49 NORTH RESOURCE FUND LIMITED PARTNERSHIP

FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

AUDITORS' REPORT

To the Unitholders of
49 North Resource Fund Limited Partnership

We have audited the statement of net assets of 49 North Resource Fund Limited Partnership as at December 31, 2007 and 2006, the statement of investment portfolio as at December 31, 2007 and the statements of operations and comprehensive income, changes in net assets and cash flows for each of the years in the two-year 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 investment portfolio held as at December 31, 2007 and 2006, the changes in its net assets, the results of its operations and comprehensive income and its cash flows for each of the years in the two-year period then ended in accordance with Canadian generally accepted accounting principles.

SASKATOON, SASKATCHEWAN signed “Hergott Duvall Stack LLP”

March 20, 2008 Chartered Accountants

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP

STATEMENT OF NET ASSETS

AS AT DECEMBER 31,

	2007	2006
ASSETS		
Current Assets		
Cash	$ -	$ 68,690
Investments	26,156,667	6,065,763
	$ 26,156,667	**$ 6,134,453**
LIABILITIES		
Current Liabilities		
Bank indebtedness (Note 4)	$ 215,880	$ -
Accounts payable	7,179	54,310
Management fee payable (Note 5)	-	9,632
Loan payable (Note 6)	-	500,000
Debenture (Note 7)	1,950,000	-
Performance bonus (Note 8)	1,637,593	-
	3,810,652	**563,942**
PARTNERS' EQUITY		
Net assets, representing partners' equity	**$ 22,346,015**	**$ 5,570,511**
Limited partnership units outstanding (Note 9)	2,798,314	1,200,000
Basic net asset value per unit	**$ 7.99**	**$ 4.64**
Diluted net asset value per unit	**$ 7.60**	**$ 4.64**

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

STATEMENT OF INVESTMENT PORTFOLIO

AS AT DECEMBER 31, 2007

	Shares/Warrants	Cost	Fair Value
Mineral Exploration			
Allyn Resources Inc. (1)	1,994,000	$ 299,000	$ 79,760
Anglo Minerals Ltd. (1)	167,900	194,133	906,660
Athabasca Potash Inc. (2)	2,155,325	1,890,967	16,811,535
Blue Sky Uranium Corp. (1) (warrants)	120,000	-	-
Brett Resources Inc. (1)	88,000	63,360	123,200
CanAlaska Uranium Ltd. (1) (warrants)	208,900	-	-
Claude Resources Inc. (2)	334,900	535,000	452,115
Copper Canyon Resources Ltd. (1)	588,235	474,343	223,529
Copper Canyon Resources (warrants)	294,117	-	-
Copper Reef Mines Ltd. (3)	2,000,000	600,000	533,556
Copper Reef Mines Ltd. (warrants)	750,000	-	-
Eagle Plains Resources Ltd. (1)	541,500	385,226	297,825
Eagle Plains Resources (warrants)	230,769	-	-
ESO Uranium Corp. (1)	600,000	493,400	234,000
ESO Uranium Corp. (warrants)	250,000	-	-
Golden Band Resources Inc. (1)	916,000	369,951	412,200
Goldsource Mines Inc. (1)	760,000	452,099	121,600
Great Western Diamonds Corp. (1)	2,052,000	1,041,954	471,960
Great Western Minerals Group Inc. (1)	1,609,000	724,050	579,240
Halo Resources Ltd. (1)	600,000	273,922	222,000
Halo Resources Ltd. (warrants)	577,778	-	-
J-Pacific Gold Inc. (1)	451,000	180,400	211,970
J-Pacific Gold Inc. (warrants)	625,000	-	-
Laurion Mineral Exploration Inc. (3)	557,400	55,740	89,184
Laurion Mineral Exploration Inc. (warrants)	278,700	-	-
Northern Freegold Resources Ltd. (1)	202,000	171,270	147,460
Northern Freegold Resources Ltd. (warrants)	180,000	-	-
Raytec Metals Corp. (1)	640,000	160,000	142,222
Red Rock Energy Inc. (3)	1,968,856	1,117,509	689,100
Red Rock Energy Inc. (warrants)	833,000	-	-
Rockport Mining Corp. (3)	133,333	100,000	100,000
Roxgold Inc. (1)	20,000	7,150	6,700
Santoy Resources Ltd. (1)	149,000	172,836	71,520
Santoy Resources Ltd. (warrants)	75,000	-	-
Skeena Resources Corp. (1)	346,500	111,498	79,695
Skeena Resources Corp. (warrants)	100,000	-	-
Soltoro Ltd. (1)	280,000	124,900	173,600
Stikine Gold Corp. (1)	1,666,667	500,000	183,333
Tagish Lake Gold Corp. (1)	1,423,846	320,883	199,338
Tagish Lake Gold Corp. (warrants)	1,132,423	-	-
Titan Uranium Inc. (1)	98,000	145,894	68,600
Titan Uranium Inc. (warrants)	81,000	-	-
Valgold Resources Ltd. (1)	440,334	132,100	116,689
Valgold Resources Ltd. (warrants)	833,334	-	-
Vena Resources Inc. (warrants)	430,000	-	-
Virginia Uranium (warrants) (3)	66,667	100,000	100,000
Wescan Goldfields Inc. (1)	1,711,086	874,226	376,439
Wescan Goldfields Inc. (warrants)	428,571	-	-
Western Potash Corporation (3)	500,000	250,000	250,000
Western Potash Corporation (warrants)	250,000	-	-

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP

STATEMENT OF INVESTMENT PORTFOLIO

DECEMBER 31, 2007

	Shares/Warrants	Cost	Fair Value
Oil and Gas			
Arsenal Energy Inc. (1)	35,000	$ 60,383	$ 14,000
Berkeley Resources Inc. (1)	166,660	149,994	29,166
Blackdog Resources Ltd. (1)	272,710	149,990	81,813
Cheyenne Energy Inc. (1)	714,280	249,998	28,571
Enhanced Oil Resources (warrants) (1)	125,000	-	-
Fair Sky Resources Inc. (1)	65,570	199,989	7,868
G2 Resources Inc. (1) (warrants)	175,000	-	-
Ivory Energy Inc. (1)	230,117	195,599	147,275
Nordic Oil & Gas Ltd. (1)	291,000	116,400	212,430
Panterra Resources Corp. (1)	62,000	15,500	11,780
Prairie Hunter Energy Corp. (3)	208,333	250,000	220,000
Ruby Energy Inc. (3)	916,996	550,198	484,176
Southern Pacific Resource Corp. (1)	248,150	548,411	394,559
Trivello Energy Corp. (1)	1,000,000	200,000	50,000
Trivello Energy Corp. (warrants)	500,000	-	-
Total Investments		**$ 15,008,273**	**$ 26,156,667**

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

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP

STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31,

	2007	2006
Income		
Interest	**$ 3,054**	**$ 1,023**
Expenses		
Audit and accounting	37,179	26,886
Bank fees	2,651	238
Buying commissions (Note 3)	66,704	-
Independent review committee fees	43,700	-
Interest	175,298	52,065
Management fees	337,882	122,916
Professional fees	24,773	10,531
Selling commissions (Note 3)	116,458	-
Travel expenses	26,873	-
	831,518	**212,636**
Net loss from investment operations	**(828,464)**	**(211,613)**
Realized gain on disposition of investments	999,401	682,303
Unrealized appreciation (depreciation) of investments	11,876,575	(512,657)
Performance bonus	(1,926,593)	-
	10,949,383	**169,646**
Net increase (decrease) in net assets	**$ 10,120,919**	**$ (41,967)**
Basic increase (decrease) in net assets per unit	**$ 3.85**	**$ (0.01)**
Diluted increase (decrease) in net assets per unit	**$ 3.58**	**$ (0.01)**

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31,

	2007	2006
Net assets, beginning of year	$ 5,570,511	$ 5,717,242
Operations		
Accounting change (Note 3)	(96,810)	-
Net increase (decrease) in net assets	10,120,919	(41,967)
Partner transactions		
Equity portion of convertible debenture	50,000	-
Acquisition of 2006 Fund (Note 1)	6,985,073	-
Reorganization costs	(283,678)	(104,764)
Net assets, end of year	**$ 22,346,015**	**$ 5,570,511**

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,

	2007	2006
Cash flows from operating activities		
Net increase (decrease) in net assets	$ 10,120,919	$ (41,967)
Items not affecting cash		
Realized gains on disposal of investments	(999,401)	(682,303)
Unrealized (appreciation) depreciation of investments	(11,876,575)	512,657
Net changes in non-cash working capital items	1,386,528	38,461
	(1,368,529)	**(173,152)**
Cash flows from investing activities		
Transfer of cash from 2006 Fund (Note 1)	484,704	-
Purchase of investments	(12,264,645)	(2,620,524)
Proceeds from disposition of investments	12,497,578	3,032,691
	717,637	**412,167**
Cash flows from financing activities		
Reorganization costs	(283,678)	(104,764)
Decrease in issuance costs payable	-	(23,241)
Proceeds of issuance of loan payable	-	500,000
Payment of loans payable	(1,350,000)	(422,000)
Issuance of debentures	2,000,000	-
	366,322	**(50,005)**
Net (increase) decrease in cash during year	**(284,570)**	**189,010**
Cash (bank indebtedness), beginning of year	68,690	(120,320)
Cash (bank indebtedness), end of year	**$ (215,880)**	**$ 68,690**

Supplemental cash flow information:

Cash interest paid in the year	**$ 227,363**	**$ -**

1. Organization and business description

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. As of December 31, 2007 the Partnership was 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 was a limited partner in accordance with the terms of the Partnership Agreement (the “Limited Partners”).

The Partnership invests in a diversified portfolio of shares and other securities of resource issuers including, without limitation, resource issuers engaged in mineral or oil and gas exploration and development, with a view to achieving capital appreciation of the portfolio. Prior to December 31, 2006 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 issuers regardless of whether or not they are 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).

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 49 North 2006 Resource Flow-Through Limited Partnership (the “2006 Fund”), in its own, corporate capacity, and in its capacity 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 (collectively the “2006 Fund Reorganization”) that resulted in the 2006 Fund effectively merging into the Partnership. The 2006 Fund Reorganization 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 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.

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.

2. Significant accounting policies (continued)

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 security which is listed or traded upon a stock exchange is estimated by taking the latest bid price. The quoted bid price 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 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 an 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 have been accounted for as a reduction of partners' equity. All other issuance and reorganization costs have been expensed as incurred.

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.

2. Significant accounting policies (continued)

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

The net asset value of the Partnership as of a particular date is the total assets of the Partnership less the liabilities of the Partnership on that date. The basic net asset value per Unit of the Partnership is determined by dividing the net asset value of the Partnership by the total number of Units outstanding on that date. The diluted net asset value per Unit of the Partnership is determined by dividing the adjusted net asset value of the Partnership by the total number of Units that are outstanding on that date plus the number of Units reserved for issuance under convertible instruments that are outstanding on that date. As of December 31, 2007 400,000 Units were reserved for issue pursuant to a convertible secured debenture issued by the Partnership on June 28, 2007 (see Note 7).

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).

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.

3. Change in accounting policy

Effective January 1, 2007, the Partnership adopted the new accounting standard issued by the Canadian Institute of Chartered Accountants (the "CICA"): Handbook Section 3855, Financial Instruments – Recognition and Measurement. The standard was adopted prospectively pursuant to the respective adoption provisions and therefore there is no effect on prior periods.

CICA Handbook Section 3855 establishes the criteria for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Under this standard, all financial instruments are required to be measured at fair value on recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, held-to-maturity, loans and receivables, or other financial liabilities.

Financial assets and financial liabilities classified as held-for-trading are measured at fair value with changes in fair value recognized in net income. The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or ask prices, as appropriate, in the most advantageous active market for that instrument to which the Partnership has immediate access. Where bid and ask prices are unavailable, the Partnership uses the closing price of the most recent transaction for that instrument. Financial assets classified as loans and receivables along with financial liabilities classified as other liabilities are measured at amortized cost using the effective interest rate method. Transaction costs or fees attributable to the acquisition, issue or disposal of a financial asset or liability are expensed immediately to net income and are referred to on the Statement of Operations as buy commissions or sell commissions.

Impact upon adoption of Section 3855

As a result of the adoption of these standards on January 1, 2007, the Partnership elected to classify its investments as held-for-trading and they were therefore recorded on the balance sheet at fair value, resulting in a $96,810 decrease on January 1, 2007, with the offset to opening net assets. The decrease to net assets resulted from using the bid prices to determine the fair market value of the investments as at January 1, 2007, whereas closing prices were used to determine the fair market value of the investments as at December 31, 2006.

3. Change in accounting policy (continued)

Reconciliation of GAAP NAV to Published NAV

As a result of the move to using quoted bid prices to determine Net Asset Value in accordance with generally accepted accounting principles ("GAAP NAV"), there may be differences between the Partnership's GAAP NAV as presented in its financial statements and the net asset values that are published by the Partnership in other documents such as its statements of quarterly portfolio disclosure and/or that are used by the Partnership for other purposes such as calculating management fees ("Published NAV"). In particular, the fair value as of a particular date of any security which is listed or traded upon a stock exchange is estimated for the purposes of Published NAV based on the closing price of such security on that date, unless the security did not trade, in which case it is valued at the average of the bid and ask price on that date. The following table reconciles the Partnership's GAAP NAV to Pricing NAV as of December 31, 2007.

	Published NAV	GAAP NAV	Difference
Portfolio investments	$ 26,655,330	$ 26,156,667	$ 498,663
Liabilities	3,810,652	3,810,652	-
Net Asset Value	22,844,678	22,346,015	498,663
Units outstanding	2,798,314	2,798,314	-
Net Asset value per Unit	$ 8.17	$ 7.99	$ 0.18

4. Bank indebtedness

The Partnership has a line of credit facility with the HSBC Bank Canada (the "Bank") and has provided the Bank with a general security interest in all of the assets of the Partnership and a pledge of all investments. Interest is charged at a rate of prime plus 2% for any amount up to $200,000 and 21% for any amount over $200,000. As at December 31, 2007 the Partnership's indebtedness to the Bank under this facility was $7,788 (2006 – nil).

The Partnership has a margin account with Union Securities Ltd., which bears interest at a rate of prime plus 2.5% for all amounts greater than $25,000, prime plus 3.5% for amounts between $10,001 and $25,000, and prime plus 3.75% for all amounts from $1 to $10,000. As at December 31, 2007 the indebtedness to Union Securities Ltd. under this facility was $208,092 (2006 – nil).

5. 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, the General Partner: (a) is entitled to 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; and (b) starting with the Partnership's fiscal year ended December 31, 2006, may be entitled to an annual 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. The Partnership 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 CEO of the General Partner, and all or any of the management fees and, if applicable, performance bonus that is otherwise payable to the General Partner may instead be paid to TMM. Pursuant to these arrangements, in 2007 the Partnership incurred management fees and a performance bonus fee of $337,882 (2006 - $122,916) and $1,926,593 (2006 – nil) respectively (inclusive of GST), $626,882 of which was paid to TMM during the year and $1,637,593 remained outstanding at year end.

6. Loan payable

As part of the 2006 Fund Reorganization transaction (see Note 1), the Partnership assumed indebtedness then owing by the 2006 Fund to the CEO of the General Partner (the "Lender") in respect of monies loaned for the payment of issuance costs incurred in 2006 by the 2006 Fund. This loan, together with interest thereon at the prime plus 2%, was payable on demand and was paid off in full prior to December 31, 2007.

7. Debenture

The Partnership completed the issue and sale of a $2,000,000 convertible secured debenture on a private placement basis on June 28, 2007; which debenture was converted into 400,000 Units effective January 1, 2008 and then exchanged for 200,000 preferred shares of the corporation that resulted from a reorganization of the Partnership into a corporate structure that occurred subsequent to year end. See note 12. Prior to its conversion, the debenture accrued interest at 9% per annum, all of which was paid during the year. The $950,000 carrying amount of the debenture for the purposes of the accompanying financial statements approximates its fair value as determined by reference to current market conditions, less the equity component which had a fair market value at issue date of $50,000.

8. Related party transactions

During the year, management fees of $337,882 (2006 - $122,916) were incurred and paid, and a performance bonus of $1,926,593 (2006 – nil) was incurred, to TMM, a company controlled by the CEO of the General Partner, $1,637,593 of which performance bonus remained outstanding at year end (see Note 5).

Also during the year, $43,978 (2006 - $31,267) of interest was paid to the CEO of the General Partner

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.

9. Partners' equity

As of December 31, 2007 the authorized capital of the Partnership consisted 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.

The Partnership and the 2006 Fund completed a series of transactions on February 21, 2007 pursuant to which the 2006 Fund was effectively merged into the Partnership (see Note 1). All outstanding limited partnership units of the 2006 Fund were transferred to the Partnership in exchange for 1,598,314 Units of the Partnership. 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.

10. Financial instruments

The fair value of the Partnership's financial assets and liabilities approximate their carrying values unless otherwise disclosed. The Partnership's investment activities expose it to market risk, which is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or factors affecting all securities in the market.

11. Tax shelter identification number

The tax shelter identification number for the Partnership is TS070789. This identification number must be included in any income tax return filed by investors. 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 Partnership.

12. Subsequent events

Conversion to Corporate Structure

Effective January 1, 2008, the Partnership completed a series of transactions (collectively the "Conversion Transaction") pursuant to which it converted from its limited partnership structure into a corporation (the "Corporation") and, at the same time, all of the 2,798,314 Units of the Partnership that were outstanding as of the end of the 2007 fiscal year were consolidated and exchanged for common shares of the Corporation on the basis of one common share for every two Units. As part of the Conversion Transaction, amongst other things: (a) the holder of a $2,000,000 convertible secured debenture (see note 7) converted the debenture into 400,000 Units; (b) the Partnership transferred all of its assets to 101102207 Saskatchewan Ltd. ("AcquisitionCo) in exchange for common shares and preferred shares of AcquisitionCo; (c) the Partnership was wound-up and dissolved and, in connection therewith, distributed 200,000 preferred shares to the (former) debenture holder and a total of 1,399,157 common shares to the other (former) Limited Partners; and (d) AcquisitionCo and the General Partner amalgamated pursuant to *The Business Corporations Act* (Saskatchewan) under the name 101102207 Saskatchewan Ltd. and then immediately amended the Corporation's articles to change its name to 49 North Resource Fund Inc.

The common shares of the Corporation were listed on the TSX Venture Exchange (trading symbol FNR) at the opening of the market on Wednesday, January 2, 2008, in substitution for the previously listed Units which were cancelled as a result of the Conversion Transaction.

2007 Fund Roll-over Transaction

During 2007, 49 North 2007 Resource Flow-Through Limited Partnership (the "2007 Fund") raised $9,327,700 on the issuance of 932,770 limited partnership units (the "2007 Units") in an initial public offering and related private placements and, prior to December 31, 2007, invested a substantially equal amount in a portfolio of flow-through shares. In February 2008, the Corporation and the 2007 Fund completed a series of transactions (the "2007 Fund Roll-over Transaction") by which the 2007 Fund was effectively merged into the Corporation. As part of the 2007 Fund Roll-over Transaction, amongst other things: (a) the 2007 Fund transferred all of its assets on a tax deferred basis to, and in exchange for a total of 497,520 common shares in the capital stock of the Corporation (with the number of common shares so issued reflecting the respective tax adjusted net asset values of the Corporation and the 2007 Fund as of February 14, 2008); and (b) effective February 15, 2008, the 2007 Fund was wound-up and dissolved and, in connection therewith, these shares were distributed by the 2007 Fund amongst its (former) partners, resulting in each (former) limited partner of the 2007 Fund receiving 0.533325741 common shares of the Corporation for each 2007 Unit they previously held. As a result of the 2007 Fund Roll-over Transaction, the number of outstanding common shares of the Corporation increased from 1,399,157 shares to a total of 1,896,677 shares.