entity) unless, with respect to any purchase or sale of securities, any such transaction is effected through normal market facilities, is not pre-arranged and the purchase price approximates the prevailing market price.

- (j) **No Borrowing.** The Partnership will not borrow money except pursuant to Loan Facilities as authorized and permitted by the Partnership Agreement.
- (k) **No Commodities.** The Partnership will not purchase or sell commodities.
- (l) **No Guarantees.** The Partnership will not guarantee the securities or obligations of any person.
- (m) **No Real Estate.** The Partnership will not purchase or sell real estate or interests therein.
- (n) **No Lending.** The Partnership will not lend money. For the purpose of this restriction, investments in High Quality Liquid Investments are not considered lending.
- (o) **No Control.** The Partnership will not purchase securities of a reporting issuer for the purpose of exercising control or management over such issuer and will not purchase more than 9.99% of the voting securities of any Resource Issuer in which it may invest.
- (p) **Restriction on Underwriting.** The Partnership will not act as an underwriter except to the extent that the Partnership may be deemed to be an underwriter in connection with the sale of securities in its investment Portfolio.
- (q) **Restrictions on Short Sales.** The Partnership will not make short sales of securities except for hedging purposes against existing positions held by the Partnership or in accordance with the Derivatives Policy as described in the Partnership Agreement (see below).
- (r) **No Mortgages.** The Partnership will not purchase mortgages.
- (s) **No Mutual Funds.** The Partnership will not purchase the securities of any mutual fund.
- (t) **No Derivatives.** The Partnership will not purchase or sell derivatives except in accordance with the Derivatives Policy described in the Partnership Agreement (see below).

Derivatives Policy: Pursuant to the Partnership Agreement, the Partnership's Derivatives Policy is as follows:

- (a) The Partnership may invest in or use derivative instruments that are consistent with the Partnership's investment objective, investment strategy and investment guidelines but, notwithstanding any other provision of the Partnership Agreement, only to the extent and for the purposes permitted from time to time by Applicable Securities Law;
- (b) The Partnership may use derivatives with the intention of offsetting or reducing risks associated with an investment or group of investments in Resource Securities and may use derivatives rather than direct investments in Resource Securities to reduce transaction costs, achieve greater liquidity, create effective exposure to broader markets or increase speed and flexibility in making Portfolio changes. The Partnership may seek to enhance the return to its Portfolio through the use of derivatives by seeking to reduce the potential for loss or by accepting a more certain lower return rather than seeking a less certain higher potential return. Derivatives may be used by the Partnership to position its investment Portfolio so that it may profit from declines in financial markets. The Partnership will not, however, use derivatives for speculative trading or to create a Portfolio with excess leverage.
- (c) The derivatives that the Partnership may invest in or use may include clearing corporation options, future contracts, options on futures, over-the-counter options, forward contracts, debt-like securities and listed warrants and the Partnership may invest in or use such derivatives for hedging purposes and for non-hedging

purposes as and to the extent permitted to do so by Applicable Securities Law, if cash and securities are set aside to cover the positions.

- (d) The Partnership may purchase for non-hedging purposes options, options on futures, listed warrants and debt-like securities which have an option component provided that, after giving effect to such purchase, not more than 10% of the Net Asset Value (determined at the time of such purchase) would consist of such instruments. The Partnership may also:
- (i) write or exchange over-the-counter put or call options if the Partnership holds and continues to hold, as long as the position remains open, an equivalent quantity of the underlying interest, or a right or obligation to acquire or sell, as the case may be, such underlying interest, together with any required amount of cash or securities; and
 - (ii) use for non-hedging purposes futures, forward contracts and debt-like securities that have a component that is a long position in a forward contract if cash and/or securities are set aside to cover the positions.

Partnership Units

The attributes and characteristics of the Units of the Partnership and the rights and obligations of the Limited Partners in respect of such Units and/or other rights and obligations of the Limited Partners are subject to all of the terms and conditions of the Partnership Agreement, a complete copy of which is available at www.SEDAR.com (posted as a "Material Document" on November 17, 2006), the whole of which Partnership Agreement is incorporated by referenced herein. The following discussion about the Units of the Partnership is qualified in its entirety by the more detailed terms and conditions pertaining to the Units and the rights and obligations of Limited Partners as set forth in the Partnership Agreement.

Authorized Capital: Pursuant to the Partnership Agreement and pursuant to general principals of partnership law, the capital of the Partnership consists, at any particular time, of the aggregate contributions of capital to the Partnership by the General Partner and its Limited Partners, plus (or minus) the cumulative net Income (or Losses) of the Partnership, and less all monies or other property from time to time properly paid or distributed to the respective Partners of the Partnership. The capital contributions to the Partnership include \$5.00 contributed by the General Partner upon the formation of the Partnership in July 2005 (in return for which the General Partner is entitled to a 0.01% interest in the net assets of the Partnership and to have allocated to it 0.01% of the Income or Loss of the Partnership in each Fiscal Year) and the capital contributions of the Limited Partners. In that regard, the interests of the Limited Partners in the Partnership are divided into limited partnership units (ie the "Units") and, generally, the capital contributions of Limited Partner are comprised of the subscription prices paid for the Units at the time of their issue from treasury in the 2005 Offering, or, in the case of the Units issued to the former limited partners of the 2006 Fund in exchange for their 2006 Units in the Transactions the value of such 2006 Units at the time of those Transactions.

Apart from the General Partner's initial \$5.00 contribution as described above, the authorized capital of the Partnership is divided into and consists of an unlimited number of Units, of which 1,200,000 Units were issued and outstanding as of December 31, 2006, with 2,798,314 Units issued and outstanding as of February 21, 2007 after giving effect to the Transactions. In addition to Units that are currently outstanding, the General Partner is authorized by the Partnership Agreement to from time to time offer, sell or otherwise issue (an "Additional Offering") additional Units ("Additional Units") and/or convertible debentures, warrants, options, rights or other securities which may be converted or exchanged for Units ("Convertible Securities"); and to determine, in its discretion, the number and type of Units and, if applicable, Convertible Securities to be offered or issued (the "Offered Securities"), the time or times at or during which the Offered Securities are to be offered and/or issued, the price of the Additional Units and such other terms and conditions as the General Partner may determine. Without limiting the generality of the foregoing, the Partnership Agreement specifically authorizes and acknowledges that the General Partner may, and is authorized, to issue Units in exchange for assets or securities of other partnerships, limited partnerships, investment funds, corporations or other issuers, or in connection with a take-over bid by or of the Partnership of or by, or another merger or acquisition involving the Partnership with, another partnership, limited partnership, investment fund, corporation or other issuer.

As at the date hereof there are no Convertible Securities outstanding and the Partnership has no agreements or immediate plans to issue any unissued Units.

Summary of General Characteristics of Units: Subject to the details and exceptions discussed below, generally, each Unit: (a) represents an equal and undivided interest in 99.99% of the net assets of the Partnership; and (b) entitles the Limited Partners: (i) of record as at the end of each Fiscal Year to share, pro rata, in 99.99% of the Income (or Loss) of the Partnership for such Fiscal Year; (ii) to share pro rata in any distributions by the Partnership; and, (iii) in the event of dissolution of the Partnership, to receive 99.99% of the assets of the Partnership remaining after payment of all debts, liabilities and liquidation expenses of the Partnership. Each Limited Partner is entitled to one vote for each Unit on all matters that require or permit a vote by Limited Partners, and each Unit entitles the holder to the same rights and obligations in respect of that one Unit as the holder of any other Unit and no Limited Partner is entitled to any privilege, priority or preference in relation to any other Limited Partner unless it is as a consequence of owning more Units than another Limited Partner.

Allocation of Income and Loss: The Partnership itself is not liable for income tax and is not required to file income tax returns except for an annual information return. It is, however, required to compute its Income (or Loss) in accordance with the provisions of the *Tax Act* for each of its Fiscal Years and the Income or Loss for a particular Fiscal Year (including CEE renounced to the Partnership with an effective date in such Fiscal Year) is in turn allocated among the Partners in accordance with the provisions of the Partnership Agreement. In this regard, The Partnership Agreement provides that, subject to certain exceptions discussed below, 99.99% of the Income or Loss of the Partnership in each Fiscal Year, and 100% of CEE renounced to the Partnership by Resource Issuers with an effective date in that Fiscal Year, shall be allocated pro rata among the Limited Partners who are Limited Partners of the Partnership on the last day of such Fiscal Year. The respective Limited Partners must take into account the amounts so allocated to them in computing their taxable income in their respective taxation years that includes the last day of the relevant Fiscal Year. The Fiscal Years of the Partnership end December 31 such that, generally, in the case of individuals and other Limited Partners who calculate taxable income on a calendar basis, Income (or Loss) allocated, for example, as of December 31, 2006 to a particular Limited Partner must be included (or subject to the *Tax Act* may be deducted) by such Limited Partner in computing his taxable income in 2006, as described in more detail in Part VII hereof, "Canadian Federal Income Tax Considerations". The Partnership will make such filings in respect of such allocations as are required by the *Tax Act* or any other taxation or other legislation or laws of like import of Canada or of any province or jurisdiction, but the responsibility for filing tax returns and reporting such Income or deducting such Losses rests solely with the respective Limited Partners.

Section 5.6 of the Partnership Agreement provides that, notwithstanding the foregoing, in the event that the actions of a particular Limited Partner (including, without limitation, in the event that a Limited Partner finances the acquisition of Units with Limited Recourse Financing), results in a reduction in: (a) the deductions that the Partnership could otherwise claim in calculating its Income or Loss in any Fiscal Year; or (b) the amount of any CEE renounced (or that might otherwise be renounced) by Resource Issuers to the Partnership, or by the Partnership to Limited Partners, other than such Limited Partner, in any Fiscal Year; or (c) the amount of Investment Tax Credits that could otherwise be claimed by Limited Partners in any Fiscal Year, other than by such particular Limited Partner, the amount of such reduction shall be applied, to the maximum extent permitted by law, firstly to reduce the size of the Loss and/or CEE and/or ITCs, as applicable, that would otherwise be allocated to the particular Limited Partner pursuant to such provisions and, if and to the extent that the amount of the reduction exceeds what would otherwise be the total Losses, CEE or ITCs, as applicable, allocated to the particular Limited Partner, the balance of such reduction shall be allocated among the Limited Partners other than the particular Limited Partner in proportion to the number of Units held by each of them. If, in a subsequent Fiscal Year, the particular Limited Partner takes steps which offset all or any part of such reduction, such amount as is restored at such time shall, to the extent permitted by law, first be allocated pro rata among the other Limited Partners until their share of the Losses or CEE or ITCs, as applicable, are restored to what they would have been but for the actions of the particular Limited Partner and then to the particular Limited Partner.

Distributions: Subject to the *Partnership Act*, the Partnership Agreement and the provisions of any Loan Facility, and subject to the Partnership retaining such cash reserves or other liquid assets as the General Partner in its discretion considers necessary for the proper operation of the Business, pursuant to Section 5.7 of the Partnership Agreement:

- (a) the Partnership shall distribute (a "Mandatory Distribution"), as soon as practicable after the end of each Fiscal Year, to the Limited Partners of record as at the end of such Fiscal Year, an amount per Unit equal to the Estimated Tax Liability per Unit for that Fiscal Year, provided that the Partnership may, but shall not be required to, make a Mandatory Distribution in any Fiscal Year where the Estimated Tax Liability is less than \$0.20 per Unit. For this purpose, "Estimated Tax Liability" in or for any particular Fiscal Year, means an amount per Unit, as determined by the General Partner in consultation with the Partnership's Auditors, equal to the estimated Canadian federal and provincial income tax liability that a Limited Partner would normally be expected to have to pay on the Income allocated to him for such Fiscal Year by virtue of his being a Limited Partner as at the end of the particular Fiscal Year (and having regard to the nature of the Income and of the expenses, deductions and/or Investment Tax Credits so allocated) assuming that such Income was taxable at the highest combined Canadian federal and Saskatchewan provincial marginal tax rates in effect for the particular Fiscal Year; and
- (b) the Partnership may make, but shall not be required to make, such additional Distributions of cash to Limited Partners as may from time to time be determined by the General Partner and the General Partner shall be authorized to fix a record date or dates for determining the Limited Partners entitled to share in any such Distributions.

Subject to the provisions the Partnership Agreement, the General Partner may sell or cause the Partnership to sell such Portfolio Securities, or to borrow such monies under Loan Facilities, as may be necessary to make timely payment of any Mandatory Distributions.

Section 5.8 of the Partnership Agreement creates a mechanism by which the Partnership may adopt one or more reinvestment plans, but at the date hereof no such plan has been adopted. In that regard, Section 5.8 provides as follows:

- (a) Subject to obtaining any necessary approvals of Securities Regulators and subject to each of the provisions of this Section 5.8, the Partnership may make available to Limited Partners the opportunity to reinvest Distributions to purchase Units and the General Partner may adopt such plans (a "Reinvestment Plan" or, in this Section 5.8, a "Plan") and appoint (and from time to time terminate and/or reappoint) such agents (a "Plan Agent") as it considers reasonably necessary for the operation and administration of any Reinvestment Plan so adopted.
- (b) Where a Reinvestment Plan is adopted by the General Partner, the General Partner shall:
 - (i) cause the Plan to be set forth in writing;
 - (ii) provide notice of the adoption of the Plan to all persons who at the time of such adoption are Limited Partners; and
 - (iii) publish a copy of the Plan (or a press release and/or material change report containing a reasonably detailed summary thereof) on SEDAR;
- (c) where a Plan is adopted and published by the General Partner in accordance with the foregoing provisions of Section 5.8, such Reinvestment Plan shall and shall be deemed to form part of the Partnership Agreement and the Partnership Agreement shall and shall be deemed to be amended accordingly, provided that no Reinvestment Plan shall be adopted unless it conforms with the provisions of subsection 5.8(d); and
- (d) any Reinvestment Plan adopted by the General Partner in accordance with the foregoing provisions of Section 5.8 shall be operated and administered, and the rights and obligations of any Limited Partner participating in any such Reinvestment Plan (a "Plan Participant") shall be determined in accordance with the provisions of the Plan, provided:
 - (i) no Limited Partner shall be obligated to participate in any Plan;
 - (ii) each Plan Participant shall be afforded the opportunity, to the extent authorized by the respective Plan Participants, to elect the amount of any Distribution (which election may be expressed as a fixed dollar

amount or as a percentage of any Distribution) that is to be applied to the purchase of Units pursuant to the Plan;

(iii) to the extent authorized by the respective Plan Participants as contemplated by paragraph 5.8(d)(ii) above, Distributions due pursuant to Section 5.7 to Plan Participants shall be applied to the purchase of Units as follows:

A. if as of the relevant Distribution Date the Units are not listed on an Exchange, Units shall be purchased from the Partnership as of the first business day after the relevant Distribution Date at the Net Asset Value per Unit on the Distribution Date;

B. if as of the relevant Distribution Date the Units are listed on an Exchange, Distributions to be applied to the purchase of Units under the Plan shall be paid to the Plan Agent and applied by the Plan Agent to purchase Units in the market for a period of up to 20 days after the relevant Distribution Date at the market price per Unit plus applicable commissions or brokerage charges provided that such market price is not more than the Net Asset Value per Unit as of the relevant Distribution Date. Upon the expiration of such period, the unused part, if any, of the Distributions attributable to the Plan shall be used to purchase Units from the Partnership at the Net Asset Value per Unit as at the relevant Distribution Date (or at such other price as may be required or permitted by Applicable Securities Law).

(iv) Units purchased from the Partnership or in the market shall be allocated between Plan Participants on a *pro rata* basis. The General Partner shall furnish, or cause the Plan Agent to furnish, to each Plan Participant a report of the Units purchased for such person's account in respect of each Distribution and the cumulative total of all Units purchased for that account;

(v) Plan Participants may terminate their participation in a Reinvestment Plan at any time by giving written notice of such termination to the Plan Agent, provided such notice shall not apply to any Distributions made, or for which a record date has been fixed, within 10 days of the date such notice is actually received by the Plan Agent;

(vi) The General Partner may terminate any Reinvestment Plan at any time in its sole discretion provided that it gives at least 30 days notice of such termination to all Plan Participants;

(vii) No fractional Units will be issued. A cash adjustment for any fractional Units will be paid by the Partnership; and

(viii) the reinvestment of Distributions under a Reinvestment Plan will not relieve the Plan Participants of any income tax applicable to such Distributions.

Dissolution: Section 15.1 of the Partnership Agreement provides that, unless earlier dissolved by operation of law or judicial decree, the Partnership shall not be dissolved, except as follows:

(a) if the General Partner makes a written proposal to all Limited Partners, or Limited Partners holding more than 50% of the Units then outstanding make a written proposal to the General Partner and to all other Limited Partners, for dissolution of the Partnership, and the Limited Partners consent thereto by means of an Extraordinary Resolution, the Partnership shall be dissolved on the date specified in such Extraordinary Resolution;

(b) in the event of either:

(i) the dissolution, liquidation, bankruptcy, insolvency or winding-up of the General Partner; or

(ii) the appointment of a trustee, sequestrator or liquidator, or the occurrence of any event permitting the appointment of a trustee, sequestrator or liquidator, to administer the affairs of the General Partner, provided that the trustee, sequestrator or liquidator performs his functions for 60 consecutive days,

the Partnership shall be dissolved effective on the 180th day following such event unless a new general partner is admitted to the Partnership by Ordinary Resolution prior to the expiration of such 180 day period; or

- (c) if as of December 31 in any particular year all or substantially all of the property of the Partnership has been sold, distributed, realized upon or otherwise disposed of and all liabilities of the Partnership either paid or otherwise settled, but the Partnership has not been dissolved pursuant to any of the foregoing provisions, the Partnership shall be dissolved as of December 31 of that year.

Section 15.3 of the Partnership Agreement provides that prior to or as soon as reasonably possible after the dissolution of the Partnership, the General Partner (or in the event that dissolution results from an event referred to in subsection 15.1(b) of the Partnership Agreement, such other person as may be appointed by Ordinary Resolution of the Limited Partners) shall:

- (a) sell or otherwise convert to cash such of the Partnership's assets as may be required to pay or provide for the payment of the debts and liabilities of the Partnership and liquidation expenses and as may be required to distribute the remaining assets of the Partnership to the Limited Partners as provided herein;
- (b) pay or provide for the payment of all debts and liabilities of the Partnership and liquidation expenses then due or accruing due, with such allowances for contingent liabilities as the General Partner (or in the event that dissolution results from an event referred to in subsection 15.1(b) such other person as may be appointed by Ordinary Resolution of the Limited Partners) considers reasonable, including, for greater certainty, paying all monies then owing or accruing due as principal and/or interest on all Loan Facilities and any outstanding management fee and/or performance bonus owing or accruing due under the Investment Management Agreement;

and thereafter,

- (c) distribute the remaining assets as to 99.99% to the Limited Partners, proportionate to the number of Units held by each of them on such date, and as to 0.01% to the General Partner; and
- (d) satisfy all formalities as may be prescribed in the circumstances by applicable law.

The General Partner (or in the event that dissolution results from an event referred to in subsection 15.1(b), such other person as may be appointed by Ordinary Resolution of the Limited Partners) shall determine in its own discretion which and to what extent the assets of the Partnership available for distribution to the Limited Partners may be sold and converted to cash prior to distribution. The General Partner (or in the event that dissolution results from an event referred to in paragraph 15.1(b), such other person as may be appointed by Ordinary Resolution of the Limited Partners) shall give notice of the proposed date of dissolution of the Partnership not less than 15 days prior to such date, or as soon as practicable thereafter.

Status of Limited Partners: Pursuant to Section 13.2 of the Partnership Agreement, each Limited Partner represents, warrants and covenants to the General Partner and to all other Limited Partners that:

- (a) if an individual, he has obtained the age of majority and has the legal capacity and competence to enter into the Partnership Agreement and to take all actions required pursuant thereto;
- (b) if a corporation or body corporate, it has the legal capacity and competence to enter into the Partnership Agreement and to take all actions required pursuant thereto and all necessary approvals by its directors, shareholders and members, or otherwise, have been given to authorize the entering into of the Partnership Agreement and to take all actions required pursuant thereto;
- (c) he is a resident of Canada;
- (d) he has not financed his acquisition of Units with Limited Recourse Financing
- (e) he is not a partnership;

- (f) unless he has provided written notice to the contrary to the General Partner prior to his subscription for Units under the 2005 Offering or any Additional Offering being accepted by the General Partner or prior to any transfer of Units, including if requested by the General Partner a statutory declaration to that effect, he is not a Financial Institution;
- (g) at the time that any Units are issued or transferred to him he was at arm's length from the issuers of Resource Securities then held by or on behalf of the Partnership;
- (h) he shall continue to observe and comply with the representations, warranties and covenants in subsections 13.2(c), (d), (e), (f) and (g) above during all times that he continues to hold Units; and
- (i) he shall not transfer his or its Units in whole or in part in a manner that would not conform with Article 11 of the Partnership Agreement (see below "Transfer of Units").

Section 13.3 of the Partnership Agreement additionally provides that each Limited Partner shall provide to the General Partner all such information concerning such Limited Partner as may reasonably be requested by the General Partner from time to time and which is necessary, or, in the discretion of the General Partner desirable, for the purpose of registering or recording such Limited Partner in the Register or in the Declaration and/or in connection with any forms or filings relating to the Partnership or to such Limited Partner or to any other Partner pursuant to the *Tax Act* or any other legislation or law, or as the General Partner otherwise considers necessary or desirable to: (a) confirm the number of Units held by such Limited Partner and, if applicable, the Intermediaries and/or beneficial holders on whose behalf such Units are held; and (b) confirm the accuracy of any of the representations, warranties, covenants or authorizations of such Limited Partner, and/or of the Intermediaries and/or respective beneficial owners of the Units registered in the name of such Limited Partner including, without limiting the generality of the foregoing, the full name, residential address or address for service (and, if available, facsimile number and e-mail address) and the social insurance number or corporate account number, as the case may be, of the respective beneficial owners of such Units, as well as the name and registered representative number of the representative of any agent or Intermediary responsible for such beneficial owner's subscription for Units under the 2005 Offering or for Additional Units under any Additional Offering, or from or through whom such Limited Partner may otherwise have acquired Units, as applicable. Each Limited Partner represents and warrants to the General Partner and to all other Limited Partners that all such information so provided or obtained shall be true and correct in all material respects.

Further, Section 13.4 of the Partnership Agreement provides that, notwithstanding any other provision of the Partnership Agreement, the General Partner shall not accept any subscription for Units from and shall not issue to, or accept the transfer of any Units to, any subscriber or transferee of Units if such subscriber or transferee (or the beneficial owner of the Units so subscribed for or transferred), to the knowledge of the General Partner, refuses or is unable, unwilling or for any other reason fails to make and grant the or any of the representations, warranties and covenants or fails to provide or agree to provide the information and/or authorizations described in Sections 13.2 and 13.3 of the Partnership Agreement and/or grant the power of attorney referred to in Article 19 of the Partnership Agreement (see below, "Power of Attorney") and, additionally, the General Partner shall not accept any subscription for Units from and shall not issue or accept the transfer of any Units to a Financial Institution if, as a result thereof, to the knowledge of the General Partner, Financial Institutions would become the beneficial owners of greater than 45% of the Units that are then outstanding. Further, the General Partner may reject any subscription for Units from and/or may refuse to issue to, or accept the transfer of any Units to, any person if the holding or continued holding by such person of Units would, or in the opinion of the General Partner might reasonably be expected to, have an adverse effect on the Income or Loss of the Partnership or on the ability of the Partnership to have renounced to it CEE, or the ability of the Partnership to allocate to Limited Partners (or the ability of any Limited Partner to have allocated to it or to otherwise claim) any Income, Loss, CEE or ITC.

Section 13.5 of the Partnership Agreement provides that, if at any time, to the knowledge of the General Partner,

- (a) any Limited Partner ceases to be, or is discovered not to be, a resident of Canada for the purposes of the *Tax Act*;
- (b) any Limited Partner finances or is discovered to have financed the or any portion of the acquisition cost of his or its Units with Limited Recourse Financing;

- (c) any Limited Partner is or becomes or is discovered by the General Partner to be a partnership;
- (d) Financial Institutions hold more than 45% of the Units that are then outstanding, or if the General Partner believes that such situation is imminent;
- (e) any Limited Partner is or is discovered to be not at arms length from an issuer of Flow-Through Shares then held by or on behalf of the Partnership;
- (f) the power of attorney in Article 19 is not, or ceases to be, binding on a Limited Partner, or his or its heirs, executors, administrators, other legal representatives, successors and assigns,
- (g) any Limited Partner has transferred or purported to transfer Units to any person who does not have the status referred to in Section 13.2 or if any such transfer or purported transfer would result in any of the situations referred to in the foregoing provisions of this Section 13.5 arising; or
- (h) the holding or continued holding by any Limited Partner of Units would, or in the opinion of the General Partner might reasonably be expected to, have an adverse affect on the Income or Loss of the Partnership or on the ability of the Partnership to have renounced to it CEE, or the ability of the Partnership to allocate to Limited Partners (or the ability of any other Limited Partner to have allocated to it or to otherwise claim) any Income, Loss, CEE or ITC;

such Limited Partner (a “Defaulting Limited Partner”) shall and shall be deemed to be in default of a fundamental provision of the Partnership Agreement and the General Partner may by written notice require the or any of such Defaulting Limited Partners to sell their Units or such of their Units as the General Partner may specify to such person or persons, or do such other acts or things, as the General Partner, in its discretion, considers reasonably necessary to cure such default. In the event that a Defaulting Limited Partner fails to comply with such a request within the time period specified in such notice, the General Partner shall have the right to sell such Limited Partner’s Units and/or to purchase the same on behalf of the Partnership, in the market at such price as may be obtained, or by private sale at the Net Asset Value per Unit of such Units or at such other fair value as may be determined by an independent third party selected in good faith by the General Partner, whose determination will be final and binding and not subject to review or appeal. Section 13.6 of the Partnership Agreement provides that notwithstanding the above provisions of Section 13.5, if the General Partner becomes aware that Financial Institutions are the beneficial holders of more than 45% of the outstanding Units, or believes that such a situation is imminent, only those Financial Institutions as may be selected by the General Partner may be required to sell Units pursuant to Section 13.5 and then only such Units as are necessary, in the reasonable opinion of the General Partner, to reduce the total number of Units beneficially held by all Financial Institutions to not more than 45% of the Units then outstanding. The General Partner shall select the Financial Institutions that may or shall be required to sell their Units in inverse order to the order that the Units were acquired as recorded in the Register or in such other manner as the General Partner considers just and equitable.

Power of Attorney: Pursuant to Article 19 of the Partnership Agreement, each Limited Partner irrevocably makes, constitutes and appoints the General Partner as its true and lawful attorney and agent, with full power of substitution and authority, subject to the terms of and any applicable restrictions in the Partnership Agreement, in his name, place and stead to:

- (a) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices in any jurisdiction where the General Partner considers it appropriate any and all of:
 - (i) the Partnership Agreement and any amendments thereto;
 - (ii) any amendment to the Declaration and all certificates and other instruments necessary or appropriate to qualify or to continue the qualification of the Partnership as a limited partnership in the Province of Saskatchewan and in each other jurisdiction where the Partnership may conduct business or where such qualification is necessary or desirable to maintain limited liability of Limited Partners in that jurisdiction;
 - (iii) all instruments and certificates and any amendment to the Declaration necessary or appropriate to reflect any amendment, change or modification of the Partnership Agreement;

- (iv) all instruments and other documents necessary to effect the dissolution and liquidation of the Partnership for the purposes of winding-up the affairs of the Partnership, including, without limitation, cancellation of the Declaration;
 - (v) all instruments relating to the admission of additional or substituted Limited Partners;
 - (vi) if and where the Partnership Agreement authorizes or provides for the sale, transfer or forfeiture of a Unit, any instrument in connection with such sale, transfer or forfeiture; and
 - (vii) all elections, determinations or designations under the *Tax Act* or any other taxation or other legislation or laws of like import of Canada or of any provinces or jurisdictions in respect of the affairs of the Partnership or of a Partner's interest in the Partnership including, without limitation, elections under subsections 85(2) and 98(3) of the *Tax Act* and the corresponding provisions of applicable provincial legislation, if relevant;
- (b) execute and file with any government body any documents necessary and appropriate to be filed in connection with the Business of the Partnership or in connection with the Partnership Agreement; and
 - (c) make any application for and receive any amount or credit under a federal or provincial incentive program.

Each Limited Partner will be bound by any representation or action made or taken by the General Partner pursuant to such power of attorney and waives any and all defences which may be available to contest, negate or disaffirm any action of the General Partner taken in good faith under such power of attorney; the power of attorney is irrevocable and binds the Limited Partner, his heirs, executors, administrators and other legal representatives and the successors and assigns of the Limited Partner, notwithstanding the death or bankruptcy of the Limited Partner; and the General Partner shall have the power to execute documents in the name of all the Limited Partners pursuant to the aforesaid power of attorney by affixing its signature thereto with the indication that it is acting on behalf of all the Limited Partners.

Transfer of Units: Article 11 of the Partnership Agreement includes detailed provisions relating to the transfer of Units. Pursuant to Section 11.1, a Limited Partner (the "transferor") may transfer or assign Units to another person (the "transferee") in accordance with and subject to the following provisions:

- (a) only whole Units are transferable;
- (b) if any Certificate has been issued in respect of the Units being transferred (other than a Certificate issued in the name of a Depository or an Intermediary under the Book Entry System) such Certificate must first be delivered to the Registrar and Transfer Agent duly endorsed for transfer by the transferor, or its duly authorized agent. Unless waived by the General Partner and/or Registrar and Transfer Agent, the signature of the transferor shall be guaranteed by a Canadian chartered bank, a trust company qualified to carry on business in any province of Canada, a member of the Investment Dealers Association of Canada or a member of a recognized stock exchange;
- (c) prior to the Listing Date (or after the Listing Date during any period when the Units are not listed and posted for trading on an Exchange) no Units may be transferred unless a Transfer Form, duly executed (in one or more counterparts) by the transferor and the transferee, or their respective duly authorized agents (including without limitation by the General Partner as agent pursuant to the power of attorney set forth in Article 19 of the Partnership Agreement), is delivered to the General Partner or the Registrar and Transfer Agent, provided that the General Partner shall not accept any transfer by or on behalf of any Limited Partner unless the transferee acknowledges and agrees to be bound by all of the terms and conditions of the Partnership Agreement;
- (d) other than during any period when the Units are not listed and posted for trading on an Exchange, all transfers of Units shall be carried out in accordance with the policies and procedures of the Exchange and in accordance with the listing arrangements and agreements made by the Partnership, or by the General Partner on behalf of the Partnership, with or in favour of the Exchange, in which case any person to whom or for whose account any Units are so transferred shall automatically, and without further formality or the execution and/or delivery of any further instrument, be and be deemed to be bound by all of the terms and conditions of the Partnership Agreement applicable to Limited Partners;

- (e) notwithstanding subsection 11.1(d), neither the General Partner nor the Registrar and Transfer Agent shall be obliged to record any transfer (or the transferee of any Units that are transferred) pursuant to said subsection 11.1(d) in the Register or to record the transferee (or remove the transferor) as a Limited Partner in the Registry or the Declaration, or to otherwise recognize or acknowledge any such transfer unless and until it has received and accepts a Transfer Form duly executed (in one or more counterparts) by the transferor and the transferee (or their respective successors or predecessors entitled to the transferred Units, or their respective duly authorized agents (including without limitation by the General Partner as agent pursuant to the power of attorney set forth in Article 19 of the Partnership Agreement) pursuant to which the transferee expressly agrees to be bound by all of the terms and conditions of the Partnership Agreement.

Section 11.2 of the Partnership Agreement provides that where any Units are transferred in accordance with Section 11.1, the transferee shall expressly agree in any Transfer Form that is executed and/or delivered by or on behalf of the transferee, and regardless of whether or not any such Transfer Form is so executed and delivered, any such transferee shall and shall be deemed to have agreed, without further act or formality, to be bound by all of the provisions of the Partnership Agreement and, in particular, but without limitation, shall and shall be deemed to have:

- (a) covenanted, represented, warranted and agreed to and in favour of the Partnership, the General Partner and all Limited Partners that such transferee has the status and capacity required of Limited Partners, shall provide all information requested by the General Partner, and shall make and grant the representations, warranties, authorizations and covenants set forth in Sections 13.2 and 13.3 of the Partnership Agreement; and
- (b) irrevocably nominated, constituted and appointed the General Partner as his true and lawful attorney with full power and authority as set out in Article 19 of the Partnership Agreement,

provided that, pursuant to Section 11.4 of the Partnership Agreement, and without limiting the provisions of subsection 11.1(d) of the Partnership Agreement, a transferee of Units will automatically become bound and subject to the Partnership Agreement without execution of any further instrument from and after the time the transfer is accepted by the General Partner.

Pursuant to Section 11.3 of the Partnership Agreement, and without limiting the obligations or authority of the General Partner to deny transfers pursuant to Section 13.4 thereof, the General Partner shall also have the right, in its sole and absolute discretion, to deny any transfer in whole or in part if it has reason to believe that the transfer is not being made in compliance with Applicable Securities Law, or if the Transfer Form is received by it after a notice of dissolution has been given pursuant to the applicable provisions of Article 15 of the Partnership Agreement.

Section 11.5 of the Partnership Agreement provides that where a Transfer Form is received and accepted by the General Partner, the General Partner or the Registrar and Transfer Agent will record or cause to be recorded the particulars of the transfer thereunder in the Register and the General Partner will, by not later than December 31 in the year in which the transfer is accepted, cause the Declaration to be amended as may be required pursuant to the *Partnership Act* or the *Registration Act* to accurately reflect such transfer, including registering the transferee as a Limited Partner in the Declaration, and removing the transferor as a Limited Partner in the Declaration in respect of the Units so transferred. Additionally, so long as any Units are registered in the name of a Depository or Intermediary under the Book Entry System, the General Partner and Registrar and Transfer Agent may, and are thereby authorized, to from time to time obtain from or through such Depository or Intermediary such list or lists, prepared as of a particular date, as to the beneficial owners of the Units registered in the name of such Depository or such Intermediaries and the name and all other particulars of or in respect of the beneficial owners as contemplated by Section 13.3. Further, the General Partner and/or Registrar and Transfer Agent shall be entitled to rely on the accuracy of such lists or other information, to assume that the beneficial owners named in such information are the actual beneficial owners of the Units and that any Limited Partner theretofore registered in the Register or in the Declaration, that does not then appear on such lists has transferred his, her or its Units and that any person that does appear on any such lists but did not appear on and whose name was not theretofore recorded in the Register or the Declaration has acquired such Units as therein indicated, and the General Partner and Registrar and Transfer Agent, as applicable, may (but shall not be obligated) to amend the Register and/or the Declaration accordingly. Any transferee so recorded will become a Limited Partner at the time the Declaration is so amended (unless he was already a Limited Partner at that time by virtue of holding other Units) and the transferor so recorded shall thereupon cease to be a Limited Partner (unless he continues to hold other Units).

Section 11.7 of the Partnership Agreement provides that where a person becomes entitled to a Unit on the incapacity, death or bankruptcy of a Limited Partner, or otherwise by operation of law, in addition to the requirements of Section 11.1 of the Partnership Agreement referred to above, such entitlement will not be recognized or entered in the Register until that person has produced evidence satisfactory to the General Partner of such entitlement and has acknowledged in writing that he is bound by the terms of the Partnership Agreement.

Section 11.8 of the Partnership Agreement provides that, subject to the prohibitions in the Partnership Agreement regarding Limited Recourse Financing, a Limited Partner may mortgage, pledge or hypothecate a Unit which has been fully paid for as security for a loan to or an obligation of such Limited Partner. However, the General Partner is not obliged to recognize or acknowledge any such mortgage, pledge or hypothecation, and until and unless a Unit is transferred in accordance with the provisions of Article 11 referred to above, only the holder of the Unit as recorded in the Register shall be recognized by the General Partner.

Section 11.9 of the Partnership Agreement provides that, notwithstanding the provisions of the Partnership Agreement relating to the transfer of Units as summarized above, (a) if a person makes an offer (a "Take-over Bid") to all Limited Partners to acquire all of the Units of the Partnership that are then outstanding; and (b) if within 120 days after the date of the Take-over Bid it is accepted by the holders of not less than 66⅔% of the Units, the offeror under such Take-over Bid, upon complying with the provisions of Section 11.9 of the Partnership Agreement, will have a compulsory right of acquisition to acquire all (but not part) of the Units then held by Partners ("dissenting offerees") who did not accept the Take-over Bid at the fair value of Units held by such dissenting offerees. The provisions and procedural requirements of Section 11.9 are modeled upon and are substantially similar to the so-called "compulsory acquisition" provisions of the *SBCA* that apply where shares of a corporation are acquired by way of take-over bid, except that the provisions in Section 11.9 as to the threshold number of Units that must be acquired before triggering these compulsory acquisition provisions is 66⅔% of the outstanding Units whereas pursuant to the *SBCA* such threshold in the case of a take-over bid for shares is 90%.

Authority of Limited Partners, Limited Liability, Voting Rights and Fundamental Changes: Pursuant to the Partnership Agreement, and in particular Section 6.1 thereof, the General Partner has the exclusive authority to manage the operations and affairs of the Partnership, to make all decisions regarding the Business of the Partnership, to bind the Partnership and to admit Limited Partners, subject, however, to the limitations, restrictions and conditions of the Partnership Agreement; and pursuant to the *Partnership Act* and Section 9.1 of the Partnership Agreement, the General Partner has unlimited liability for the undertakings, liabilities and obligations of the Partnership. Pursuant to the *Partnership Act* and Section 9.2 of the Partnership Agreement, the liability of each Limited Partner for the liabilities, undertakings and obligations of the Partnership is, on the other hand, generally limited to the amount of such Limited Partner's capital contribution plus his pro rata share of the undistributed income of the Partnership. If, however, as a result of a distribution to the Partners, Partnership capital is returned in whole or in part and the Partnership becomes unable to discharge its debts in the normal course, the Partners having received any such distribution are liable to the Partnership, or where the Partnership is dissolved, to its creditors, for any amount, not in excess of the amount returned, with interest, necessary to discharge the liabilities of the Partnership to all creditors who extended credit or whose claims otherwise arose before the return of such capital. The Partnership Agreement also contains an acknowledgement on the part of all Limited Partners that there is a possibility that Limited Partners may lose their limited liability: (a) by taking part in the control of the business or management of the Partnership; or (b) to the extent that 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 (c) as a result of false statements in the public filings made pursuant to the *Partnership Act* and/or the *Registration Act*, in which case they may become liable as third parties. Accordingly, the Partnership Agreement, and in particular Section 6.6 thereof, provides that no Limited Partner, as such, shall take part in the management or control of the business of the Partnership, transact any business for the Partnership or have the power to sign for or bind the Partnership.

Notwithstanding the foregoing, the General Partner is prohibited by the Partnership Agreement from doing certain things except with the approval of Limited Partners expressed by Extraordinary Resolution and the Partnership Agreement also permits certain thing to be done only with the approval of Limited Partners expressed by Extraordinary Resolution. Matters which require approval by Extraordinary Resolution include without limitation, as more particularly described in Section 14.10 of the Partnership Agreement, the following:

- (a) approve (or withhold approval as the case may be) any matter which by an express provision of the Partnership Agreement contemplates or requires approval by Extraordinary Resolution;
- (b) waive any default on the part of the General Partner of any provision of the Partnership Agreement on such terms as the Limited Partners may determine and release the General Partner from any claims in respect thereof;
- (c) subject to Article 16 of the Partnership Agreement, approve any amendment to the Partnership Agreement, including without limitation, to change the nature of the business permitted to be carried on by the Partnership and to amend the Partnership's investment guidelines;
- (d) approve the sale of all or substantially all of the assets of the Partnership;
- (e) require the General Partner on behalf of the Partnership to enforce any obligation or covenant on the part of any Limited Partner;
- (f) extend the term of the Partnership; or
- (g) subject to Article 15 of the Partnership Agreement, dissolve the Partnership.

In addition, the Limited Partners may from time to time, by Extraordinary Resolution or Ordinary Resolution, advise as to the management of the Partnership's Business, including as to any transaction proposed to be made outside the normal course of business of the Partnership, provided that any such Extraordinary Resolution or Ordinary Resolution shall not be binding on the Partners or the Partnership and shall be advisory only.

Additionally Section 18.1 of the Partnership Agreement provides that the Partnership shall have just one general partner at any given time and that the General Partner (the "Outgoing General Partner") may be removed as the general partner of the Partnership only if:

- (a) (i) the Outgoing General Partner expressly consents to the removal; or
- (ii) such removal of the Outgoing General Partner and/or the appointment of a new general partner is authorized pursuant to subsection 15.1(b) or Section 15.7 of the Partnership Agreement; or
- (iii) the Limited Partners resolve by Extraordinary Resolution to remove the Outgoing General Partner and then only if the Outgoing General Partner has materially breached its obligations under the Partnership Agreement and, if capable of being cured, such breach continues unremedied for a period of 20 business days after the Outgoing General Partner has received written notice thereof from any Limited Partner;

and

- (b) the Limited Partners have appointed, by Ordinary Resolution, concurrently with the removal of the Outgoing General Partner (or where the removal results from an event described in subsection 15.1(b) or Section 15.7 within the period referred to in said subsection 15.1(b) or Section 15.7, as applicable), a replacement general partner (the "New General Partner"), which New General Partner shall only be eligible for appointment if it is a resident of Canada, has the status and capacity to do all acts and things required of the General Partner pursuant to the Partnership Agreement and agrees in writing to assume all the responsibilities and obligations of the Outgoing General Partner under the Partnership Agreement.

In that regard, Section 15.7 of the Partnership Agreement provides that, notwithstanding anything else contained in the Partnership Agreement, the General Partner shall not take, or agree to take, any action (corporate or otherwise) to dissolve, liquidate, file a proposal for bankruptcy under the *Bankruptcy and Insolvency Act* (Canada), wind up or make any arrangement or assignment for the benefit of creditors or appoint any trustee, receiver, receiver-manager or sequestrator to administer its affairs, unless it has first given 60 days' notice in writing to the Limited Partners and in such notice called a meeting of Limited Partners to be held for the purpose of appointing a new general partner by Ordinary Resolution within such 60 day period. Upon the appointment of such new general partner, the former general partner shall be deemed to have resigned as the general partner of the Partnership.

More generally, all rights and obligations of the General Partner and Limited Partners of the Partnership are set forth in the Partnership Agreement including, without limitation, the basis of the calculation of any fee or expense that is charged to the Partnership by the General Partner or the Investment Manager, the ability to change the General Partner, the fundamental investment objectives, investment strategy and investment guidelines of the Partnership, the frequency of the calculation of the Net Asset Value per Unit, any reorganization type of transaction and any other transaction that would be a material change to the Partnership. As such, any changes to the rights and obligations of Limited Partners in respect of these matters can only be changed by amending the Partnership Agreement in accordance with the provisions of Article 16. In that regard, Section 16.1 of the Partnership Agreement provides that, subject to Section 16.2 thereof, the Partnership Agreement may be amended only in writing and with the consent of the Limited Partners given by Extraordinary Resolution, provided that:

- (a) Section 16.1 of the Partnership Agreement may not be amended without the unanimous consent of the Limited Partners present in person or represented by proxy at a meeting held for such purpose;
- (b) no amendment shall be made to the Partnership Agreement which would have the effect of reducing the General Partner's share of the Income or Loss of the Partnership or the fees payable to the General Partner (unless the General Partner, in its sole discretion consents thereto) except upon a change of the general partner pursuant to Article 18;
- (c) no amendment shall be made to the Partnership Agreement without the unanimous consent of the Limited Partners which would have the effect of reducing the interest in the Partnership of any Limited Partner (other than as a result of dilution resulting from the issuance of Additional Units in accordance with the provisions of the Partnership Agreement), changing the liability of any Limited Partner, allowing any Limited Partner to exercise control over the business of the Partnership, changing the right of the General Partner or of a Limited Partner to vote at any meeting or changing the Partnership from a limited partnership to a general partnership;
- (d) no amendment shall be made to the Partnership Agreement which would have the effect of changing in any manner the allocation of Income or Loss of the Partnership for tax purposes; and
- (e) no amendment which would have the effect of adversely affecting the rights and obligations of the General Partner will become effective before 60 days after the date of the meeting at which such amendment was adopted, unless the General Partner consents to an earlier date.

Section 16.2 of the Partnership Agreement provides that the General Partner may, without prior notice to or consent from any Limited Partner, amend from time to time any provision of the Partnership Agreement, if such amendment is:

- (a) in the opinion of the General Partner:
 - (i) for the protection or benefit of Limited Partners or the Partnership or to cure an ambiguity or to correct or supplement any provision contained in the Partnership Agreement which may be defective or inconsistent with any other provision contained therein;
 - (ii) reasonably necessary or desirable to obtain and/or maintain the listing of Units on an Exchange; or
 - (iii) reasonably necessary or desirable to supplement any Reinvestment Plan that may be adopted by the General Partner on behalf of the Partnership as contemplated by Section 5.8 of the Partnership Agreement (see above, "Authorized Capital"),

provided that the amendment does not and will not, in the opinion of the General Partner, materially adversely affect the rights of any Limited Partner and, in the event of an amendment referred to in paragraph 16.2(a)(iii) above the amendment conforms to the requirements of Section 5.8 of the Partnership Agreement ;

- (b) for the purpose of reflecting the admission, substitution, withdrawal or removal of Limited Partners in accordance with the Partnership Agreement;

- (c) a change that, in the sole discretion of the General Partner, is reasonable and necessary or appropriate to qualify or continue the qualification of the Partnership as a limited partnership in which the Limited Partners have limited liability under applicable laws;
- (d) a change that, in the reasonable opinion of the General Partner, on the advice of legal counsel and/or the advice of its Auditors or other professional advisors, is necessary or desirable to enable the Partnership, the General Partner and/or the Limited Partners to comply with, take advantage of, or not be detrimentally affected by any change in Applicable Securities Law, the *Tax Act* or any other taxation legislation of Canada or any Canadian province or territory, the *Partnership Act* or *Registration Act* (or any similar legislation in any other jurisdiction of Canada) or any other relevant legislation.

Loan Facilities

The Partnership Agreement authorizes the General Partner to borrow funds and/or establish credit facilities in the name of the Partnership or in the name of the General Partner but for the benefit of the Partnership from and/or with one or more Canadian chartered banks, commercial lenders, registered dealers, investors or other arm's length or non-arm's length lenders at such times, in such amounts and on such terms as the General Partner considers prudent and in the best interests of the Partnership and, in connection therewith, the General Partner is authorized to grant security upon or create an interest or charge upon all or any property of the Partnership. Pursuant to this authority, the Partnership entered into a Loan Agreement (the "Initial Loan Agreement") with Mr. Tom MacNeill (the "Lender"), the sole shareholder of the General Partner, dated December 7, 2005, pursuant to which the Lender agreed to provide certain demand loan facilities to the Partnership, including loans to pay or reimburse the Partnership for agent's fees and offering costs incurred in connection with the 2005 Offering. Pursuant to this Initial Loan Agreement, \$422,000 was advanced to the Partnership in 2005. The full principal amount outstanding was repaid in the year ended December 31, 2006. In December 2006 the Partnership established another short-term loan facility with a new lender for \$500,000 for general working capital and provided the new lender with a security interest in all of the assets of the Partnership. Interest on this loan is charged at the Royal Bank of Canada's prime rate plus 2% with principal and interest payable on demand, provided that pending such demand interest is payable on the last business day of each month commencing January 31, 2007, with any interest not paid on its due date to be compounded with principal and bear interest at the aforesaid rate until paid. This loan was paid out subsequent to the completion of the Transactions.

Management of the Partnership

The General Partner: Pursuant to the Partnership Agreement, the General Partner has the exclusive authority to manage the operations and affairs of the Partnership, including managing its investment Portfolio in compliance with the investment objective, investment strategy and investment guidelines set forth in the Partnership Agreement. See above "Business of the Partnership". Mr. Tom MacNeill, is the sole shareholder of all outstanding shares of the General Partner as well as being a director and the President & Chief Executive Officer of the General Partner.

The following table sets forth the names, municipalities of residence, offices held, number of Units beneficially owned prior to the Transactions, directly or indirectly, and principal occupation for the past five years of each director and officer of the General Partner.

Name and Municipality of Residence	Office or Position¹	Number of Units	Principal Occupation
Tom MacNeill ² Saskatoon, SK	President, Chief Executive Officer and Director	14,200	General Manager of BEC International Corporation. Chartered Financial Analyst.
Ronald G. ("Bud") Walker Victoria, BC	Chief Financial Officer, Secretary and Director	-	Chairman (and previously President) of Great Canadian Dollar Store Franchising Ltd., since 1993
Harvey J. Bay ^{(2),(3)} Saskatoon, SK	Director	-	Chief Financial Officer of Shore Gold Inc. since November 2002; President, Baywatch Industries Inc. since 1993. Certified Management Accountant.
Neil Burwash ^{(2),(3)} Macklin, SK	Director	4,000	Certified Management Accountant and Certified Financial Planner. President, Burwash Financial Services Inc.
Notes:			
<ol style="list-style-type: none"> Messrs. MacNeill and Bay have held their respective positions since the inception of the 49 North. Mr. Walker became a director and CFO in July 2006 and was additionally appointed secretary in October 2006. Mr. Burwash became a director effective January 8, 2007. All directors and officers of the General Partner of 49 North hold the same position with the 2006 GP, with the exception of Mr. Burwash who is not a director or officer of, or otherwise associated with, the 2006 GP or 2006 Fund. Member of Audit Committee. Member of Investment Review Committee. 			

Portfolio Advisor and Investment Manager: The General Partner has appointed TMM as the Investment Manager of the Partnership pursuant to an amended and restated Investment Management Agreement made effective October 26, 2006 among the General Partner on behalf of the Partnership and TMM. Pursuant to this Investment Management Agreement TMM assists the General Partner in identifying, analyzing and selecting investment opportunities in the mining, oil and gas and alternative energy sectors. TMM also assists the General Partner in monitoring the performance of Resource Issuers (including their expenditure of Flow-Through Share subscription proceeds within the timeframes outlined in the applicable Flow-Through Agreements) and generally provides advice and assistance to the General Partner in determining if and when to dispose of Securities in the Partnership's Portfolio and to identify, analyze and select Resource Issuers in which the proceeds of any such dispositions may be reinvested. Further, TMM agrees to comply with the investment objective, strategy and guidelines of the Partnership; to act honestly and in good faith with a view to the best interests of the Partnership; and, in performing its duties under the Investment Management Agreement, to exercise a degree of care, diligence and skill that a reasonably prudent person having the experience and qualifications of TMM would exercise in comparable circumstances. The Investment Management Agreement provides that TMM will not be liable in any way for any loss, default, failure, or defect in any of the Securities comprising the Portfolio of the Partnership, unless such loss, default, failure or defect is attributable to the failure of TMM to satisfy the foregoing standard of care.

The Investment Management Agreement provides that the role of TMM is primarily consultative, and although the General Partner shall consult with TMM, the ultimate decision as to the purchase and sale of the Partnership's Portfolio Securities and other decisions as to the execution of all Portfolio transactions will be made by the General Partner on behalf of the Partnership, subject where applicable, to the approval of the Partnership's Investment Review Committee and/or Independent Review Committee.

Investment Review Committee: Section 6.5 of the Partnership Agreement provides that, without limiting any of the requirements now or hereafter applicable to the Partnership and/or the General Partner pursuant to Applicable Securities Law, including, without limitation, the requirements of NI 81-107, the General Partner must establish and maintain an Investment Review Committee comprised solely of directors who are not officers of the General Partner and are not officers, directors, shareholders or otherwise interested in the Investment Manager. Currently Mr. Bay

and Mr. Burwash are members of the Investment Review Committee. The Investment Review Committee has the right, duty and authority to:

- (a) adopt a written charter that includes the mandate, responsibilities and functions, and the policies and procedures that the Investment Review Committee will follow when performing its functions;
- (b) adopt policies and procedures as to membership on the Investment Review Committee and the competency and other criteria, including term of office, of its members and procedures for filling vacancies on the committee;
- (c) review and approve (or disapprove as the case may be) all initial placements of Available Funds in Resource Issuers and thereafter to review all Portfolio transactions involving: (i) an acquisition or disposition of securities at a price representing in excess of 10% of the Net Asset Value of the Partnership; (ii) a disposition of securities representing greater than 50% of the Partnership's position in any particular Resource Issuer or at a price below the book value of such securities; and (iii) all Portfolio transactions involving a Conflict of Interest on the part of the Investment Manager;
- (d) obtain such information from the Partnership, the General Partner or the Investment Manager as it considers useful or necessary to carry out its duties;
- (e) engage independent counsel and other advisors as it determines useful or necessary to carry out its duties;
- (f) communicate directly with Securities Regulators with respect to any matter; and
- (g) set reasonable compensation and proper expenses for its members and for any independent counsel and/or other advisors engaged by it, all of which costs and other costs as the Investment Review Committee may reasonably incur, including reasonable costs of the orientation and continuing education of its members, shall be paid by the Partnership.

For the purposes of the Partnership Agreement and the Investment Management Agreement, "Conflict of Interest", when used in relation to any transaction of proposed transaction or series of transactions involving the Partnership, means the situation that exists or is deemed to exist if a reasonable person would consider the Investment Manager, or any director, officer or shareholder of the Investment Manager, or their respective affiliates or associates, to have an interest in the transaction or series of transactions that may conflict with the Investment Manager's ability to act in good faith and in the best interests of the Partnership, including, without limiting the generality of the foregoing, the receipt of any commissions or fees by the Investment Manager from any person in connection with or as the result of the placement or investment of any of the Partnership's funds in the securities of any issuer.

Independent Review Committee: NI 81-107 requires the Partnership to establish an Independent Review Committee by November 1, 2007 and requires the General Partner to refer certain "conflict of interest matters" to such Committee for review and, in some cases, approval (or disapproval). NI 81-107 also requires the Independent Review Committee to adopt a written charter that sets out the Committee's mandate, responsibilities, duties and functions and the policies and procedures it will follow when performing its functions. In January 2007 the Partnership appointed an initial Independent Review Committee (the "IRC") in accordance with to NI 81-107, but, as at the date hereof, the IRC had not yet adopted a charter. Once such charter is adopted, it is expected that the IRC will, in addition to having the powers and duties and performing the functions required by NI 81-107, effectively supersede and replace the General Partner's existing Investment Review Committee.

Management Compensation: Pursuant to the Partnership Agreement, the General Partner is entitled to receive from the Partnership: (a) a quarterly management fee equal to 0.5% of the Net Asset Value of the Partnership, calculated as of the last business day of the relevant fiscal quarter (the "Management Fee"), which Management Fee is payable on or prior to the end of the month immediately following such fiscal quarter; and (b) an annual performance bonus (a "Performance Bonus") in the amount, calculated as of the last business day of the applicable Fiscal Year, equal to the amount, if any, that 20% of the sum of the Net Asset Value per Unit as of that date, plus all distributions per Unit made during the Fiscal Year, exceeds the greater of (i) \$5.50; and (ii) the Net Asset Value per Unit as of the last business day of the preceding Fiscal Year. Under the Investment Management Agreement, TMM may receive a similar Management Fee and/or Performance Bonus, but in such case the Management Fee and /or Performance Bonus payable to the General Partner is reduced dollar for dollar by the amounts paid to TMM. The General Partner

and the Investment Manager are also entitled to reimbursement for all expenses reasonably and properly incurred in conducting the business of the Partnership and in performing their respective duties and obligations under the Partnership Agreement or Investment Management Agreement, as applicable, provided that such reimbursement is not intended to and shall not include any charges for overhead or profit, it being specifically acknowledged in the Partnership Agreement and Investment Management that such overhead and profit have been taken into consideration in determining the Management Fees and, if applicable, Performance Bonus, payable as described above. Apart from this, the General Partner contributed \$5.00 to the capital of 49 North upon its formation in July of 2005 and is entitled to 0.01% of its Income or Loss of in each Fiscal Year and to receive 0.01% of the remaining assets available for distribution to the Partners upon the dissolution of 49 North.

None of the directors or officers of the General Partner personally receive any direct compensation from 49 North for acting in such capacity, but the General Partner may pay directors fees or other compensation in amounts from time to time determined by the board of directors, all of which amounts, if any, are for the account of the General Partner and are not charged to 49 North. Directors and officers are, however, entitled to be reimbursed by the General Partner out of funds of 49 North for reasonable expenses incurred on business related to the Partnership.

The IRC has the authority to set reasonable compensation and proper expenses for its members and for any independent counsel and/or other advisors engaged by it, all of which costs and other costs as the IRC may reasonably incur, including reasonable costs of the orientation and continuing education of its members, shall be paid by the Partnership. However, as at the date of this Filing Statement the particulars of the compensation that will be paid to members of the IRC have not been finalized. Additionally, subject to the limitations regarding indemnities set forth in National Instrument 81-107, 49 North will indemnify all members of the IRC against all costs, charges and expenses, including an amount paid to settle or satisfy a judgment, reasonably incurred by a member in respect of any civil, criminal, administrative, investigative or other proceedings in which a member is involved because of being or having been a member of the IRC.

Selected Financial Information

The following table sets out certain selected financial information for the Partnership for the period from its inception, July 20, 2005, to December 31, 2005 and the Fiscal Year ended December 31, 2006. The selected financial information has been derived from and should be read in conjunction with the financial statements and the Auditor's report thereon attached hereto as Schedule "A".

	December 31, 2006	December 31, 2005
Statement of Net Assets:		
Assets		
Cash	68,690	-
Investments	6,065,763	6,308,286
	<u>6,134,453</u>	<u>6,308,286</u>
Liabilities	563,942	591,044
Net assets, representing partners' equity	<u>5,570,511</u>	<u>5,717,242</u>
Limited partnership units outstanding	1,200,000	1,200,000
Net asset value per unit	4.64	4.76
Statement of Operations:		
Income	1,023	-
Expenses	212,636	25,483
Net gain (loss) from investment operations	<u>(211,613)</u>	<u>(25,483)</u>
Realized gain (loss) on disposition of investments	682,303	-
Unrealized appreciation (depreciation) of investments	<u>(512,657)</u>	<u>308,286</u>
Net increase (decrease) in net assets resulting from operations	(41,967)	282,803

Legal Proceedings

Management is not aware of any legal proceedings to which the Partnership is a party, nor aware that any such proceedings are contemplated.

Auditor, Transfer Agent and Registrar

The auditor of the Partnership and its General Partner is Hergott Duval Stack LLP, 1200 – 410 22nd Street East, Saskatoon, Saskatchewan, S7K 5T6. Equity Transfer & Trust Company, at its principal offices in Toronto, Ontario is the transfer agent and registrar for 49 North.

Material Contracts

Except for contracts entered into by 49 North in the ordinary course of business, the only material contracts entered into by 49 North which may reasonably be regarded as currently material are the following:

- (a) Partnership Agreement referred to above in this Part III;
- (b) Amended and Restated Investment Management Agreement made effective October 31, 2006 with TMM referred to above under “Management of the Partnership – Portfolio Advisor and Investment Manager”;
- (c) Transfer Agent, Registrar and Disbursing Agent Agreement with Equity Transfer & Trust Company dated November 13, 2006;
- (d) the Reorganization Agreement referred to in Part V hereof, “The Transactions”; and
- (e) the 2006 Loan Agreement referred to in Part V hereof, “The Transactions”.

PART IV – INFORMATION CONCERNING 49 NORTH 2006 RESOURCE FLOW-THROUGH LIMITED PARTNERSHIP

Introductory Note

The 2006 Fund was established with an organizational structure, management and business objectives substantially similar to that of the Partnership, and Mr Tom MacNeill, who founded the Partnership and is the sole shareholder, the President and Chief Executive Officer and a director of the 2005 GP, also founded and is the sole shareholder, the President and Chief Executive Officer and a director of the 2006 GP.

As a result of the Transactions, the 2006 Fund was effectively merged into the Partnership and subsequently dissolved. Accordingly, the information in this Filing Statement does not include all material information on the 2006 Fund, but rather only information that may reasonably be considered material to the Transactions and the Resulting Issuer after the Transactions. Additional information about the 2006 Fund, including without limitation the 2006 Fund's prospectus dated May 18, 2006, as amended by amendment no. 1 dated August 17, 2006 and its management information circular dated January 15, 2007 in respect of a special meeting of the 2006 Fund held February 8, 2007 for the purposes of approving the Transactions, is available at www.sedar.com.

Name, Formation and History of the 2006 Fund

The 2006 Fund was formed under the name 49 North 2006 Resource Flow-Through Limited Partnership pursuant to a limited partnership agreement (the "2006 Fund Agreement") made January 4, 2006, as amended and restated May 18, 2006 between 49 North 2006 Resource Fund Inc, as general partner (the "2006 GP"), the Initial Limited Partner, and each person who, from time to time, becomes and limited partner in accordance with the terms of such agreement (each a "2006 LP" and collectively the "2006 LPs"); and was constituted a limited partnership under the laws of Saskatchewan upon the registration of a Declaration of Limited Partnership pursuant to the *Partnership Act* and *Registration Act* effective January 17, 2006. The 2006 GP was incorporated under the *SBCA* on January 4, 2006. The head office of both the 2006 Fund and the 2006 GP is 602 – 224 – 4th Avenue South, Saskatoon, Saskatchewan, S7K 5M5, and the registered office of the 2006 GP is 374 – 3rd Avenue South, Saskatoon, Saskatchewan, S7K 1M5.

Between June and December of 2006, the 2006 Fund raised gross proceeds of \$8,115,030 from the sale of a total of 1,623,006 limited partnership units ("2006 Units") at a price of \$5.00 per 2006 Unit (the "2006 Offering"). This included 1,502,506 2006 Units (\$7,512,530) issued to investors pursuant to a prospectus dated May 18, 2006, as amended August 17, 2006 (collectively the "2006 Prospectus"), that was qualified in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario, and 120,500 2006 Units (\$602,500) issued on a private placement basis to accredited investors following completion of the public offering under the 2006 Prospectus. As a result of qualifying the 2006 Prospectus in these five provinces the 2006 Fund became a reporting issuer in each of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. The 2006 Units are not listed on any stock exchange and at the time of the Transactions there was no market for the 2006 Units.

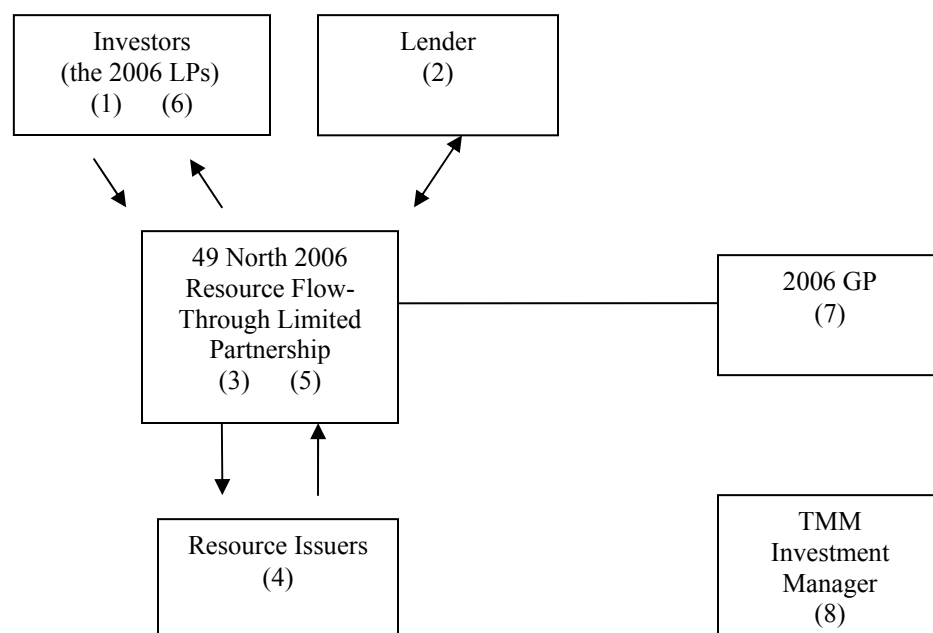
Business of the 2006 Fund

The 2006 Fund, like the Partnership, is an "investment fund" for the purposes of and as defined in Applicable Securities Law. It was formed to invest in Flow-Through Shares of Resource Issuers engaged in mineral or oil and gas exploration and development in Canada, with the focus on Resource Issuers with exploration programs in Saskatchewan; and with a view to achieving capital appreciation of the Portfolio and maximizing the tax benefits of an investment in the 2006 Units for the 2006 LPs - all in accordance with the 2006 Fund Agreement and the investment objective, investment strategy and investment guidelines set out in the 2006 Fund Agreement. In this regard, the investment objective, strategy and guidelines of the 2006 Fund were substantially the same as those of the Partnership, except that in order to maximize tax benefits the 2006 Fund was restricted to investing in Flow-Through Shares, whereas the Partnership invests in Securities of Resource Issuers whether or not such Securities are Flow-Through Shares.

In furtherance of this objective, prior to December 31, 2006 the 2006 Fund invested \$8,194,153 in Flow-Through Shares of a total of twenty-seven Resource Issuers under Flow-Through Agreements pursuant to which the respective investee Resource Issuers agreed to incur CEE in an amount equal to the 2006 Fund's subscription price of the Flow-Through Shares and to renounce such CEE to the 2006 Fund with an effective date in 2006, which CEE

was in turn allocated amongst the 2006 LPs. As a result, subject to certain limitations: investors in the 2006 Offering who were limited partners of the 2006 Fund as of December 31, 2006 were generally entitled to claim deductions of \$5.00 per 2006 Unit in computing their income for tax purposes in 2006; and individual 2006 LPs, other than trusts, were generally entitled to non-refundable Federal Investment Tax Credits in respect of funds invested by the 2006 Fund in Flow-Through Shares of certain Mining Issuers engaged in certain specified “grass roots” mining activities.

The following diagram illustrates the structure of an investment in the 2006 Fund pursuant to the 2006 Offering.



- (1) Investors subscribe for 2006 Units and become limited partners in the 2006 Fund.
- (2) Lender provides a loan facility to the 2006 Fund in an amount approximating the agent’s fees and offering costs.
- (3) 2006 Fund invests available funds in an amount approximating the gross proceeds of the 2006 Offering in Flow-Through Shares of Resource Issuers.
- (4) Resource Issuers renounce CEE to the 2006 Fund.
- (5) 2006 Fund allocates CEE renounced to it by Resource Issuers, pro rata, to the 2006 LPs.
- (6) 2006 LPs claim CEE allocated to them by the 2006 Fund and claim related Federal Investment Tax Credits in calculating their taxable income.
- (7) 2006 GP manages the Partnership including the Partnership’s Portfolio of Flow-Through Shares.
- (8) TMM provides advice and assistance in the management of the 2006 Fund's investment Portfolio.

Authorized Capital: Pursuant to the 2006 Fund Agreement and pursuant to general principals of partnership law, the capital of the 2006 Fund consists, at any particular time, of the aggregate contributions of capital to the 2006 Fund by the 2006 GP and 2006 LPs, plus (or minus) the cumulative net Income (or Losses) of the 2006 Fund, and less all monies or other property from time to time properly paid or distributed to the respective Partners of the 2006 Fund.

These capital contributions included \$5.00 contributed by the 2006 GP upon the formation of the 2006 Fund in January 2006 (in return for which the 2006 GP is entitled to a 0.01% interest in the net assets of the 2006 Fund and to have allocated to it 0.01% of the Income or Loss of the 2006 Fund in each Fiscal Year), \$5.00 contributed by the Initial Limited Partner (which \$5.00 contribution was returned to the Initial Limited Partner upon the initial closing of the 2006 Offering at which time the Initial Limited Partner ceased to be a member of the 2006 Fund) and the capital contributions of the 2006 LPs. In that regard, the interests of the 2006 LPs in the 2006 Fund are divided into limited partnership units (ie the "2006 Units") and, apart from the 2006 GP's initial \$5.00 contribution, the authorized capital of the 2006 Fund is divided into and limited to the 1,623,006 2006 Units issued from treasury in the 2006 Offering, each of which 2006 Units represents a capital contributions by the respective 2006 LPs equal to the \$5.00 per unit subscription prices paid for the 2006 Units in the 2006 Offering.

Apart from the 1,623,006 2006 Units described above, as at December 31, 2006 and as of the time of the Transactions there were no other Units of the 2006 Fund outstanding and there were no convertible debentures, warrants, options, rights or similar convertible securities of the 2006 Fund outstanding.

Summary of General Characteristics of 2006 Units: Subject to detailed provisions and exceptions in the 2006 Fund Agreement that are not material to the Transactions or to the Resulting Issuer after the Transactions, generally, each 2006 Unit: (a) represents an equal and undivided interest in 99.99% of the net assets of the 2006 Fund; and (b) entitles the 2006 LPs: (i) of record as at the end of each Fiscal Year to share, pro rata, in 99.99% of the Income (or Loss) of the 2006 Fund for such Fiscal Year; (ii) to share pro rata in any distributions by the 2006 Fund; and, (iii) in the event of dissolution of the 2006 Fund, to receive 99.99% of the assets of the 2006 Fund remaining after payment of all debts, liabilities and liquidation expenses of the 2006 Fund. Each 2006 LP is entitled to one vote for each 2006 Unit on all matters that require or permit a vote by limited partners, and each 2006 Unit entitles the holder to the same rights and obligations in respect of that one 2006 Unit as the holder of any other 2006 Unit and no 2006 LP is entitled to any privilege, priority or preference in relation to any other 2006 LP unless it is as a consequence of owning more 2006 Units than another 2006 LP.

Winding-up of 2006 Fund and Reorganization Transaction

The 2006 Fund Agreement stipulated that, subject to certain exceptions as provided for in such Agreement, the 2006 Fund would be dissolved effective March 31, 2008. However, as an alternative to such dissolution, the 2006 Fund Agreement authorized the 2006 GP to, and the 2006 Prospectus anticipated that the 2006 GP would, call a meeting of the 2006 LPs in February 2007 to approve, by Ordinary Resolution, a so-called "Reorganization Transaction" pursuant to which the 2006 GP would be authorized to sell and transfer all or substantially all of the assets of the 2006 Fund or, as attorney and agent for each 2006 LP, to sell and transfer all of the then outstanding 2006 Units and all of the interests of the respective 2006 LPs in the 2006 Fund, on a tax deferred basis, to a mutual fund corporation in exchange for shares of such mutual fund corporation or to another appropriate investment vehicle, such as a publicly listed corporation or a limited partnership, in exchange for shares, limited partnership units and/or other securities of such publicly listed corporations or limited partnerships. The Transactions constitute the "Reorganization Transaction" for the purposes of the 2006 Fund Agreement. The then proposed Transactions were first publicly announced in a press release issued January 16, 2007 and on or about January 17, 2007 the 2006 GP mailed a Notice of Special Meeting, Information Circular and related meeting materials to the 2006 LPs in connection with a Special Meeting of the 2006 Fund to be held on February 8, 2007 to consider, and if thought fit approve, an Ordinary Resolution authorizing the Transactions. This Resolution was unanimously approved by the 2006 LPs at the February 8, 2007 Special Meeting.

Management of the 2006 Fund

The General Partner: Pursuant to the 2006 Fund Agreement, the 2006 GP has the exclusive authority to manage the operations and affairs of the 2006 Fund, including managing its investment Portfolio in compliance with the investment objective, investment strategy and investment guidelines set forth in the 2006 Fund Agreement. See above "Business of the 2006 Fund". Mr. Tom MacNeill, is the sole shareholder of all outstanding shares of the 2006 GP as well as being a director and the President & Chief Executive Officer of the 2006 GP.

The following table sets forth the names, municipalities of residence, offices held, number of 2006 Units beneficially owned prior to the Transactions, directly or indirectly, and principal occupation for the past five years of each director and officer of the 2006 GP.

Name and Municipality of Residence	Office or Position¹	Number of 2006 Units	Principal Occupation
Tom MacNeill ² Saskatoon, SK	President, Chief Executive Officer and Director	10,000	General Manager of BEC International Corporation. Chartered Financial Analyst.
Ronald G. ("Bud") Walker Victoria, BC	Chief Financial Officer, Secretary and Director	-	Chairman (and previously President) of Great Canadian Dollar Store Franchising Ltd., since 1993
Harvey J. Bay ^{(2),(3)} Saskatoon, SK	Director	-	Chief Financial Officer of Shore Gold Inc. since November 2002; President, Baywatch Industries Inc. since 1993. Certified Management Accountant.
James Engdahl ^{(2),(3)} Saskatoon, SK	Director	-	President and Chief Executive Officer of Great Western Mineral Group Ltd. since March 2006. Previously, Managing Director, Prairie Region, Windy Point capital since March 2005, and prior to that employed from 1996 by the Tamarack Group, a management and financial consulting organization owned by Meyers Norris Penny LLP, Chartered Accountants.
<p>1. Mr. MacNeill held his positions with the 2006 GP since January 2006 and Mr. Bay and Engdahl held their respective positions since February 2006. Mr. Walker became a director and CFO in July 2006 and was additionally appointed secretary in January 2007. All directors and officers of the 2006 GP hold the same position with the General Partner of 49 North, with the exception of Mr. Engdahl who was a director of the General Partner of 49 North from July 2005 but ceased to be a director effective January 8, 2007.</p> <p>2. Member of Audit Committee.</p> <p>3. Member of Investment Review Committee.</p>			

Portfolio Advisor and Investment Manager: The 2006 GP appointed TMM as the Investment Manager of the 2006 Fund pursuant to an investment management agreement made effective May 18, 2006 among the 2006 GP on behalf of the 2006 Fund and TMM (the "2006 Fund Investment Management Agreement"). Pursuant to this 2006 Fund Investment Management Agreement, TMM assisted the 2006 GP in identifying, analyzing and selecting investment opportunities in the mining, oil and gas and alternative energy sectors. TMM also assisted the 2006 GP in monitoring the performance of Resource Issuers (including their expenditure of Flow-Through Share subscription proceeds within the timeframes outlined in the applicable Flow-Through Agreements). The 2006 Fund Investment Management Agreement provided for the termination of TMM's appointment thereunder upon the implementation of the Transactions.

Investment Review Committee: Section 7.6 of the 2006 Fund Agreement required the 2006 GP to establish and maintain an Investment Review Committee, comprised solely of directors who are not officers of the 2006 GP and are not officers, directors, shareholders or otherwise interested in the Investment Manager. This committee was comprised of Mr. Bay and Mr. Engdahl and its duties and authority were substantially the same as the duties and authority of the Investment Review Committee of 49 North as described under "Management of the Partnership – Investment Review Committee" in Part III of this Information Circular.

Management Compensation: Pursuant to the 2006 Fund Agreement, the 2006 GP is entitled to receive from the 2006 Fund (a) a quarterly management fee equal to 0.5% of the Net Asset Value of the 2006 Fund, calculated as of the last business day of the relevant fiscal quarter (the "Management Fee"), which Management Fee is payable on or prior to the end of the month immediately following such fiscal quarter; and (b) may be paid a performance bonus (a "Performance Bonus"), calculated as of the earlier of the business day prior to the implementation of a "Reorganization Transaction" and the date the 2006 Fund is dissolved in an amount in respect of each 2006 Unit that

is then outstanding equal to 20% of the amount, if any, by which the sum of the Net Asset Value per 2006 Unit as of that date, plus all distributions per 2006 Unit on or prior to that date, exceeds \$5.50. Under the 2006 Fund Investment Management Agreement, TMM may receive a similar Management Fee and/or Performance Bonus, but in such case the Management Fee and/or Performance Bonus payable to the 2006 GP is reduced dollar for dollar by the amounts paid to TMM. The General Partner and TMM are also entitled to reimbursement for all expenses reasonably and properly incurred in conducting the business of the 2006 Fund and in performing their respective duties and obligations under the 2006 Fund Agreement or the 2006 Fund Investment Management Agreement, as applicable, provided that such reimbursement is not intended to and shall not include any charges for overhead or profit, it being specifically acknowledged in the 2006 Fund Agreement and the 2006 Fund Investment Management that such overhead and profit have been taken into consideration in determining the Management Fees and, if applicable, Performance Bonus, payable as described above. Apart from this, the 2006 GP contributed \$5.00 to the capital of the 2006 Fund upon its formation in January of 2006 and is entitled to 0.01% of its Income or Loss of in each Fiscal Year and to receive 0.01% of the remaining assets available for distribution to the Partners upon the dissolution of the 2006 Fund.

None of the directors or officers of the 2006 GP personally receive any direct compensation from the 2006 Fund for acting in such capacity, but the 2006 GP may pay directors fees or other compensation in amounts from time to time determined by its board of directors, all of which amounts, if any, are for the account of the 2006 GP and are not charged to the 2006 Fund. Directors and officers are, however, entitled to be reimbursed by the 2006 Fund for reasonable expenses incurred on business related to the 2006 Fund.

Selected Financial Information

The following table sets out certain selected financial information for the 2006 Fund for the period from its inception, January 17, 2006 to December 31, 2006. The selected financial information has been derived from and should be read in conjunction with the financial statements and the Auditor's report thereon attached hereto as Schedule "B".

	December 31, 2006
Statement of Net Assets:	
Assets	
Cash	42,674
Investments	8,277,664
	<u>8,320,338</u>
Liabilities	920,688
Net assets, representing partners' equity	<u>7,399,650</u>
Limited partnership units outstanding	1,623,006
Net asset value per unit	4.56
Statement of Operations:	
Income	24,406
Expenses	71,592
Net gain (loss) from investment operations	<u>(47,186)</u>
Unrealized appreciation of investments	83,511
Net increase in net assets resulting from operations	<u>36,325</u>

Legal Proceedings

Management is not aware of any legal proceedings to which the 2006 Fund is a party, nor aware that any such proceedings are contemplated.

Auditor, Transfer Agent and Registrar

The auditor of the 2006 Fund and the 2006 GP is Hergott Duval Stack LLP, 1200 – 410 22nd Street East, Saskatoon, Saskatchewan, S7K 5T6. The 2006 GP, at 602 - 224 - 4th Avenue South, Saskatoon, Saskatchewan, S7K 5M5, is the transfer agent and registrar for the 2006 Fund.

Material Contracts

Except for contracts entered into by the 2006 Fund in the ordinary course of business, the only material contracts entered into by the 2006 Fund which may reasonably be regarded as material to the Transactions or the resulting Issuer are the following:

- (a) 2006 Fund Agreement referred to above in this Part IV;
- (b) 2006 Fund Investment Management Agreement made effective May 18, 2006 with TMM referred to above under “Management of the 2006 Fund – Portfolio Advisor and Investment Manager”;
- (c) the Reorganization Agreement referred to in Part V hereof, “The Transactions”; and
- (d) the 2006 Loan Agreement referred to in Part V hereof, “The Transactions”.

PART V - THE TRANSACTIONS

Overview and Summary

The General Partner of 49 North, acting in its capacity as general partner and on behalf of 49 North, in its personal, corporate capacity and as attorney and agent for all of the Limited Partners of 49 North, together with the 2006 GP, acting in its capacity as general partner and on behalf of the 2006 Fund, its personal, corporate capacity and as attorney and agent for each 2006 LP (collectively the "Parties" and each a "Party"), entered into a reorganization agreement as of February 8, 2007 (the "Reorganization Agreement") pursuant to which the Parties agreed to undertake and complete a series of transactions (collectively the "Transactions"), the net effect of which is to merge the 2006 Fund into 49 North. Pursuant to the Reorganization Agreement, effective February 21, 2007, 49 North acquired all of the 1,623,006 outstanding 2006 Units at a purchase price of approximately \$4.30 per unit, for a total price of \$6,985,073, representing the Net Asset Value of the 2006 Fund as at the close of business on February 7, 2007 (the "Calculation Time"). The entire purchase price was satisfied by 49 North issuing to the 2006 LPs a total of 1,598,314 Units in 49 North (in this Part V referred to as the "New Units"), which were valued for this purpose as of the Calculation Time at \$4.37 per unit - for an effective conversion ratio of approximately 0.985 New Units being issued for every one 2006 Unit acquired by 49 North. 49 North also acquired all of the assets and assumed all of the liabilities of the 2006 Fund which as of the Calculation Time had a Net Asset Value equal to the aggregate purchase price of the acquired 2006 Units - i.e. \$6,985,073, consisting of Portfolio Securities of Resource Issuers and cash valued at \$8,033,730 and liabilities of \$1,048,656. As part of the Transactions, the 2006 Fund has been dissolved.

Details of the Transactions

Pursuant to the Reorganization Agreement each of the Transactions occurred and was completed on the Closing Date but in the order described below.

Unit Purchase and Exchange Transaction: As of the Calculation Time 49 North had a Net Asset Value of \$5,244,332 for a Net Asset Value per Unit for each of the 1,200,000 Units then outstanding, of \$4.37028. At the same time, the 2006 Fund had a Net Asset Value of \$6,985,073, for a Net Asset Value per Unit for each of the 1,623,006 2006 Units then outstanding of \$4.30379. That is, each 2006 Unit had a value equal to the value of 0.9847862 Units of 49 North. Effective on the Closing Date, 49 North purchased from each 2006 LP all of such 2006 LPs' respective 2006 Units (the "Purchased Units"), at and for a purchase price per Purchased Unit (the "Purchase Price") equal to the Net Asset Value per Unit of the 2006 Units - \$4.30379 - for an aggregate purchase price equal to the Net Asset Value of the 2006 Fund - \$6,985,073. The Purchase Price was paid and fully satisfied by 49 North issuing from its treasury to each 2006 LP, 0.9847862 New Units in the capital of 49 North for each Purchased Unit acquired, subject to rounding to avoid the issuance of fractional Units, for a total of 1,598,314 New Units.

Assumption Transaction: Immediately following completion of the Unit Purchase and Exchange Transaction described above, the 2006 Fund and 49 North entered into an assumption agreement (the "**Assumption Agreement**") pursuant to which the 2006 Fund assigned and transferred to 49 North and 49 North acquired and assumed all indebtedness, obligations and liabilities of the 2006 Fund that were outstanding or accruing due as of the Closing Date (collectively the "**Assumed Liabilities**") together with all right, title, benefit and interest of the 2006 Fund in, to or under all contracts, engagements and commitments relating to such Assumed Liabilities. As of February 21, 2007, these Assumed Liabilities totaled \$1,051,287, consisting of the following:

- (a) principal and interest accrued to February 21, 2007 of \$861,399 owing to Mr. Tom MacNeill, as lender (the "Lender"), under a Loan Agreement made with the 2006 Fund dated July 31, 2006, pursuant to which the Lender in 2006 advanced loans to the 2006 Fund, totaling \$850,000, for the payment of agent fees and other offering costs associated with the 2006 Offering and for working capital. Pursuant to the original July 31, 2006 loan agreement, as amended by an acknowledgement and loan amending agreement made February 21, 2007 (collectively the "2006 Loan Agreement"), interest on such loan continues to be payable monthly at the prime rate of the Royal Bank of Canada plus 2%, and the loan is otherwise payable within thirty days of demand by the Lender. The loan is secured by a general security interest in all of the assets of the Partnership.

- (b) \$70,888 in management fees owing to the 2006 GP and/or TMM, including \$56,111 in management fees and accrued interest thereon outstanding as of December 31, 2006 and \$14,777 in management fees accruing from January 1 to February 7, 2007. See the discussion under "Management of the 2006 Fund – Management Compensation" in Part IV of this Filing Statement ; and
- (c) miscellaneous accounts payable and accrued liabilities of approximately \$119,000, comprised primarily of legal and accounting/audit fees and other costs associated with the Transactions, all of which costs pursuant to the Reorganization Agreement are the responsibility of the 2006 Fund and were factored into the calculation of the Net Asset Value of the 2006 Fund for the purposes of the Unit Purchase and Exchange Transaction.

In consideration of 49 North's assumption of these Assumed Liabilities, its capital account in the 2006 Fund was increased by the amount of such Assumed Liabilities.

Dissolution and Winding-Up Transaction: Effective on the Closing Date but immediately following 49 North's assumption of the Assumed Liabilities in the Assumption Transaction described above (the "Dissolution Time") 49 North, in its then capacity as the sole limited partner of the 2006 Fund, approved an Extraordinary Resolution to wind-up and dissolve the 2006 Fund as of the Dissolution Time and to distribute all of its assets in accordance with the provisions of the 2006 Fund Agreement. As a result, all of the assets of the 2006 Fund - then consisting solely of Portfolio Securities and cash - were transferred and distributed to 49 North as to a 99.99% undivided interest in such assets and to the 2006 GP (in its personal, corporate capacity and not in its capacity as general partner of the 2006 Fund) as to a 0.01% undivided interest in such assets (the "2006 GP Interest").

Transfer of 2006 GP Interest: Effective on the Closing Date and immediately following the Dissolution Time and the distribution of the assets of the 2006 Fund to 49 North and to the 2006 GP pursuant to the Dissolution and Winding-Up Transaction described above, the 2006 GP sold and transferred to 49 North the 2006 GP Interest at the fair market value of such interest, which value, based on the calculations as of the Calculation Time, was approximately \$800.

Table 1 below provides selected financial information for the Partnership and the 2006 Fund together with pro forma financial information for the Partnership as of December 31, 2006 and should be read in conjunction with the statements of net assets of the Partnership and the 2006 Fund, respectively, for the year ended December 31, 2006 and the Auditor's reports thereon that form part of the financial statements attached hereto as Schedule A and Schedule B, respectively, and the unaudited pro forma statement of net assets that forms part of the pro form financial statements attached hereto as Schedule C.

Table 2 below, provides details of the Net Asset Values of the Partnership and the 2006 Fund (as at the close of business on February 7, 2007) that were used in valuing the Partnership Units and the 2006 Units for the purposes of the Transactions and the resulting Net Asset Value of the Partnership after giving effect to the Transactions.

	49 North Resource Fund Limited Partnership (audited)	49 North 2006 Resource Flow- Through Limited Partnership (audited)	49 North Resource Fund Limited Partnership (pro forma unaudited)
Investments	\$ 6,065,763	\$ 8,277,664	\$ 14,343,427
Cash	68,690	42,674	111,364
Total Assets	6,134,453	8,320,338	14,454,791
Total Liabilities	563,942	920,688	1,484,630
Net Assets representing partner's equity	5,570,511	7,399,650	12,970,161
Number of limited partnership units outstanding	1,200,000	1,623,006	2,798,314
Net asset value per unit	4.64	4.56	4.63

	49 North Resource Fund Limited Partnership	49 North 2006 Resource Flow- Through Limited Partnership	49 North Resource Fund Limited Partnership
Investments	\$ 5,712,454	\$ 7,528,529	\$ 13,240,983
Cash	145,505	505,201	650,706
Total Assets	5,857,959	8,033,730	13,891,689
Total Liabilities	613,628	1,048,656	1,662,284
Net Assets representing partner's equity	5,244,332	6,985,073	12,229,405
Number of limited partnership units outstanding	1,200,000	1,623,006	2,798,314
Net asset value per unit	4.37	4.30	4.37

Income Tax Elections

All of the 1,623,006 2006 Units acquired by 49 North in the Unit Purchase and Exchange Transaction were issued by the 2006 Fund in 2006 at a subscription price of \$5 per 2006 Unit; and as of December 31, 2006 each 2006 LP was allocated CEE that had been renounced to the 2006 Fund by investee Resource Issuers pursuant to Flow-Through Agreements of \$5.00 per 2006 Unit. As a result, the adjusted cost base ("acb") of the respective 2006 LPs' 2006 Units at the time of the Unit Purchase and Exchange Transaction was generally nil. Accordingly, in the absence of certain provisions of the *Tax Act*, as discussed below, the disposition of the 2006 Units to 49 North would result in a capital gain to each 2006 LP in an amount equal to the approximately \$4.30 Purchase Price of the 2006 Units; one-half of which would be a taxable capital gain and normally be required to be included in computing the respective 2006 LPs' taxable income in 2007. However, pursuant to the Reorganization Agreement the Parties agreed that for income tax purposes all of the 2006 Units of each 2006 LP would be transferred to 49 North pursuant to the "roll-over" provisions in section 97(2) of the *Tax Act* at elected price of \$1 (the "Elected Price"), approximating the acb of the respective 2006 LPs' respective 2006 Units; and the 2006 GP and the General Partner of 49 North agreed to execute all elections in the forms prescribed by the *Tax Act* and to file such elections with CRA within the time periods prescribed by the *Tax Act* for that purpose. Therefore, generally, the Unit Purchase and Exchange Transaction is not expected to have any immediate, material income tax consequences to the 2006 LPs or to 49 North or any of its Partners.

As an exception to the foregoing, the Reorganization Agreement provides that any particular 2006 LP may elect to transfer his 2006 Units to 49 North at an elected price above the \$1 Elected Price as contemplated above, provided that such elected price does not exceed the fair market value of the 2006 Units that were sold and transferred by the particular 2006 LP. To do so, a 2006 LP must provide written notice (an "Election Notice") to the 2006 GP by not later than the time that the elections are filed with CRA, stating the elected transfer price at which the particular 2006 LP wishes to transfer his 2006 Units (the "Alternate Elected Price") for the purposes of section 97(2) of the *Tax Act* (which Alternate Elected Price may not be less than \$1 or greater than the fair market value of the 2006 Units as of the Closing Date) and specifically authorizing and directing the 2006 GP and the Auditor to file the elections at that Alternate Elected Price. Neither the 2006 Fund, 2006 GP, 49 North, the General Partner of 49 North nor the Auditor, nor any of the directors, officers, partners, agents or other persons of or for whom any of the foregoing may at law be responsible, will give any advice or make any recommendations (and none of the foregoing are authorized to give any such advice or make any recommendations) as to whether or not any particular 2006 LP should elect to transfer his 2006 Units at an Alternate Elected Price. Where, however, the 2006 GP receives an Election Notice prior to having filed the election with CRA, the 2006 GP will cause the election to be prepared and filed at the Alternate Elected Price as specified in the Election Notice of the particular 2006 LP. As at the date of this Filing Statement the 2006 GP has not received an Election Notice from any 2006 LP.

The Parties further agreed pursuant to the Reorganization Agreement that the distribution to 49 North of a 99.99% undivided interest in the Portfolio Securities of the 2006 Fund pursuant to the Winding-Up and Dissolution Transaction would be carried out pursuant to the "roll-over" provisions in section 98(3) of the *Tax Act*; and the General Partner of 49 North and the 2006 GP will execute and file all elections in the forms and within the time

periods prescribed by the *Tax Act*. As a result, 49 North's adjusted cost base for the Portfolio Securities acquired from the 2006 Fund in the Transactions will be approximately the same as the adjusted cost base in such Securities of the 2006 Fund; which, in the case of Flow-Through Shares will generally be nil or a nominal amount.

Securities Law Considerations

The trading and/or distribution of the 2006 Units and the New Units of 49 North in the Transactions were carried out in accordance with and in reliance on the "business combination and reorganization" exemption in section 2.11 of National Instrument 45-106, "*Prospectus and Registration Exemptions*", which exempt the transfer and distribution of such securities from the registration and prospectus requirements of Applicable Securities Law. In accordance with National Instrument 45-106 and related provisions of National Instrument 45-102, "*Resale of Securities*", and by virtue of the fact that 49 North has been a reporting issuer in at least one Canadian jurisdiction since September 30, 2005; the New Units of 49 North issued pursuant to the Unit Purchase and Exchange Transaction will generally be freely tradable by the 2006 LPs to whom such Units were issued provided that (a) the trade is not a control distribution; (b) no unusual effort is made to prepare the market or create a demand for the security that is the subject of the trade; (c) no extraordinary commission or consideration is paid to a person in respect of the trade; and (d) if the selling securityholder is an insider or a director or officer of 49 North, the seller has no reasonable grounds to believe that 49 North is in default of securities legislation.

As an exception to the foregoing, 118,667 of the New Units of 49 North that were issued to those 2006 LPs who acquired a total of 120,500 2006 Units in the private placement by the 2006 Fund that was completed December 21, 2006, were issued subject to a hold period which, unless permitted under securities legislation, prohibits the trading of such New Units before April 22, 2007.

PART VI – THE RESULTING ISSUER

The Transactions have no effect on the organizational structure of the Resulting Issuer - 49 North - as the Partnership remains a limited partnership under the laws of Saskatchewan and continues to be governed by the amended and restated Partnership Agreement made as of October 26, 2006, which Partnership Agreement remains in full force and effect, unamended, the same after as before the Transactions. Likewise, the Transactions do not result in any material change in: the business of the Partnership or its investment objective, investment strategy and investment guidelines; the Partnership’s authorized capital or the characteristics of the Units; the authority of the General Partner to manage the operations and affairs of the Partnership, the ownership of the General Partner or the composition of the board of directors and/or committees of the General Partner; the role and responsibilities of TMM as Investment Manager of Partnership or the terms of the Partnership’s Investment Management Agreement with TMM; the compensation of management of the Partnership; or, except for the Partnership’s assumption of the 2006 Loan Agreement, the material contracts of the Partnership, all of which remain substantially the same before as after the Transactions as described in Part III of this Filing Statement, “Information Concerning 49 North Resource Fund Limited Partnership”.

The completion of the Transactions does however result in the following material changes to the Partnership as summarized below and as discussed in greater detail elsewhere in this Filing Statement:

- (a) increases the number of issued and outstanding Partnership Units from 1,200,000 to 2,798,314 Units;
- (b) increases the number of companies in the Partnership’s investment Portfolio from 24 to 42 and increases the value of the Partnership’s investment Portfolio from approximately \$5,858,000 to approximately \$13,892,000 (including cash reserves of approximately \$650,700);
- (c) increases the Partnership’s total liabilities from approximately \$614,000 to approximately \$1,662,284; and
- (d) increase the Partnership’s Net Asset Value from approximately \$5,244,000 immediately before the Transactions to approximately \$12,229,000 immediately after the Transactions, while maintaining a Net Asset Value of \$4.37 per Unit.

All of the above dollar amounts are based on calculations as at February 7, 2007.

As indicated below, after giving effect to the Transactions, “insiders” held, directly or indirectly, a total of 37,096 Units of the Resulting Issuer, representing approximately 1.3 % of the total Units then outstanding.

Name	Position	Number of Units
Tom MacNeill Saskatoon, SK	President, Chief Executive Officer and Director of the General Partner	24,048
Neil Burwash Macklin, SK.	Director of the General Partner	13,048

PART VII - CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is, as of the date hereof, a general summary of the principal Canadian Federal income tax considerations applicable to the Partnership and its Limited Partners. This summary is applicable only to Limited Partners who, for the purposes of the *Tax Act* and at all relevant times, are resident in Canada and who hold their Units as capital. Units will generally be treated as capital property of a Limited Partner unless he holds the Units in the course of carrying on a business or has acquired the Units as an adventure in the nature of trade.

This summary assumes that no Limited Partner has or will finance the purchase of Units with Limited Recourse Financing; that, for the purposes of the *Tax Act*, and at all relevant times, the Partnership and each Limited Partner will deal at arm's length with the issuers of the Flow-Through Shares held by or on behalf of the Partnership; that the Partnership will not be a "specified person" or have a "prohibited relationship" in relation to any issuer of Flow-Through Shares and that the Flow-Through Shares and other securities acquired by the Partnership are and/or will be capital property to the Partnership. This summary does not apply to Limited Partners that are "financial institutions", "specified financial institutions" or "principal-business corporations" as defined in the *Tax Act*, or 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 assumes that at no time will in excess of 50% of the fair market value of all interests in the Partnership be held by one or more Financial Institutions; and that all expenses incurred by Resource Issuers pursuant to the Flow-Through Agreements will be reasonable in the circumstances and will qualify as CEE or as CDE eligible for renunciation as CEE (collectively "Eligible Expenditures").

This summary is based on the current provisions of the *Tax Act*, the Regulations thereunder and current published administrative practices of the CRA. This summary also takes into account proposals for specific amendments to the *Tax Act* and Regulations publicly announced by the Federal Minister of Finance prior to the date hereof (collectively, the "Proposed Legislation"). This summary does not otherwise take into account or anticipate any changes in law, whether by judicial, governmental or legislative decision or action. There can be no assurance that the Proposed Legislation will be enacted in the form proposed, if at all. This summary does not address the income tax or other laws of any province of Canada or of any foreign jurisdiction, except for a limited discussion on Saskatchewan Provincial Investment Tax Credits as expressly set forth below under the sub-heading "Investment Tax Credits".

In order for Limited Partners to deduct Eligible Expenditures, the Partnership and the Resource Issuers must complete certain statutory filings in respect of the renunciation of Eligible Expenditure and the Partnership must additionally make certain statutory filings in order for Limited Partners to claim Investment Tax Credits. Under the Partnership Agreement the General Partner is required to make all necessary filings and to provide each Limited Partner the necessary information with respect to renounced Eligible Expenditures and Investment Tax Credits for purposes of filing income tax returns. However, the preparation and filing of the income tax returns is the responsibility of each Limited Partner.

The income tax consequences of an investment in Units will vary depending on a number of factors, including whether the investor is an individual, corporation, trust or partnership; the amount that would be the investor's taxable income but for his interest in the Partnership; and the province in which the investor is resident for provincial income tax purposes. The following discussion of income tax consequences is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular investor. Accordingly, each investor should obtain independent advice from his own tax advisor regarding the income tax consequences of investing in the Partnership based on such investor's own particular circumstances.

Computation of Income

Subject to the discussion below under "Proposed SIFT Legislation", the Partnership itself is not liable for income tax and is not required to file income tax returns except for an annual information return. It is, however, 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. Such Income (or Loss) of the Partnership shall be computed, without taking into account, among other things, the amount of CEE renounced to it in respect of subscriptions for Flow-Through Shares. Such amounts will be taken into account directly by Limited Partners in computing their respective taxable incomes as described below. The Fiscal Period of the Partnership ends on December 31 in each year and a Fiscal Period of the Partnership will end upon the dissolution of the Partnership.

The Income of the Partnership will include the taxable portion of capital gains that may arise on a disposition of Flow-Through Shares or other securities. As the cost of any Flow-Through Shares is deemed to be nil, the amount of such capital gains from dispositions of Flow-Through Shares will generally be equal to the net proceeds of disposition (after any reasonable costs of disposition) for the shares. The Partnership's gain or loss on the disposition of other securities will be calculated by reference to the adjusted cost base of those securities.

To the extent that they are reasonable and are not limited by the "tax shelter investment rules" contained in the *Tax Act* (see below), costs incurred by the Partnership in the course of issuing or selling Units, including expenses of issue and commissions payable to an agent or dealer in securities, are deductible at the rate of 20% per year (subject to proration for the short Fiscal Period in 2005). In the event that the Partnership is dissolved and these expenses have not been fully deducted by it, any person who was a member of the Partnership immediately prior to its dissolution may deduct, in a taxation year ending after that time and at the same rate, his pro rata share of the amount that the Partnership would have been entitled to deduct in its Fiscal Period ending in that taxation year if the Partnership had continued to exist. Until it is repaid, the indebtedness of the Partnership pursuant to certain Loan Facilities as described in the Partnership's audited, annual financial statements will constitute a limited recourse amount of the Partnership and the deduction of expenses reasonably related thereto may be limited pursuant to the tax shelter investment rules, as discussed in more detail below.

To the extent that they are reasonable, other fees and amounts which are paid or payable by the Partnership and relate to the ongoing business thereof, including fees and other amounts paid or payable to the General Partner under the Partnership Agreement and/or to TMM under the Investment Management Agreement, will generally be deductible in the year incurred unless they constitute pre-payments for services to be rendered over a number of years, in which case they will be amortized over such extended period.

Reasonable Expectation of Profits Proposals

On October 31, 2003, the Federal Department of Finance released for public comment draft proposals (the "reasonable expectation of profit proposals") regarding the deductibility of interest and other expenses for purposes of the *Tax Act*. The proposals, if enacted, would have effect for taxation years beginning after 2004. Under the proposals, a taxpayer will be considered to have a loss from a source that is a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit (excluding capital gains) from the business or property during the period that the business is carried on or that the property is held. If these proposals are enacted, Limited Partners would only be entitled to claim a loss from their investment in the Partnership in a particular taxation year, if, in the year the loss is claimed, it is reasonable to assume that an overall cumulative profit would be earned from the investment in the Partnership after taking into account any associated interest expense. An extended period of public consultation on these proposals ended in August 2004. Many commentators expressed concerns with the reasonable expectation of profit proposals: in particular, that they codified an objective "reasonable expectation of profit" test that might inadvertently limit the deductibility of a wide variety of ordinary commercial expenses. In the Federal Budget of February 23, 2005 the Government publicly announced (the "2005 Announcement") that the Department has now sought to respond by developing "a more modest legislative initiative" that would respond to these concerns while still achieving the Government's objectives. This 2005 Announcement stated that the Department will "at an early opportunity" release this alternative proposal for comment. This release will be combined with a CRA publication that addresses, in the context of this alternative proposal, "certain administrative questions relating to deductibility". As this "alternative proposal" has not been released as at the date of this Filing Statement and there is considerable uncertainty as to the particulars of the amendments that may be made to the *Tax Act* in light of the 2005 Announcement, no views or assurances of any kind can be made at this time as to the impact that such amendments, if any, may have on the Partnership or investors in the Partnership.

Taxation of Limited Partners' Income or Loss

Subject to the detailed comments herein and, in particular, the "at risk" rules and the "tax shelter investment" rules; and the discussion above under "Reasonable Expectation of Profits Proposal" and below under "Alternative Minimum Tax on Individuals" and "Proposed SIFT Legislation", each Limited Partner who is a Limited Partner on the last day of each Fiscal Period of the Partnership will be required to include (or be entitled to deduct) in computing his income or loss, his proportionate share of the Income (or Loss) of the Partnership allocated to him

pursuant to the Partnership Agreement for the Fiscal Period of the Partnership ending in or coincidentally with the Limited Partner's taxation year, whether or not any distribution of income has been made by the Partnership.

The *Tax Act* contains "at-risk" rules, which limit the amount of deductions, including CEE and losses, that a Limited Partner may claim as a result of his investment in the Partnership to the amount that the Limited Partner has "at risk" in respect thereof. Generally, a Limited Partner's "at-risk" amount will be the amount actually paid for his Units plus the amount of any Partnership Income (including the full amount of any Partnership capital gains) allocated to such Limited Partner for completed Fiscal Periods, less the aggregate of amounts (including if applicable unpaid instalments) owing by the Limited Partner (or a person with whom the Limited Partner does not deal at arms length) to the Partnership (or a person with whom the Partnership does not deal at arms length), the amount of any CEE previously renounced to a Limited Partner, the amount of any Partnership Losses allocated to the Limited Partner and the amount of any distributions from the Partnership. A Limited Partner's "at-risk" amount may be further reduced by certain benefits that protect against a risk of loss from an investment in the Partnership. Where a Limited Partner acquires Units from a transferor other than the Partnership, the cost to the Limited Partner for purposes of determining the Limited Partner's "at risk" amount under the *Tax Act* is the lesser of the Limited Partner's cost of the Units and the transferor's adjusted cost base of the Units immediately before that time. Where the adjusted cost base of the Units to the transferor cannot be determined, the "at-risk" amount of the Limited Partner will generally be nil, initially.

A Limited Partner's share of any Losses of the Partnership denied as a consequence of the application of the "at-risk" rules is considered to be a "limited partnership loss" in respect of the Partnership for the year. Such limited partnership loss may be deducted by the Limited Partner in any subsequent year against any income for that year to the extent that, at the end of the last Fiscal Period of the Partnership ending in that year, the Limited Partner's "at-risk" amount in respect of the Partnership exceeds the Limited Partner's share of any Loss of the Partnership for that Fiscal Period.

The *Tax Act* contains additional rules to restrict the deductibility of certain amounts by persons who acquire a "tax shelter investment" for purposes of the *Tax Act*. The Units have, as a precautionary measure, been registered with the CRA under the "tax shelter" registration rules. A "tax shelter investment" includes any property that is a "tax shelter". If any of the Units are in fact determined to be "tax shelters", all of the Units will be "tax shelter investments" for the purposes of the *Tax Act*. More particularly, if a Limited Partner has a "prescribed benefit" in respect of his Units (which includes the financing of the acquisition of Units with Limited Recourse Financing), all of the Units will be tax shelter investments and the CEE and other expenses incurred by the Partnership will be reduced by any limited recourse amounts and "at-risk-adjustments" in respect of such expenditures. Limited recourse amounts include any indebtedness of a limited partnership and the unpaid principal of any indebtedness for which recourse is limited, either immediately or in the future and either absolutely or contingently, and further may include any form of indebtedness unless bona fide arrangements, evidenced in writing, are made, at the time the debt arises, for repayment of the indebtedness and interest thereon within a reasonable period not exceeding ten years and interest is payable in respect of the indebtedness at least annually and is paid no later than 60 days after the end of each taxation year at a rate equal to or greater than the lesser of the prescribed rate of interest at the time the debt arose and the prescribed rate of interest applicable from time to time during the term of the indebtedness. An at-risk adjustment in respect of an expenditure includes any amount or benefit that a particular taxpayer, or taxpayer not dealing at arms length with that taxpayer, is entitled either immediately or in the future and either absolutely or contingently to receive or obtain whether by way of reimbursement, compensation, revenue guarantee, proceeds of disposition, loan or other form of indebtedness, or in any other form or manner whatever granted to or to be granted for the purpose of reducing the impact in whole or in part of any loss that the particular taxpayer may sustain in respect of the expenditure.

The Partnership Agreement provides that if and where CEE of the Partnership is reduced under the "tax shelter investment" rules, the amount of CEE that would otherwise be allocated to the Limited Partner who incurs the Limited Recourse Financing shall be reduced by the amount of such reduction. Similarly, 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.

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, CEE that has been renounced to the Partnership pursuant to any Flow-Through Agreements entered into by it. Certain corporations may renounce up to \$1,000,000 annually of certain Canadian Development Expense (“Eligible CDE”) to subscribers for Flow-Through Shares. Upon renunciation to the Partnership, Eligible CDE is deemed to constitute CEE to the Partnership and will be allocable by the Partnership to Limited Partners as CEE on the basis described below.

Generally speaking, an issuer of Flow-Through Shares may renounce CEE or Eligible CDE incurred during the period commencing on the date that the agreement is entered into with the Partnership for the acquisition of Flow-Through Shares. Provided that certain conditions are met, including the payment by the Partnership of the subscription price for the Flow-Through Shares in money prior to December 31 of a particular year, the issuer of the Flow-Through Shares will be entitled to renounce CEE or Eligible CDE incurred by it prior to December 31 of the subsequent calendar year to the Partnership effective December 31 of the previous year, provided that the renunciation is made before the end of March in the subsequent year. Consequently, provided that funds are advanced by the Partnership to a corporation issuing Flow-Through Shares prior to the end of a particular Fiscal Period, CEE and Eligible CDE which such corporation anticipates incurring prior to December 31 of the next year may generally be renounced effective as of that particular Fiscal Period to the Partnership and allocated to the Limited Partners who are Limited Partners as of the end of that particular Fiscal Period. If CEE and Eligible CDE renounced by March 31 of a given year, effective December 31 of the preceding year, is not, in fact, incurred in that given year, the Partnership will have its CEE reduced accordingly as of December 31 of that preceding year, but, generally, the Limited Partners will not be charged interest on any unpaid tax arising as a result of such reduction before May of the year following the given year.

Provided that a Limited Partner continues to be a Limited Partner at the end of a particular Fiscal Period of the Partnership, such Limited Partner will be entitled to include in the computation of his Cumulative CEE his share of the CEE renounced to the Partnership effective in that Fiscal Period. Subject to the application of the “at-risk” rules and the “tax shelter investment” rules, as described above, a Limited Partner may deduct in the computation of his income or loss for tax purposes from all sources for a particular taxation year, such amounts as he may claim not exceeding 100% of his Cumulative CEE at the end of the taxation year. 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.

Cumulative CEE not deducted by a Limited Partner may be carried forward indefinitely to be deducted in a future year on the basis described above. Cumulative CEE is reduced by deductions of CEE by a Limited Partner in prior taxation years and by a Limited Partner’s share of any amount that he 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 Cumulative CEE exceed the additions thereto, the excess must be included in income for the taxation year and the Cumulative CEE account will then be restored to a nil balance. Generally, a Limited Partner will be entitled to continue to deduct undeducted amounts from his Cumulative CEE notwithstanding a disposition of his Units in the Partnership.

Investment Tax Credits

The *Tax Act* contains provisions pursuant to which certain individuals, other than trusts, who invested either directly or, in certain cases such as through a limited partnership, indirectly, in Flow-Through Shares may be entitled to a federal non-refundable investment tax credit (a “Federal ITC”) equal to 15% of certain types of CEE renounced by Mining Issuers. Generally, the type of CEE that gives rise to such Federal ITC relates to specified surface “grass roots” mining exploration expenses incurred (or deemed to be incurred) in Canada by a Resource Issuer after October 17, 2000 and before 2006. As part of the May 2, 2006 and March 19, 2007 Federal Budgets, respectively, notice of ways and means motions to amend the *Tax Act* were introduced, pursuant to which, for agreements entered into on or after May 2, 2006 and on or before March 31, 2008, the Federal ITC will continue to be available in respect of such mining exploration expenses that are incurred (or deemed to be incurred) before 2009. Thus, to the extent that Available Funds are invested by the Partnership under Flow-Through Agreements with Mining Issuers that incur and renounce to the Partnership CEE relating to “grass roots” mineral exploration, a Limited Partner who is an individual other than a trust, may be entitled to the 15% Federal ITC in respect of his or her pro rata share of

the CEE so renounced. This 15% Federal ITC can be used by the Limited Partner to reduce the federal tax otherwise payable in the taxation year of the Limited Partner in which the Limited Partner becomes entitled to the credit. Any unapplied portion of such credit may be claimed in the following ten years or the preceding three years. To the extent that such Federal ITC is claimed in a year, it would be deducted from the Limited Partner's Cumulative CEE account for the following taxation year.

Saskatchewan formerly also offered an Investment Tax Credit (the "Saskatchewan Provincial ITC" or "METC") in respect of eligible individuals that were deemed to incur the type of CEE described above for the Federal ITC and Limited Partners who acquired their Units on or prior to December 31, 2005 and who were resident in or otherwise subject to Saskatchewan provincial income tax in 2005 were generally entitled to claim an METC in their 2005 taxation year equal to 10% of the subscription price paid by the Partnership in 2005 to purchase Flow-Through Shares of Mining Issuers who used such subscription proceeds for expenditures in Saskatchewan of the type prescribed by The Mineral Exploration Tax Credit Regulations under *The Mineral Resources Act, 1985* (as amended). The Saskatchewan ITC program was, however, discontinued in 2006.

Disposition of Units in Partnership

A disposition by a Limited Partner of Units (including a deemed disposition) will result in a capital gain (or a capital loss) to the extent that the proceeds of disposition, net of reasonable disposition costs, exceed (or are exceeded by) the adjusted cost base of the Units immediately prior to the disposition. One-half of a capital gain is a taxable capital gain and is required to be included in computing a Limited Partner's income for the year. One-half of a capital loss is an allowable capital loss and is deductible only against taxable capital gains for the year. The unused portion of an allowable capital loss may be carried back three years and forward indefinitely subject to detailed rules in the *Tax Act*. A "Canadian controlled private corporation" (as defined in the *Tax Act*) may be subject to an additional refundable tax of 6 $\frac{2}{3}$ % in respect of certain investment income including taxable capital gains.

A Limited Partner's adjusted cost base of a Unit will generally be equal to his purchase price of the Unit, plus any share of Income allocated to the Limited Partner (including a pro rata share of the full amount of any capital gain realized by the Partnership), less any Losses (including a pro rata share of the full amount of any capital loss realized by the Partnership), the amount of CEE allocated to him and the amount of any distributions made to him by the Partnership. The amount of any negative adjusted cost base will be deemed to be a capital gain of the Limited Partner in the year in which the adjusted cost base becomes a negative amount. Generally, Limited Partners who acquired Units in the Partnership's 2005 Offering were allocated CEE and/or other Losses as of December 31, 2005 in an amount equal to the subscription price of the Units, such that the adjusted cost base of the Units so acquired by such Limited Partners was generally nil as at December 31, 2005; and, after accounting for Income allocated in the Fiscal Year ended December 31, 2006, the adjusted cost base of such Units was, generally, approximately \$0.84 per Unit as at December 31, 2006. Investors who acquired limited partnership units of the 2006 Fund ("2006 Units") in the 2006 Offering were allocated CEE and/or other losses by the 2006 Fund as of December 31, 2006 in an amount equal to the subscription price of the 2006 Units such that, as of such date, such investors adjusted cost base on their 2006 Units was generally nil. In the Transactions, these 2006 Units were transferred to the Partnership in exchange for Units of the Partnership on a tax deferred basis such that the Units issued to such investors in exchange for such 2006 Units will also generally have a nil or nominal adjusted cost base. The adjusted cost base of the Units of a Limited Partner who acquired Units in the 2005 Offering and also acquired 2006 Units in the 2006 Offering and then sold those 2006 Units to the Partnership in exchange for Units in the Transactions, will generally equal the weighted average of the adjusted cost base of the Units originally acquired in 2005 and the adjusted cost base of the Units acquired in 2007 in the Transactions as described above. A Limited Partner who now sells or otherwise disposes of his Units would generally realize a capital gain on such disposition equal to the sale price of such Units, net of reasonable disposition costs, less his adjusted cost base as calculated above, one-half of which would be required to be included in computing such Limited Partner's income for the taxation year in which the disposition occurs. As the adjusted cost base of a Limited Partner's Units will vary depending on when such Limited Partner acquired such Units as described above, and may also vary based on the personal circumstances of the Limited Partner, any Limited Partner who is considering disposing of Units should obtain specific tax advice as to the tax consequences of such disposition from his personal tax advisor.

Alternative Minimum Tax on Individuals

Under the *Tax Act*, tax payable by an individual (including certain trusts) is the greater of the tax otherwise determined and an alternative minimum tax. In calculating taxable income for the purpose of computing the minimum tax, certain deductions and credits otherwise available are disallowed and certain amounts not otherwise included are included. Four-fifths of a capital gain realized by the individual is included in calculating the individual's adjusted taxable income. The disallowed items include deductions claimed by the individual in respect of his share of CEE renounced to the Partnership and allocated to the Limited Partner in a particular Fiscal Period to the extent such deductions exceed his share of the Partnership's Income. In computing adjusted taxable income for alternative minimum tax purposes, an exemption of \$40,000 is allowed to the taxpayer. The Federal rate of minimum tax is currently 15.5%. 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 income, the sources from which it is derived, and the nature and amounts of any deductions he 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 tax otherwise payable for any such year.

Cumulative Net Investment Loss

One-half of the amount of CEE deducted by an individual will be added to the individual's cumulative net investment Loss ("CNIL") account, as defined in the *Tax Act*. An investor's CNIL account may impact their ability to claim the capital gains deduction that is available on the disposition of certain qualifying small business corporation shares and farm property, which, as announced in the March 19, 2007 Federal Budget, has now been increased from \$500,000 to \$750,000.

Proposed SIFT Legislation

On March 29, 2007, Bill C-52 was tabled in the House of Commons, which included provisions to assess tax on certain partnerships identified as Specified Investment Flow-Through Partnerships ("SIFT Partnerships"). A partnership will be a SIFT Partnership if it is a Canadian resident partnership, its units are listed on a stock exchange or other public market, and the partnership holds one or more non-portfolio properties. Non-portfolio properties include the following properties: (i) securities of a subject entity if the partnership owns greater than 10% of the equity value of the subject entity; (ii) securities of a subject entity if those securities together with securities of entities affiliated with the subject entity, have a total fair market value greater than 50% of the equity value of the partnership; (iii) Canadian real, immovable or resource properties if the fair market value of these properties exceeds 50% of the equity value of the partnership; and (iv) property that the partnership uses in carrying on business in Canada.

If the proposed legislation receives Royal Assent as currently drafted, the Partnership may become liable for income tax and may be required to annually file an income tax return in addition to an annual information return as discussed above under "Computation of Income". In such case, the Partnership will calculate its non-portfolio earnings for the year and the lesser of this amount and the Partnership's taxable non-portfolio earnings will be multiplied by the net corporate income tax rate for the year plus the provincial SIFT factor. For the 2007 tax year, this total tax rate is expected to equal 34%. Non-portfolio earnings will include the Partnership's net business income (or loss) plus one-half of the capital gains of the Partnership in excess of its capital losses on the disposition of non-portfolio properties. Any taxable dividends received by the Partnership are not to be included in this calculation. In computing the Partnership's taxable non-portfolio earnings, the Partnership can deduct among other things, the amount of CEE renounced to it in respect of subscriptions for Flow-Through Shares. If the Partnership does not have any taxable non-portfolio earnings, then the Partnership will follow the regular "Computation of Income" rules under existing legislation as discussed above and will not be required to file an income tax return. Any income that is taxed in the Partnership will be subtracted from the amount of income allocated to the Limited Partners, but the remaining income (if any) allocated will retain its character. The taxable non-portfolio earnings of the Partnership less the tax payable by the Partnership will also be allocated to the Limited Partners as an eligible dividend. The Limited Partners will gross-up this eligible dividend by 45% and will be entitled to an enhanced dividend tax credit when computing its tax payable. The CEE renounced to the Partnership in respect of

subscriptions for Flow-Through Shares will continue to be taken into account directly by Limited Partners in computing their respective taxable incomes as described above under "Computation of Income".

Tax Shelter

The tax shelter identification number in respect of the Partnership is TS070789. This identification number must be included in any income tax return filed by a Limited Partner. The issuance of the identification number is for administrative purposes only and does not in any way confirm the entitlement of an investor to claim any tax benefits associated with the tax shelter.

Eligibility for Investment

Provided that the Units are listed on a recognized stock exchange, the Units will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans.

HERGOTT DUVAL STACK LLP
CHARTERED ACCOUNTANTS

PARTNERS

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AUDITORS' CONSENT

We have read the Filing Statement of 49 North Resource Fund Limited Partnership (the "Partnership") dated April 30, 2007 relating to the acquisition of 49 North 2006 Resource Flow-Through Limited Partnership (the "2006 Fund"). We have complied with Canadian generally accepted standards for auditors' involvement with public documents. We consent to the use in the above-mentioned Filing Statement of:

- our report to the directors of the General Partner of the Partnership on the financial statements of the Partnership as at December 31, 2006. Our report is dated February 20, 2007; and
- our report to the directors of the General Partner of the 2006 Fund on the financial statements of the 2006 Fund as at December 31, 2006. Our report is dated February 7, 2007.

SASKATOON, SASKATCHEWAN

April 30, 2007

signed "Hergott Duval Stack LLP"

Chartered Accountants

SCHEDULE A

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP
(formerly 49 North Resource Flow-Through Limited Partnership)

FINANCIAL STATEMENTS

DECEMBER 31, 2006

HERGOTT DUVAL STACK LLP
CHARTERED ACCOUNTANTS

PARTNERS

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AUDITORS' REPORT

To the Board of Directors of
49 North Resource Fund Inc., the General Partner of
49 North Resource Fund Limited Partnership (formerly 49 North Resource Flow-Through Limited Partnership)

We have audited the statements of net assets and investment portfolio of 49 North Resource Fund Limited Partnership as at December 31, 2006 and December 31, 2005 and the statements of operations, changes in net assets and cash flows for the year and five-month period then ended. These financial statements are the responsibility of the partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the partnership and its investments held as at December 31, 2006 and December 31, 2005, the changes in its net assets and the results of its operations and its cash flows for the year and five-month period then ended in accordance with Canadian generally accepted accounting principles.

SASKATOON, SASKATCHEWAN

February 20, 2007

“Hergott Duval Stack LLP”

Chartered Accountant

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP
(formerly 49 North Resource Flow-Through Limited Partnership)

STATEMENT OF NET ASSETS

AS AT DECEMBER 31, 2006

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Current assets		
Cash	\$ 68,690	\$ -
Investments	<u>6,065,763</u>	<u>6,308,286</u>
	<u>\$ 6,134,453</u>	<u>\$ 6,308,286</u>
<u>LIABILITIES</u>		
Current liabilities		
Bank indebtedness (Note 3)	\$ -	\$ 120,320
Accounts payable	54,310	17,159
Issuance costs payable	-	23,241
Management fee payable (Note 4)	9,632	8,324
Loan payable (Note 5)	<u>500,000</u>	<u>422,000</u>
	<u>563,942</u>	<u>591,044</u>
<u>PARTNERS' EQUITY</u>		
Net assets, representing partners' equity	<u>\$ 5,570,511</u>	<u>\$ 5,717,242</u>
Limited partnership units outstanding (Note 6)	<u>1,200,000</u>	<u>1,200,000</u>
Net asset value per unit	<u>\$ 4.64</u>	<u>\$ 4.76</u>

Approved on behalf of 49 North Resource Fund Limited Partnership by the Board of Directors of its General Partner, 49 North Resource Fund Inc.

signed "Tom MacNeill"
Director

signed "Harvey Bay"
Director

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP
(formerly 49 North Resource Flow-Through Limited Partnership)

STATEMENT OF INVESTMENT PORTFOLIO

AS AT DECEMBER 31, 2006

	<u>Shares/ Warrants</u>		<u>Cost</u>		<u>Fair Value</u>
Mineral exploration					
Allyn Resources Inc. (1)	1,994,000	\$	299,000	\$	139,580
Allyn Resources Inc. (warrants)	997,000		-		-
Athabasca Potash Inc.(3)	600,000		150,000		240,000
Aurex Copper Mines Corp. (3)	640,000		160,000		142,222
Berkeley Resources Inc. (1)	55,550		49,995		47,218
Claude Resources Inc. (2)	283,090		310,033		486,915
Copper Canyon Resources Ltd. (1)	10,000		7,090		7,000
Copper Reef Mines Ltd. (3)	1,000,000		200,000		177,778
Copper Reef Mines Ltd. (warrants)	500,000		-		-
ESO Uranium Corp. (1)	436,944		315,759		432,575
ESO Uranium Corp. (warrants)	472,222		-		48,000
Golden Band Resources Inc. (1)	1,235,080		428,558		592,838
Goldsources Mines Inc. (1)	567,429		397,200		164,554
Great Western Diamonds Corp. (1)	1,159,500		579,914		481,192
Great Western Minerals Group Inc. (1)	1,073,111		482,900		413,148
Great Western Minerals Group Inc. (warrants)	1,111,111		-		-
Red Rock Energy Inc. (3)	342,856		120,000		210,171
Santoy Resources Ltd. (1)	500,611		225,275		495,605
Tagish Lake Gold Corp. (1)	1,153,846		300,000		271,154
Tagish Lake Gold Corp. (warrants)	576,923		-		-
Titan Uranium Inc. (1)	69,900		110,240		185,934
Wescan Goldfields Inc. (1)	1,699,586		871,696		764,814
Wescan Goldfields Inc. (warrants)	428,571		-		-
Oil and Gas					
Arsenal Energy Inc. (1)	269,714		465,321		210,377
Blackdog Resources Ltd. (1)	90,900		49,995		40,905
Nordic Oil & Gas Ltd. (1)	444,000		177,600		97,680
Nordic Oil & Gas Ltd. (warrants)	50,000		-		-
Magnus Energy Inc. (1)	141,635		251,183		97,728
Panterra Resources Corp. (1)	1,273,500		<u>318,375</u>		<u>318,375</u>
Total investments		\$	<u>6,270,134</u>	\$	<u>6,065,763</u>

(1) Listed on TSX Venture Exchange

(2) Listed on TSX

(3) Private

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP
(formerly 49 North Resource Flow-Through Limited Partnership)

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>2006</u>	(5 months) <u>2005</u>
Income		
Interest	\$ <u>1,023</u>	\$ <u>-</u>
Expenses		
Audit and accounting	26,886	10,000
Bank fees	238	-
Interest	52,065	2,159
Management fees	122,916	8,324
Professional fees	<u>10,531</u>	<u>5,000</u>
	<u>212,636</u>	<u>25,483</u>
Net loss from investment operations	<u>(211,613)</u>	<u>(25,483)</u>
Realized gain on disposition of investments	682,303	-
Unrealized (depreciation) appreciation of investments	<u>(512,657)</u>	<u>308,286</u>
	<u>169,646</u>	<u>308,286</u>
Net (decrease) increase in net assets	<u>\$ (41,967)</u>	<u>\$ 282,803</u>

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP
(formerly 49 North Resource Flow-Through Limited Partnership)

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>2006</u>	(5 months) December 31, <u>2005</u>
Net assets, beginning of year	\$ 5,717,242	\$ -
Operations		
Net (decrease) increase in net assets	(41,967)	282,803
Partner transactions		
Proceeds from issuance of partnership units	-	6,000,005
Agent's fees	-	(420,000)
Other issuance and reorganization costs	<u>(104,764)</u>	<u>(145,566)</u>
Net assets, end of year	\$ <u>5,570,511</u>	\$ <u>5,717,242</u>

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP
(formerly 49 North Resource Flow-Through Limited Partnership)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>2006</u>	(5 months) December 31, <u>2005</u>
Cash flows from operating activities		
Net (decrease) increase in net assets from operations	\$ (41,967)	\$ 282,803
Items not affecting cash		
Realized gain on disposal of investments	(682,303)	-
Unrealized depreciation (appreciation) of investments	512,657	(308,286)
Net changes in non-cash working capital items	<u>38,461</u>	<u>25,483</u>
	<u>(173,152)</u>	<u>-</u>
Cash flows from investing activities		
Purchase of investments	(2,620,524)	(6,000,000)
Proceeds from sale of investments at cost	<u>3,032,691</u>	<u>-</u>
	<u>412,167</u>	<u>(6,000,000)</u>
Cash flows from financing activities		
Proceeds from issuance of partnership units	-	6,000,005
Payment of agent's fees	-	(420,000)
Payment of other issuance costs	(104,764)	(122,325)
Decrease in issuance costs payable	(23,241)	-
Proceeds of issuance of loan payable	500,000	422,000
Payment of loan payable	<u>(422,000)</u>	<u>-</u>
	<u>(50,005)</u>	<u>5,879,680</u>
Net increase (decrease) in cash during period	189,010	(120,320)
(Bank indebtedness) cash, beginning of year	<u>(120,320)</u>	<u>-</u>
Cash (bank indebtedness), end of year	\$ <u>68,690</u>	\$ <u>(120,320)</u>

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP
(formerly 49 North Resource Flow-Through Limited Partnership)

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2006

1. Formation of partnership

49 North Resource Fund Limited Partnership (the “Partnership”) was formed July 19, 2005 (originally under the name 49 North Resource Flow-Through Limited Partnership) and was constituted a limited partnership under the laws of Saskatchewan upon the filing of a declaration of limited partnership pursuant to *The Partnership Act* (Saskatchewan) and *The Business Names Registration Act* (Saskatchewan) effective July 20, 2005. The Partnership is currently governed by an amended and restated limited partnership agreement made effective October 26, 2006 (the “Partnership Agreement”) between 49 North Resource Fund Inc., as general partner (the “General Partner”), and each person who is or from time to time becomes a limited partner in accordance with the terms of the Partnership Agreement (the “Limited Partners”).

Generally, and unless earlier dissolved by operation of law or judicial decree, the Partnership will not be dissolved unless and until the Limited Partners consent thereto by means of an extraordinary resolution, in which event the Partnership would be dissolved on the date specified in such resolution.

The Partnership invests in a diversified portfolio of shares and other securities of resource issuers including, without limitation, resource issues engaged in mineral or oil and gas exploration and development, with the focus on resource issuers with exploration programs in Saskatchewan; and with a view to achieving capital appreciation of the portfolio. Prior to December 31, 2005 the Partnership was generally restricted to investing in shares that qualified as “flow-through shares” for the purposes of the *Income Tax Act* (Canada), but since then it has been authorized to invest in shares and other securities of resource issuer regardless of whether they are or are not flow-through shares.

On December 28, 2006, the limited partnership units (“Units”) of the Partnership were listed on the TSX Venture Exchange (ticker symbol FNR.UN).

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of appreciation (depreciation) of investments and expenses during the reporting period. Actual results could differ from these estimates.

Valuation of investments

Investments are recorded in the financial statements at their fair value at the end of the year, determined as follows:

Public companies

The fair value of any security which is listed or traded upon a stock exchange is estimated by taking the latest available sale price, or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price. The quoted market value of securities that are subject to a hold period are valued with an appropriate discount as determined by the General Partner.

The market values of publicly listed securities can be impacted by trading volumes, restrictions and market price fluctuations, and the quoted market price may not be indicative of what the Partnership could realize on the immediate sale of such securities as it may take an extended period of time to liquidate positions without causing a significant negative impact on the market price.

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP
(formerly 49 North Resource Flow-Through Limited Partnership)

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2006

2. Significant accounting policies (continued)

Private companies

The fair value of any shares which are not listed or traded upon a stock exchange are originally recorded at cost, unless the shares are flow-through shares in which case they are originally recorded either on an assessment of the most recent price at which the investee company issued common equity without flow-through characteristics or the cost reduced by a typical premium being paid by the Partnership for similar flow-through securities. After the initial transaction, adjustments are made to reflect any changes in value as a result of an independent third party transaction.

Downward adjustments to the carrying values are also made when there is evidence of a decline in value, as indicated by the assessment of the financial condition of the investment based on operational results, forecasts and other developments.

Warrants

Warrants are valued at nil during the period in which they are not exercisable and valued based on either quoted market values if traded or the amount by which the warrant is in the money (less an appropriate risk discount) when they become exercisable. A warrant is in the money when the stock price is greater than the exercise price of the warrant.

Any difference between the estimated fair value and the cost of the investments is treated as unrealized appreciation or depreciation.

Investment transactions and income recognition

All investment transactions are accounted for on the business day the order to buy or sell is executed. Realized gains or losses from investment transactions and unrealized appreciation and depreciation of investments are calculated on an average cost basis.

Income from investment transactions is recognized on an accrual basis.

Issuance costs

Expenses related to the Partnership's initial public offering in 2005 and to the reorganization of the Partnership in 2006 have been accounted for as a reduction of partners' equity.

Allocation of income and loss

Pursuant to the Partnership Agreement, 99.99% of the net income or loss of the Partnership in each fiscal year, and 100% of the Canadian exploration expenses renounced or otherwise allocated to the Partnership with an effective date in that fiscal year, are allocated pro rata among the Limited Partners who were Limited Partners of the Partnership on the last day of such fiscal year, and 0.01% of such income or loss is allocated to the General Partner.

Net asset value of the Partnership and net asset value per unit

The net asset value of the Partnership is the total assets of the Partnership less the liabilities of the Partnership. The net asset value per Unit of the Partnership as of any particular date is determined by dividing the net asset value of the Partnership by the total number of Units outstanding on that date.

Income taxes

No provision for income tax has been provided in the accompanying financial statements and the Partnership does not include the personal assets of the partners, nor is the Partnership liable for any income taxes. The Limited Partners are allocated their proportionate share of any Partnership income or loss and are required to include such income or may deduct such loss in computing their personal taxable income in accordance with the *Income Tax Act* (Canada).

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP
(formerly 49 North Resource Flow-Through Limited Partnership)

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2006

2. Significant accounting policies (continued)

Income Taxes (continued)

For income tax purposes, the adjusted cost base of flow-through shares acquired by the Partnership is nil. Upon disposition of such shares, a capital gain will result and be allocated to the Limited Partners based upon their proportionate share of the Partnership.

Financial instruments

The net asset value of the Partnership is the total assets of the Partnership less the liabilities of the Partnership. The net asset value per Unit of the Partnership as of any particular date is determined by dividing the net asset value of the Partnership by the total number of units outstanding on that date.

3. Bank indebtedness

During the period ended December 31, 2006, the Partnership established a line of credit with a Canadian chartered bank (the "Bank") for the payment of issuance costs and has provided the Bank with a general security interest in all of the assets of the Partnership and a pledge of all investments. As at year end, the line of credit was not in use.

4. Expenses of the partnership

The General Partner is responsible for the management of the Partnership in accordance with the terms and conditions of the Partnership Agreement and is entitled to 0.01% of the net income of the Partnership and to be reimbursed by the Partnership for all expenses reasonably and properly incurred in conducting the Partnership's business and in performing its duties and obligations under the Partnership Agreement.

Additionally, pursuant to the Partnership Agreement, for each fiscal quarter the General Partner is entitled to receive a management fee equal to 0.5% of the net asset value of the Partnership calculated as of the last business day of the relevant fiscal quarter, which management fee is payable on or prior to the end of the month following the relevant fiscal quarter. Additionally, in each fiscal year of the Partnership starting with its fiscal year ended December 31, 2006, the General Partner is entitled to receive a performance bonus, calculated as of the last business day of the applicable fiscal year, in an amount in respect of each Unit that is outstanding as of such day, equal to 20% of the amount, if any, by which the sum of the net asset value per Unit as of that date, plus all distributions per Unit made during that fiscal year, exceeds the greater of \$5.50 and the net asset value per Unit as of the last business day of the preceding fiscal year. Any such performance bonus is payable within 30 days following the end of the fiscal year to which it relates. Management fees and, if applicable, any performance bonus not paid by the due dates described above bear interest at prime plus 2% until paid in full.

The Partnership Agreement also authorizes the General Partner to retain an investment manager to manage, or assist in and/or advise the General Partner in the management of, the Partnership's investment portfolio and to negotiate the terms and conditions of such engagement including the fees payable by the Partnership to such investment manager. Pursuant to this authority, the General Partner has retained TMM Portfolio Management Inc. ("TMM") as the Partnership's investment manager. TMM and the General Partner are controlled by the same person, and all or any of the management fees and, if applicable, performance bonus described that is otherwise payable to the General Partner may instead be paid to TMM.

5. Loan payable

During the period ended December 31, 2005, the Partnership established a demand loan facility with the owner of the General Partner (the "Lender") for the payment of issuance costs and provided the Lender with a security interest in all of the assets of the Partnership and a pledge of all investments. Interest is charged on the loan at the Royal Bank of Canada's prime rate plus 2%. The loan principal was repaid in full in December 2006.

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP
(formerly 49 North Resource Flow-Through Limited Partnership)

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2006

5. Loan payable (continued)

In December 2006 the Partnership established another short-term loan facility with an arms-length party (the "New Lender") for \$500,000 for general working capital and provided the New Lender with a security interest in all of the assets of the Partnership. Interest on this loan is also charged at the Royal Bank of Canada's prime rate plus 2% with principal and interest payable on demand, provided that pending such demand interest is payable on the last business day of each month commencing January 31, 2007, with any interest not paid on its due date to be compounded with principal and bear interest at the above rate until paid.

6. Partners' equity

The authorized capital of the Partnership consists of an unlimited number of Units, with all Units being of the same class and with each Unit having equal rights and privileges as every other Unit, including the right to participate equally in any distribution made by the Partnership and the right to one vote on all matters which, pursuant to the Partnership Agreement, require or permit a vote of Limited Partners. As at December 31, 2006, 1,200,000 Units were issued and outstanding.

7. Related party transactions

During the year ended December 31, 2006, the Partnership incurred \$122,916 (period ended December 31, 2005 - \$8,473) of management fees to the General Partner and \$31,267 (period ended December 31, 2005 - \$2,159) of interest expense to the Lender.

The Partnership paid \$18,000 of the incurred interest to the Lender and \$101,608 of the management fee to the General Partner during the year ended December 31, 2006.

These transactions are in the normal course of operations and are measured at the exchange amount, which approximates fair value and is the amount of consideration established and agreed to by the related parties.

8. Financial instruments

Interest rate risk

The Partnership is exposed to cash flow risk on its floating rate debt as fluctuations in interest rates affect the amount to be repaid.

9. Tax shelter identification number

The Partnership has been registered as a tax shelter for the purposes of the Income Tax Act (Canada) and has been issued tax shelter identification number TS070789. This tax shelter identification number must be included in any income tax return filed by Limited Partners. Issuance of the identification number 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 Partnership.

10. Subsequent event

The Partnership and 49 North 2006 Resource Flow-Through Limited Partnership ("49 North 2006") completed a series of transactions on February 21, 2007 pursuant to which 49 North 2006 was effectively merged into the Partnership. All outstanding limited partnership units of 49 North 2006 were transferred to the Partnership in exchange for 1,598,314 Units of the Partnership and the Partnership acquired all of the assets and assumed all of the liabilities of 49 North 2006. As a result of these transactions the number of issued and outstanding Units of the Partnership increased from 1,200,000 to 2,798,314. As of December 31, 2006 49 North 2006 had a net asset value of \$7,399,650.

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP
(formerly 49 North Resource Flow-Through Limited Partnership)

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2006

11. Comparative figures

The Partnership was formed on July 20, 2005. Accordingly, the 2005 comparative figures on the statements of operations, changes in net assets and cash flows do not represent a full year of operations and certain of them have been changed to conform to the current year presentation.

SCHEDULE B

49 NORTH 2006 RESOURCE FLOW-THROUGH LIMITED PARTNERSHIP

FINANCIAL STATEMENTS

DECEMBER 31, 2006

HERGOTT DUVAL STACK & PARTNERS LLP
CHARTERED ACCOUNTANTS

PARTNERS

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THOMAS J. STACK, CA PC Ltd.
BARRY FRANK, CA Prof. Corp.
BLAIR DAVIDSON, CA Prof. Corp.
BERNIE BROUGHTON, CA Prof. Corp.
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AUDITORS' REPORT

To the Board of Directors of
49 North 2006 Resource Fund Inc., the General Partner of
49 North 2006 Resource Flow-Through Limited Partnership

We have audited the statements of net assets and investment portfolio of 49 North 2006 Resource Flow-Through Limited Partnership as at December 31, 2006 and the statements of operations, changes in net assets and cash flows for the period from January 17, 2006 to December 31, 2006. These financial statements are the responsibility of the partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the partnership and its investments held as at December 31, 2006, the changes in its net assets and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

SASKATOON, SASKATCHEWAN

signed "Hergott Duval Stack & Partners LLP"

February 7, 2007

Chartered Accountant

49 NORTH 2006 RESOURCE FLOW-THROUGH LIMITED PARTNERSHIP

STATEMENT OF NET ASSETS

AS AT DECEMBER 31, 2006

ASSETS

Cash	\$	42,674
Investments		<u>8,277,664</u>
	\$	<u>8,320,338</u>

LIABILITIES

Accounts payable	\$	15,494
Due to General Partner (Note 3)		55,194
Loan payable (Note 4)		<u>850,000</u>
		<u>920,688</u>

PARTNERS' EQUITY

Net assets, representing partners' equity	\$	<u>7,399,650</u>
Limited partnership units outstanding (Note 5)		<u>1,623,006</u>
Net asset value per unit	\$	<u>4.56</u>

Approved on behalf of 49 North 2006 Resource Flow-Through Limited Partnership by the Board of Directors of its General Partner, 49 North 2006 Resource Fund Inc.

signed "Harvey Bay"
Director

signed "Tom MacNeill"
Director

49 NORTH 2006 RESOURCE FLOW-THROUGH LIMITED PARTNERSHIP

STATEMENT OF INVESTMENT PORTFOLIO

AS AT DECEMBER 31, 2006

	<u>Shares/Warrants</u>		<u>Cost</u>		<u>Fair Value</u>
Mineral Exploration					
Athabasca Potash Inc. (3)	555,555	\$	250,000	\$	222,222
Berkley Resources Ltd. (1)	111,110		99,999		94,444
Brett Resources Inc. (1)	625,000		450,000		443,750
CanAlaska Uranium Ltd. (1)	555,555		250,000		416,666
CanAlaska Uranium Ltd. (warrants)	277,778		-		42,222
Claude Resources Inc. (2)	454,545		750,000		781,817
Copper Reef Mines Ltd. (3)	500,000		100,000		88,888
Copper Reef Mines (warrants)	500,000		-		-
Eagle Plains Resources Ltd. (1)	461,538		300,000		336,923
Eagle Plains Resources Ltd. (warrants)	230,769		-		-
El Nino Ventures Inc. (1)	727,270		399,998		319,999
El Nino Ventures Inc. (warrants)	727,270		-		-
ESO Uranium Corp. (1)	450,000		405,000		445,500
Golden Band Resources Inc. (1)	833,330		399,998		399,998
Great Western Diamonds Corp. (1)	770,000		400,400		319,550
Great Western Minerals Group Inc. (1)	888,888		400,000		342,222
Halo Resources Ltd. (1)	555,555		250,000		216,666
Halo Resources Ltd. (warrants)	277,778		-		-
Hathor Exploration Limited (1)	250,000		250,000		492,500
Northern Freegold Resources Ltd. (1)	360,000		306,000		252,000
Northern Freegold Resources Ltd. (warrants)	180,000		-		-
Pacific Gold Inc. (1)	625,000		250,000		256,250
Pacific Gold Inc. (warrants)	625,000		-		-
Stikine Gold Corp. (1)	1,666,667		500,000		400,000
Stikine Gold Corp. (warrants)	833,333		-		-
Tagish Lake Gold Corp. (1)	1,111,000		199,980		261,085
Tagish Lake Gold Corp. (warrants)	555,500		-		-
Titan Uranium Inc. (1)	162,000		307,800		430,920
Titan Uranium Inc. (warrants)	81,000		-		10,368
Valgold Resources Ltd. (1)	833,334		250,000		225,000
Valgold Resources Ltd. (warrants)	833,334		-		-
Oil & Gas					
Blackdog Resources Ltd. (1)	181,810		99,995		81,815
Cheyenne Energy Inc. (1)	714,280		249,998		203,570
Fair Sky Resources Inc. (1)	65,570		199,988		150,155
Ivory Energy Inc. (1)	294,117		249,999		226,470
Ivory Energy Inc. (warrants)	147,058		-		-
Longford Corporation (1)	1,500,000		375,000		375,000
Ruby Energy Inc. (3)	499,996		299,998		266,664
Trivello Energy Corp. (1)	1,000,000		200,000		175,000
Trivello Energy Corp. (warrants)	500,000		-		-
Total Investments		\$	<u>8,194,153</u>	\$	<u>8,277,664</u>

- (1) Listed on TSX Venture Exchange
- (2) Listed on TSX
- (3) Private

49 NORTH 2006 RESOURCE FLOW-THROUGH LIMITED PARTNERSHIP

STATEMENT OF OPERATIONS

FOR THE PERIOD FROM JANUARY 17, 2006 TO DECEMBER 31, 2006

Income	
Interest	<u>\$ 24,406</u>
Expenses	
Accounting and audit	14,360
Bank fees	44
Interest	1,677
Legal fees	317
Management fees	<u>55,194</u>
	<u>71,592</u>
Net loss from investment operations	(47,186)
Unrealized appreciation of investments	<u>83,511</u>
Net increase in net assets resulting from operations	<u>\$ 36,325</u>

49 NORTH 2006 RESOURCE FLOW-THROUGH LIMITED PARTNERSHIP

STATEMENT OF CHANGES IN NET ASSETS

FOR THE PERIOD FROM JANUARY 17, 2006 TO DECEMBER 31, 2006

Operations		
Net increase in net assets resulting from operations	\$	36,325
Partner transactions		
Proceeds of issuance of partnership units		8,115,040
Agent's fees		(633,798)
Other issuance costs		<u>(117,917)</u>
Net assets, end of period	\$	<u>7,399,650</u>

49 NORTH 2006 RESOURCE FLOW-THROUGH LIMITED PARTNERSHIP

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM JANUARY 17, 2006 TO DECEMBER 31, 2006

Cash flows from operating activities	
Net increase in net assets resulting from operations	\$ 36,325
Items not affecting cash:	
Unrealized appreciation of investments	(83,511)
Net changes in non-cash working capital items	<u>70,688</u>
	<u>23,502</u>
Cash flows from investing activities	
Purchase of investments	<u>(8,194,153)</u>
Cash flows from financing activities	
Proceeds from issuance of partnership units	8,115,040
Payment of agent's fees	(633,798)
Payment of other issuance costs	(117,917)
Proceeds from issuance of loan payable	<u>850,000</u>
	<u>8,213,325</u>
Net increase in cash during period and cash, end of period	<u><u>\$ 42,674</u></u>

49 NORTH 2006 RESOURCE FLOW-THROUGH LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2006

1. Formation of partnership

49 North 2006 Resource Flow-Through Limited Partnership (the "Partnership") was formed under a limited partnership agreement (the "Partnership Agreement") made January 4, 2006 between 49 North 2006 Resource Fund Inc., as general partner (the "General Partner") and T&N Holdings Inc., as initial limited partner (the "Initial Limited Partner"), and was constituted a limited partnership under the laws of Saskatchewan upon the filing of a declaration of limited partnership pursuant to *The Partnership Act* (Saskatchewan) and *The Business Names Registration Act* (Saskatchewan), effective January 17, 2006. Upon the formation of the Partnership, each of the General Partner and Initial Limited Partner contributed \$5 to the capital of the Partnership and the Initial Limited Partner was issued one unit in the Partnership. The Partnership is authorized to issue, in addition to the one unit issued to the Initial Limited Partner, such additional Units as may be described in any prospectus of the Partnership. The first fiscal year of the Partnership ends December 31, 2006 and fiscal years will end December 31 in each year thereafter until the Partnership is dissolved.

The Partnership has been formed to invest in a diversified portfolio of flow-through shares of resource issuers including, without limitation, resource issues engaged in mineral or oil and gas exploration and development, with the focus on resource issuers with exploration programs in Saskatchewan; and with a view to achieving capital appreciation of the portfolio and maximizing the tax benefits for investors who become Limited Partners of the Partnership.

Subject to certain exceptions as provided in the Partnership Agreement, the Partnership will be dissolved effective March 31, 2008.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Valuation of investments

Investments are recorded in the financial statements at their fair value at the end of the period, determined as follows:

Public companies

The fair value of any share which is listed or traded upon a stock exchange shall be estimated by taking the latest available sale price, or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price. The quoted market value of securities that are subject to a hold period will be valued with an appropriate discount as determined by the General Partner.

The market values can be impacted by trading volumes, restrictions and market price fluctuations, and the quoted market price may not be indicative of what the Partnership could realize on the immediate sale as it may take an extended period of time to liquidate positions without causing a significant negative impact on the market price.

Private companies

The fair value of any share which is not listed or traded upon a stock exchange shall be originally recorded either on an assessment of the most recent price at which the company issued common equity without flow-through characteristics or the cost reduced by a typical premium being paid by the Partnership for similar flow-through securities. After the initial transaction, adjustments will be

49 NORTH 2006 RESOURCE FLOW-THROUGH LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2006

2. Significant accounting policies (continued)

Valuation of investments (continued)

Private companies (continued)

made to reflect any changes in value as a result of an independent third party transaction. Downward adjustments to the carrying value are also made when there is evidence of a decline in value, as indicated by the assessment of the financial condition of the investment based on operational results, forecasts and other developments.

Warrants

Warrants are valued at nil during the period in which they are not exercisable and valued based on either quoted market values if traded or the amount by which the warrant is in the money (less an appropriate risk discount) when they become exercisable. A warrant is in the money when the stock price at December 31, 2006 is greater than the exercise price of the warrant.

Any difference between the estimated fair value and the cost of the investments is treated as unrealized appreciation or depreciation.

Investment transactions and income recognition

All investment transactions are accounted for on the business day the order to buy or sell is executed. Realized gains or losses from investment transactions and unrealized appreciation and depreciation of investments are calculated on an average cost basis. Income from investment transactions is recognized on an accrual basis.

Issuance costs

Expenses related to the initial public offering of the Partnership units have been accounted for as a reduction of partners' equity.

Allocation of income and loss

Pursuant to the Partnership Agreement, 99.99% of the net income or loss of the Partnership in each fiscal year, and 100% of the Canadian exploration expenses renounced or otherwise allocated to the Partnership with an effective date in that fiscal year, are allocated pro rata among the Limited Partners who were Limited Partners of the Partnership on the last day of such fiscal year, and 0.01% of such income or loss are allocated to the General Partner.

Net asset value of the Partnership and net asset value per unit

The net asset value of the Partnership is the total assets of the Partnership less the liabilities of the Partnership. The net asset value per Unit of the Partnership as of any particular date is determined by dividing the net asset value of the Partnership by the total number of units outstanding on that date.

Income taxes

No provision for income tax has been provided in the accompanying financial statements and the Partnership does not include the personal assets of the partners, nor is the Partnership liable for any income taxes. The Limited Partners are allocated their proportionate share of any partnership income or loss and are entitled to tax deductions permitted under the Canadian Income Tax Act.

49 NORTH 2006 RESOURCE FLOW-THROUGH LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2006

2. Significant accounting policies (continued)

Income taxes (continued)

For income tax purposes, the adjusted cost base of the flow-through shares is nil. Upon disposition of such shares, a capital gain will result and be allocated to the limited partners based upon their proportionate share of the Partnership.

Financial instruments

The fair value of the Partnership's financial assets and liabilities approximate their carrying values unless otherwise disclosed.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of appreciation (depreciation) of investments and expenses during the reporting period. Actual results could differ from these estimates.

3. Expenses of the partnership

The General Partner will be responsible for the management of the Partnership in accordance with the terms and conditions of the Partnership Agreement. The General Partner will be entitled to 0.01% of the net income of the Partnership.

Additionally, pursuant to the Partnership Agreement, for each fiscal quarter the General Partner (and/or such investment manager as may be engaged by the General Partner on behalf of the Partnership) will be paid management fees, in aggregate, equal to 0.5% of the net asset value of the Partnership calculated as of the last business day of the relevant fiscal quarter; and may be paid a performance bonus, calculated effective as of the earlier of the business day prior to the implementation of a reorganization transaction and the date the Partnership is dissolved, in an amount in respect of each unit then outstanding equal to 20% of the amount, if any, by which the sum of the net asset value per unit as of that date and all distributions per unit on or prior to that date exceeds \$5.50. The Partnership will pay for all expenses incurred in connection with the operation and administration of the Partnership.

4. Loan payable

The Partnership established a demand loan facility with the owner of the General Partner (the "Lender") for the payment of issuance costs and has provided the Lender with a general security agreement on all of the assets of the Partnership and a pledge of all investments. Interest is charged on the loan at a rate of the Royal Bank of Canada prime plus 2%. The loan is payable on the earlier of demand, the date preceding the date of the reorganization transaction, the date of dissolution of the Partnership, or March 31, 2008.

5. Partners' equity

The authorized capital of the Partnership is limited to 1,623,006 Partnership units. All Partnership units are of the same class with equal rights and privileges, including equal participation in any distribution made by the Partnership and the right to one vote at any meeting of the Limited Partners.

During the period ended December 31, 2006, the Partnership issued a total of 1,623,006 units (exclusive of the single unit issued to the Initial Limited Partner upon the formation of the Partnership, which initial unit was redeemed at its issue price and cancelled during the period) at a price of \$5.00 per unit, for gross proceeds of \$8,115,030. This included 1,054,400 units issued July 31, 2006, 141,160 units issued October 31, 2006, and 306,946 units issued November 15, 2006 in the Partnership's initial public offering; and 120,500 units issued on a private placement basis on December 21, 2006. Issuance costs related to these issues totaled \$751,715.

49 NORTH 2006 RESOURCE FLOW-THROUGH LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2006

6. Related party transactions

During the period ended December 31, 2006, the Partnership incurred \$55,194 of management fees to the General Partner and incurred \$1,677 of interest expense to the Lender.

During the period ended December 31, 2006, the Partnership invested \$400,400 in Great Western Diamonds Corp. and \$400,000 in Great Western Minerals Group Inc. A director of the General Partner is a member of the Board of Directors of Great Western Diamonds Corp. and CEO of Great Western Minerals Group Inc.

These transactions are in the normal course of operations and are measured at the exchange amount, which approximates fair value and is the amount of consideration established and agreed to by the related parties.

7. Financial instruments

Interest rate risk

The Partnership is exposed to cash flow risk on its floating rate debt as fluctuations in interest rates affect the amount to be repaid.

8. Tax shelter identification number

The identification number issued for this tax shelter shall be included in any income tax return filed by the investor. Issuance of the identification number is for administrative purposes only and does not in any way confirm the entitlement of an investor to claim any tax benefits associated with this partnership. The tax shelter number for the Partnership is TS071878.

9. Subsequent event

The Partnership and 49 North Resource Fund Limited Partnership (49 North) plan to merge the two Funds in a reorganization transaction targeted to close in February 2007. All outstanding units of the unlisted Partnership will be transferred to 49 North on a tax-deferred, roll-over basis in exchange for RRSP eligible units of 49 North which trades on the TSX Venture Exchange. Following the unit exchange, the Partnership will be wound up.

10. Comparative figures

The Partnership was formed on January 4, 2006 and closed its fourth issuance of Partnership units on December 21, 2006. Accordingly there are no comparative figures on the statements of net assets, operations, changes in net assets and cash flows.

SCHEDULE C

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP

PRO FORMA FINANCIAL STATEMENTS

(Unaudited – See Compilation Report)

DECEMBER 31, 2006

HERGOTT DUVAL STACK LLP
CHARTERED ACCOUNTANTS

PARTNERS

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COMPILATION REPORT ON PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of

**49 North Resource Fund Inc., the General Partner of
49 North Resource Fund Limited Partnership**

We have read the accompanying unaudited pro forma consolidated statements of net assets and investment portfolio of 49 North Resource Fund Limited Partnership (the "Partnership") as at December 31, 2006 and unaudited pro forma consolidated statements of operations and changes in net assets for the period then ended, and have performed the following procedures.

1. Compared the figures in the columns captioned the "Partnership" to the audited financial statements of the Partnership for the year ended December 31, 2006 and found them to be in agreement.
2. Compared the figures in the columns captioned the "2006 Fund" to the audited financial statements of 49 North 2006 Resource Flow Through Limited Partnership for the period ended December 31, 2006 and found them to be in agreement.
3. Made enquiries of certain officials of the Partnership who have responsibility for financial and accounting matters about:
 - (a) the basis for determination of the pro forma adjustments; and
 - (b) whether the pro forma financial statements comply as to form in all material respects with the published requirements and various regulations of the various Securities Commissions.

The officials:

- (a) described to us the basis for determination of the pro forma adjustments, and
 - (b) stated that the pro forma statements comply as to form in all material respects with the published requirements and various regulations of the various Securities Commissions.
4. Read the notes to the pro forma statements, and found them to be consistent with the basis described to us for determination of the pro forma adjustments.
 5. Recalculated the application of the pro forma adjustments to the aggregate of the amounts in the columns captioned the "Partnership" and the "2006 Fund " for the year ended December 31, 2006, and found the amounts in the column captioned "Pro forma consolidated" to be arithmetically correct.

A pro forma financial statement is based on management assumptions and adjustments which are inherently subjective. The foregoing procedures are substantially less than either an audit or a review, the objective of which is the expression of assurance with respect to management's assumptions, the pro forma adjustments, and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing procedures would not necessarily reveal matters of significance to the pro forma financial statements, and we therefore make no representation about the sufficiency of the procedures for the purposes of a reader of such statements.

SASKATOON, SASKATCHEWAN

April 30, 2007

signed "Hergott Duval Stack LLP"

Chartered Accountants

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP
PRO FORMA CONSOLIDATED STATEMENT OF NET ASSETS

AS AT DECEMBER 31, 2006
(unaudited)

	Partnership	2006 Fund	Notes	Pro Forma Adjustments	Pro Forma Consolidated
<u>Assets</u>					
Cash	\$ 68,690	\$ 42,674		-	\$ 111,364
Investments	6,065,763	8,277,664		-	14,343,427
	<u>\$ 6,134,453</u>	<u>\$ 8,320,338</u>		<u>-</u>	<u>\$ 14,454,791</u>
<u>Liabilities</u>					
Accounts payable	\$ 54,310	\$ 15,594		-	\$ 69,804
Management fee payable	9,632	55,194		-	64,826
Loan payable	500,000	850,000		-	1,350,000
	<u>563,942</u>	<u>920,688</u>		<u>-</u>	<u>1,484,630</u>
<u>Partner' Equity</u>					
Net assets, representing partners' equity	<u>\$ 5,570,511</u>	<u>\$ 7,399,650</u>		-	<u>\$ 12,970,161</u>
Limited partnership units outstanding	<u>1,200,000</u>	<u>1,623,006</u>	3a.	<u>(24,692)</u>	<u>2,798,314</u>
Net asset value per unit	<u>\$ 4.64</u>	<u>\$ 4.56</u>			<u>\$ 4.63</u>

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP
PRO FORMA CONSOLIDATED STATEMENT OF INVESTMENT PORTFOLIO

AS AT DECEMBER 31, 2006
(unaudited)

	Partnership			2006 Fund			ProForma Consolidated		
	Shares/Warrants	Cost	Fair Value	Shares/Warrants	Cost	Fair Value	Shares/Warrants	Cost	Fair Value
Mineral Exploration									
Allyn Resources Inc.	1,994,000	\$ 299,000	139,580	-	\$ -	\$ -	1,994,000	\$ 299,000	\$ 139,580
Allyn Resources Inc. (warrants)	997,000	-	-	-	-	-	997,000	-	-
Athabasca Potash Inc.	600,000	150,000	240,000	555,555	250,000	222,222	1,155,555	400,000	462,222
Aurex Copper Mines Corp.	640,000	160,000	142,222	-	-	-	640,000	160,000	142,222
Berkley Resources Ltd.	55,550	49,995	47,218	111,110	99,999	94,444	166,660	149,994	141,662
Brett Resources Inc.	-	-	-	625,000	450,000	443,750	625,000	450,000	443,750
CanAlaska Uranium Ltd.	-	-	-	555,555	250,000	416,666	555,555	250,000	416,666
CanAlaska Uranium Ltd. (warrants)	-	-	-	277,778	-	42,222	277,778	-	42,222
Claude Resources Inc.	283,090	310,033	486,915	454,545	750,000	781,817	737,635	1,060,033	1,268,732
Copper Canyon Resources Ltd.	10,000	7,090	7,000	-	-	-	10,000	7,090	7,000
Copper Reef Mines Ltd.	1,000,000	200,000	177,778	500,000	100,000	88,888	1,500,000	300,000	266,666
Copper Reef Mines Ltd. (warrants)	500,000	-	-	500,000	-	-	1,000,000	-	-
Eagle Plains Resources Ltd.	-	-	-	461,538	300,000	336,923	461,538	300,000	336,923
Eagle Plains Resources Ltd. (warrants)	-	-	-	230,769	-	-	230,769	-	-
El Nino Ventures Inc.	-	-	-	727,270	399,998	319,999	727,270	399,998	319,999
El Nino Ventures Inc. (warrants)	-	-	-	727,270	-	-	727,270	-	-
ESO Uranium Corp.	436,944	315,759	432,575	450,000	405,000	445,500	886,944	720,759	878,075
ESO Uranium Corp. (warrants)	472,222	-	48,000	-	-	-	472,222	-	48,000
Golden Band Resources Inc.	1,235,080	428,558	592,838	833,330	399,998	399,998	2,068,410	828,556	992,836
Goldsource Mines Inc.	567,429	397,200	164,554	-	-	-	567,429	397,200	164,554
Great Western Diamonds Corp.	1,159,500	579,914	481,192	770,000	400,400	319,550	1,929,500	980,314	800,742
Great Western Minerals Group Inc.	1,073,111	482,900	413,148	888,888	400,000	342,222	1,961,999	882,900	755,370
Great Western Minerals Group Inc. (warrants)	1,111,111	-	-	-	-	-	1,111,111	-	-
Halo Resources Ltd.	-	-	-	555,555	250,000	216,666	555,555	250,000	216,666
Halo Resources Ltd. (warrants)	-	-	-	277,778	-	-	277,778	-	-
Hathor Exploration Limited	-	-	-	250,000	250,000	492,500	250,000	250,000	492,500
Northern Fresgold Resources Ltd.	-	-	-	360,000	306,000	252,000	360,000	306,000	252,000
Northern Fresgold Resources Ltd. (warrants)	-	-	-	180,000	-	-	180,000	-	-
Pacific Gold Inc.	-	-	-	625,000	250,000	256,250	625,000	250,000	256,250
Pacific Gold Inc. (warrants)	-	-	-	625,000	-	-	625,000	-	-
Red Rock Energy Inc.	342,856	120,000	210,171	-	-	-	342,856	120,000	210,171
Santoy Resources Ltd.	500,611	225,275	495,605	-	-	-	500,611	225,275	495,605
Stikine Gold Corp.	-	-	-	1,666,667	500,000	400,000	1,666,667	500,000	400,000
Stikine Gold Corp. (warrants)	-	-	-	833,333	-	-	833,333	-	-
Tagish Lake Gold Corp.	1,153,846	300,000	271,154	1,111,000	199,980	261,085	2,264,846	499,980	532,239
Tagish Lake Gold Corp. (warrants)	576,923	-	-	555,500	-	-	1,132,423	-	-
Titan Uranium Inc.	69,900	110,240	185,934	162,000	307,800	430,920	231,900	418,040	616,854
Titan Uranium Inc. (warrants)	-	-	-	81,000	-	10,368	81,000	-	10,368
Valgold Resources Ltd.	-	-	-	833,334	250,000	225,000	833,334	250,000	225,000
Valgold Resources Ltd. (warrants)	-	-	-	833,334	-	-	833,334	-	-
Wescan Goldfields Inc.	1,699,586	871,696	764,814	-	-	-	1,699,586	871,696	764,814
Wescan Goldfields Inc. (warrants)	428,571	-	-	-	-	-	428,571	-	-
Oil & Gas									
Arsenal Energy Inc.	269,714	465,321	210,377	-	-	-	269,714	465,321	210,377
Blackdog Resources Ltd.	90,900	49,995	40,905	181,810	99,995	81,815	272,710	149,990	122,720
Cheyenne Energy Inc.	-	-	-	714,280	249,998	203,570	714,280	249,998	203,570
Fair Sky Resources Inc.	-	-	-	65,570	199,988	150,155	65,570	199,988	150,155
Ivory Energy Inc.	-	-	-	294,117	249,999	226,470	294,117	249,999	226,470
Ivory Energy Inc. (warrants)	-	-	-	147,058	-	-	147,058	-	-
Longford Corporation	-	-	-	1,500,000	375,000	375,000	1,500,000	375,000	375,000
Magnus Energy Inc.	141,635	251,183	97,728	-	-	-	141,635	251,183	97,728
Nordic Oil & Gas Ltd.	444,000	177,600	97,680	-	-	-	444,000	177,600	97,680
Nordic Oil & Gas Ltd. (warrants)	50,000	-	-	-	-	-	50,000	-	-
Panterra Resources Corp.	1,273,500	318,375	318,375	-	-	-	1,273,500	318,375	318,375
Ruby Energy Inc.	-	-	-	499,996	299,998	266,664	499,996	299,998	266,664
Trivello Energy Corp.	-	-	-	1,000,000	200,000	175,000	1,000,000	200,000	175,000
Trivello Energy Corp. (warrants)	-	-	-	500,000	-	-	500,000	-	-
	\$ 6,270,134	\$ 6,065,763		\$ 8,194,153	\$ 8,277,664		\$14,464,287	\$14,343,427	

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2006
(unaudited)

	Partnership	2006 Fund	Notes	Pro Forma Adjustments	Pro Forma Consolidated
Income					
Interest	\$ 1,023	\$ 24,406	-	-	\$25,429
Expenses					
Accounting and audit	26,886	14,360	-	-	41,246
Bank fees	238	44	-	-	282
Interest	52,065	1,677	-	-	53,742
Legal fees	10,531	317	-	-	10,848
Management fees	122,916	55,194	-	-	178,110
	<u>212,636</u>	<u>71,592</u>		<u>-</u>	<u>284,228</u>
Net loss from investment operations	(211,613)	(47,186)	-	-	(258,799)
Realized gain on disposition of investments	682,303	-	-	-	682,303
Unrealized (depreciation) appreciation of investments	(512,657)	83,511	-	-	(429,146)
Net (decrease) increase in net assets from operations	<u>\$ (41,967)</u>	<u>\$ 36,325</u>			<u>\$ (5,642)</u>

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP
PRO FORMA CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

AS AT DECEMBER 31, 2006
(unaudited)

	Partnership	2006 Fund	Notes	Pro Forma Adjustments	Pro Forma Consolidated
Net assets, beginning of year	\$ 5,717,242	\$ -	-	-	\$ 5,717,242
Operations					
Net (decrease) increase in net assets	(41,967)	36,325	-	-	(5,642)
Partner transactions					
Proceeds of issuance of partnership units	-	8,115,040	-	-	8,115,040
Agent's fees	-	(633,798)	-	-	(633,798)
Other issuance costs	(101,764)	(117,917)	-	-	(222,681)
Net assets, end of year	<u>\$5,570,511</u>	<u>\$7,399,650</u>		<u>-</u>	<u>12,970,161</u>

49 North Resource Fund Limited Partnership
Notes to Pro Forma Consolidated Financial Statements
At December 31, 2006
(unaudited)

1. Basis of Presentation

The unaudited pro forma consolidated statements of net assets and investments portfolio of 49 North Resource Fund Limited Partnership (the "Partnership") as at December 31, 2006 and unaudited pro forma consolidated statement of operations and change in net assets for the year ended December 31, 2006 have been prepared by management of the Partnership after giving effect to the business combination between the Partnership and 49 North 2006 Resource Flow-Through Limited Partnership (the "2006 Fund"). These pro forma consolidated financial statements include:

- (a) A pro forma consolidated statement of net assets combining the audited statement of net assets of the Partnership as at December 31, 2006 and the audited statement of net assets of the 2006 Fund as at December 31, 2006;
- (b) The pro forma consolidated statement of investment portfolio combining the audited investment portfolio for the Partnership as at December 31, 2006 and the audited investment portfolio for the 2006 Fund as at December 31, 2006;
- (c) The pro forma consolidated statement of operations combining the audited statement of operations of the Partnership for the year ended December 31, 2006 and the audited statement of operation of the 2006 Fund for the year ended December 31, 2006.
- (d) The pro forma consolidated statement of changes in net assets combining the audited statement of changes in net assets of the Partnership for the year ended December 31, 2006 and the audited statement of changes in net assets of the 2006 Fund for the year ended December 31, 2006.

The pro forma consolidated statements of net assets and investment portfolio as at December 31, 2006 have been prepared as if the combination with the 2006 Fund described in Note 2 had occurred on December 31, 2006. The pro forma consolidated statements of operations and changes in net assets have been prepared as if the transaction described in Note 2 had occurred on the first day of the 2006 period.

It is management's opinion that these pro forma consolidated financial statements include all adjustments necessary for fair presentation, in all material respects, of the transactions described in Note 2 in accordance with Canadian generally accepted accounting principles applied on a basis consistent with the Partnership's accounting policies. The pro forma consolidated financial statements are not intended to reflect the results of operations or the financial position of the Partnership which would have actually resulted had the proposed transaction been effected on the dates indicated. Further, the pro forma financial information is not necessarily indicative of the results of operations that may be obtained in the future.

The unaudited pro forma consolidated financial statements should be read in conjunction with the 2006 historical comparative financial statements and notes thereto of the Partnership and the 2006 Fund.

2. Business Acquisition

Effective February 8, 2007, the Partnership and 49 North 2006 Resource Fund Inc. (the "2006 GP"), in its capacity as general partner and on behalf of the 2006 Fund, its personal, corporate capacity, and as agent and attorney for each of the limited partners of the 2006 Fund (the "2006 LPs"), entered into a Reorganization Agreement, pursuant to which, effective February 21, 2007, the parties completed a series of transactions that resulted in the 2006 Fund effectively merging into the Partnership. The transactions included the acquisition by the Partnership of all of the 1,623,006 outstanding limited partnership units of the 2006 Fund (the "2006 Units") in exchange for issuing to the 2006 LPs a total of 1,598,314 limited partnership units ("Units") of the Partnership, as well as the acquisition by the Partnership of all of the assets and the assumption by the Partnership of all of the liabilities of the 2006 Fund. The Transactions were carried out on the basis of the Partnership's and the 2006 Fund's respective Net Asset Values and Net Asset Values per Unit calculated as of the close of business on February 7, 2007, which at that time were approximately \$5,244,000 (\$4.37 per Unit) in the case of the Partnership and \$6,985,000 (\$4.30 per unit) in the case of the 2006 Fund.

49 North Resource Fund Limited Partnership
Notes to Pro Forma Consolidated Financial Statements
At December 31, 2006
(unaudited)

3. Pro Forma Adjustments

The pro forma consolidated financial statements includes the following pro forma adjustments:

- a. the transactions included the acquisition by the Partnership of all of the outstanding 2006 Units in exchange for issuing to the 2006 LPs a total of 1,598,314 Units.