

49 North Resource Flow-Through Limited Partnership

ANNUAL INFORMATION FORM

April 28, 2006

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1. NAME, FORMATION AND HISTORY OF THE PARTNERSHIP

49 North Resource Flow-Through Limited Partnership (the “Partnership”) was formed under a limited partnership agreement (the “Partnership Agreement”) made July 19, 2005, as amended and restated September 30, 2005, among 49 North Resource Fund Inc., as general partner (the “General Partner”), T&N Holdings Inc. (the “Initial Limited Partner”) and the persons who from time to time are limited partners (the “Limited Partners”) of the Partnership, and was constituted as a limited partnership under the laws of Saskatchewan upon the registration of a declaration pursuant to *The Partnership Act* (Saskatchewan) (the “*Partnership Act*”) and *The Business Names Registration Act* (Saskatchewan) (the “*Registration Act*”), effective July 20, 2005 (such declaration, as amended from time to time being hereafter referred to as the “Declaration”). The head office for both the Partnership 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.

The term of the Partnership commenced on July 20, 2005 and will continue until March 31, 2007 unless such date is extended by a resolution passed by 66 2/3% or more of the votes cast at a duly constituted meeting, or an adjournment thereof, of the Limited Partners called for the purpose of considering such resolution, or, alternatively, a written resolution signed in one or more counterparts by Limited Partners holding 66 2/3% or more of the Units outstanding and entitled to vote on such resolution at a meeting (an “Extraordinary Resolution”) or unless earlier dissolved as a result of a Reorganization Transaction or otherwise in accordance with the terms of the Partnership Agreement. In that regard, the Partnership Agreement provides that, as an alternative to dissolution, and in order to provide potential liquidity and long-term growth of capital to Limited Partners, the General Partner is authorized to call a meeting of Limited Partners, to be held not later than March 31, 2007, for the purpose of considering and, if thought fit, approving by a resolution passed by more than 50% of the votes cast by the Limited Partners at such meeting, or an adjournment thereof (an “Ordinary Resolution”) a transaction (a “Reorganization Transaction”) pursuant to which the General Partner may 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 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 corporation or such limited partnership 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.

Pursuant to the Partnership Agreement, the General Partner has the exclusive authority to manage the operations and affairs of the Partnership including managing the investment portfolio of the Partnership (the “Portfolio”), although certain of the General Partner’s responsibilities with respect to the management of the Portfolio have been delegated to TMM Portfolio Management Inc. (“TMM” or the “Investment Manager”) pursuant to an Investment Management Agreement made as of September 30, 2005 between the Partnership and TMM (such agreement, as amended from time to time in accordance with its terms, being hereafter referred to as the “Investment Management Agreement”).

Since its formation in July 2005, the Partnership successfully completed, in December 2005, a \$6,000,000 offering (the “Offering”) of a total of 1,200,000 limited partnership units (“Units”); including approximately 1,060,000 Units distributed to the public in Saskatchewan pursuant to a prospectus of the Partnership dated September 30, 2005 (the “prospectus”), and approximately 140,000 Units distributed on a private placement basis to accredited investors in other Canadian jurisdictions.

The proceeds of that Offering, after accounting for agent’s fees, offering costs and borrowings by the Partnership under certain loan facilities as described in the Partnership’s audited financial statements (the “Loan Facility”), totalled \$6,000,000 (the “Available Funds”) and were invested by the Partnership prior to the end of its fiscal year ending December 31, 2005 in 14 different resource issuers.

2. INVESTMENT RESTRICTIONS AND GUIDELINES

2.1 General

The Partnership's investment objective is to invest in a Portfolio of common shares (or rights, warrants, convertible debentures or other securities convertible into common shares) of Resource Issuers (as more particularly defined in the Partnership Agreement) that qualify as "flow-through shares" as defined in subsection 66(15) of the *Income Tax Act* (Canada) (the "*Tax Act*") ("Flow-Through Shares"), 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 Limited Partners. The Partnership's investment strategy in this regard includes the following:

- (a) the General Partner will use all reasonable efforts to invest all Available Funds in Flow-Through Shares on or before December 31, 2005, under subscription agreements between the Partnership and the applicable Resource Issuers ("Flow-Through Agreements") the terms of which shall include the agreement by the Resource Issuer to incur, in an amount equal to the aggregate subscription price for the Flow-Through Shares thereunder, Canadian exploration expenses (as defined in subsection 66.1(6) of the *Tax Act*, including, without limiting the generality of the foregoing but for greater certainty and for the purposes of the Partnership Agreement, "Canadian development expenses" that may be renounced as Canadian exploration expenses in accordance with subsection 66(12.601) of the *Tax Act* (collectively "CEE")) that will be renounced by the Resource Issuer in favour of the Partnership with an effective date in 2005, and, if the Resource Issuer is a reporting issuer in any one or more provinces of Canada, to maintain its status as a reporting issuer in such jurisdictions until at least March 31, 2007;
- (b) the General Partner may invest Available Funds in Flow-Through Shares of Resource Issuers engaged in either mineral exploration and development ("Mining Issuers") or oil and gas exploration and development ("Oil and Gas Issuers"), 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, the General Partner anticipates that the Portfolio will:
 - focus on Flow-Through Shares 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 and, in particular, be weighted toward junior and intermediate Mining Issuers engaged in specified surface "grass roots" mining activities at locations in Saskatchewan, and which therefore may be eligible for certain non-refundable investment tax credits ("ITCs") 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) ("Saskatchewan Provincial ITCs" or "METC");
- (c) Available Funds may also be invested in Flow-Through Shares of corporations whose principal business includes 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*) ("Alternative Energy Issuers"), subject however to the limits set forth in the Investment Guidelines; and
- (d) 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 Flow-Through Agreements with Resource Issuers:

- 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;
- past production, exploration results and the financial condition of the applicable Resource Issuer;
- pricing of the Flow-Through Shares under the Flow-Through Agreement and the relative value, liquidity and potential for growth in value of the shares of the Resource Issuer; and
- 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. However, 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 Flow-Through Shares of any particular Resource Issuer.

Pursuant to the Partnership Agreement, the General Partner must manage the investment Portfolio in accordance with the Investment Guidelines set out in the Partnership Agreement, including the following (collectively the "Investment Guidelines")¹:

- (a) **Resource Issuers.** The Partnership will initially invest all Available Funds in Flow-Through Shares issued by Resource Issuers. Thereafter, to the extent the Partnership disposes of Flow-Through Shares, the Partnership may reinvest the net proceeds from any such dispositions in additional securities of Resource Issuers whether or not they are Flow-Through Shares. At least 95% of Available Funds will be invested in Resource Issuers that are reporting issuers under Canadian securities laws, with not greater than 5% of Available Funds invested in Flow-Through Shares of Resource Issuers which are not reporting issuers and which may, therefore, be subject to continuing resale restrictions.
- (b) **Exchange Listing.** The Partnership will invest a minimum of 80% of Available Funds in Flow-Through Shares of Resource Issuers whose shares are listed and posted for trading on a Canadian stock exchange.
- (c) **Alternative Energy Issuers.** The Partnership will invest not more than 5% of Available Funds in Flow-Through Shares of Alternative Energy Issuers.
- (d) **Diversification.** The Partnership will limit any investment in a single Resource 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 may be invested in a single, publicly traded Resource Issuer.
- (e) **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.
- (f) **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

¹ For the purposes of the Investment Guidelines, all percentage limitations in paragraphs (a), (b), (c) and (d) shall apply only immediately prior to the purchase of the Flow-Through Shares and any subsequent change in any applicable percentages resulting from changing values will not require elimination of any security from the Partnership's Portfolio.

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.

- (g) **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 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. For greater certainty, the aforesaid restriction will not apply to a sale of Partnership assets in a Reorganization Transaction.
- (h) **No Borrowing.** The Partnership will not borrow money except pursuant to a loan facility as described and authorized under the Partnership Agreement.
- (i) **No Commodities.** The Partnership will not purchase or sell commodities.
- (j) **No Guarantees.** The Partnership will not guarantee the securities or obligations of any person.
- (k) **No Real Estate.** The Partnership will not purchase or sell real estate or interests therein.
- (l) **No Lending.** The Partnership will not lend money. For purposes of this restriction, investments in money market instruments which are accorded the rating category of A-1 by Standard & Poor's Rating Services, 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 \$15,000,000,000; 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 PFD2 (Dominion Bond Rating Service) or better; or a money market mutual fund with similar quality constraints (collectively "High Quality Liquid Investments") are not considered lending.
- (m) **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.
- (n) **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.
- (o) **No Short Sales.** The Partnership will not make short sales of securities other than for hedging purposes against existing positions held by the Partnership.
- (p) **No Mortgages.** The Partnership will not purchase mortgages.
- (q) **No Mutual Funds.** The Partnership will not purchase the securities of any mutual fund, other than in connection with a Reorganization Transaction (as defined in the Partnership Agreement and approved in accordance with the applicable provisions of the Partnership Agreement).
- (r) **No Derivatives.** The Partnership will not purchase or sell derivatives.

2.2 Changes to Investment Objectives

The investment objectives, investment strategy and Investment Guidelines described above form part of the Partnership Agreement and may not be amended except by amending the Partnership Agreement and the Partnership Agreement may not be amended in this regard except with the consent of Limited Partners given by Extraordinary Resolution.

2.3 Eligibility for Investment and Related Matters

The Units are not qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, education savings plans, deferred profit sharing plans or other plans registered under the *Tax Act*.

3. PARTNERSHIP UNITS

3.1 General

The interests in the Partnership of the Limited Partners, other than the interest of the Initial Limited Partner that was redeemed and cancelled in December 2005, is divided into and represented by a total of 1,200,000 limited partnership units (“Units”), all of which Units were issued, at a price of \$5 per Unit for gross proceeds of \$6,000,000, in the Offering that was completed in December 2005. The Partnership is not authorized to issue any additional Units and, therefore, an investor may now only acquire Units through the purchase or other acquisition of outstanding Units from an existing securityholder/Limited Partner, and then subject to the provisions of the Partnership Agreement described in Part 6 below, “Purchases and Switches”.

Generally, subject to certain exceptions specified in the Partnership Agreement and summarized below, each Unit represents an equal and undivided interest in 99.99% of the net assets of the Partnership and each Unit entitles the holder to:

- (a) the same rights and obligations in respect of that one Unit as the holder of any other Unit, with no Limited Partner 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;
- (b) one vote for each Unit held on all matters requiring a vote of Limited Partners; and
- (c) on dissolution of the Partnership, to receive its pro rata share of 99.99% of the assets of the Partnership remaining after payment of all debts, liabilities and liquidation of the Partnership.

The Partnership Agreement also provides that, subject to certain exceptions specified in the Partnership Agreement and summarized below, 99.99% of the income or loss of the Partnership for 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.

As an exception to 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 indebtedness for which recourse is limited, or is deemed to be limited, for the purposes of the *Tax Act*) results in: (i) the deductions that the Partnership could otherwise claim in calculating its income or loss in any fiscal year; (ii) 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, in any fiscal year; or (iii) the amount of ITCs 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, if applicable, that would otherwise be applicable 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 Partner until their share of 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.

3.2 Fundamental Changes

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 18 thereof; and the Partnership Agreement may only be amended in writing and with the consent of the Limited Partners given by Extraordinary Resolution, provided that 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 no amendment amending Article 18 or that would have the effect of reducing the interest in the Partnership of any Limited Partner, 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 may be made without the unanimous consent of the Limited Partners present in person or represented by proxy at a meeting held for the purpose of considering such amendment. Additionally, no amendment shall be made which would have the effect of reducing the General Partner's share of the net Income or Loss of the Partnership or the fees payable under the Partnership Agreement to the General Partner (unless the General Partner, in its sole discretion consents thereto) except upon a change of the General Partner in accordance with the Partnership Agreement; and 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.

Notwithstanding the foregoing, the General Partner is entitled to make certain amendments to the Partnership Agreement without the consent of the Limited Partners if such amendment is: (a) in the opinion of the General Partner, for the protection or benefit of the 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, and the amendment does not and will not, in the opinion of the General Partner, materially adversely affect the rights of any Limited Partner; (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; or (d) a change that, in the sole discretion of the General Partner, is reasonable and necessary or appropriate to enable Limited Partners to take advantage of, or not be detrimentally affected by, changes in the *Tax Act* or other taxation laws.

Further, a Reorganization Transaction as described and defined in Part 1 above, requires approval only by way of Ordinary Resolution. Additionally, pursuant to the Partnership Agreement, the appointment of auditors for the Partnership will be made by the General Partner in its sole and unfettered discretion provided only that such auditors be chartered accountants licensed to practise accounting in Canada.

4. VALUATION OF PORTFOLIO SECURITIES

The General Partner will, on the day of the initial closing of the Offering, the last business day in each Fiscal Quarter thereafter during the term of the Partnership, the business day immediately preceding the date of implementation of any Reorganization Transaction and upon the day the Partnership is dissolved (the "Dissolution Date"), as applicable (each such date being referred to herein as a "Valuation Date") calculate the Net Asset Value of the Partnership and the Net Asset Value per Unit. The Net Asset Value of the Partnership on any such Valuation Date will be calculated by subtracting the aggregate amount of the Partnership's liabilities from the aggregate of the Partnership's assets on that date, as described in Part 5 below, "Calculation of Net Asset Value".

5. CALCULATION OF NET ASSET VALUE

The net asset value of the Partnership (the “Net Asset Value”) will be calculated by the General Partner on each Valuation Date by subtracting the aggregate amount of the Partnership’s liabilities from the aggregate of the Partnership’s assets on that date. For this purpose, the Partnership’s assets will be valued as follows:

- (a) the value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash received (or declared to holders of record on a date before the date as of which the Net Asset Value is being determined and to be received) and interest accrued and not yet received, shall be deemed to be the full amount thereof, provided that: (i) the value of any security which is a debt obligation which, at the time of acquisition, had a remaining term to maturity of one year or less shall be the amount paid to acquire the obligation plus the amount of any interest accrued on such obligation since the time of acquisition; (ii) interest accrued will include amortization over the remaining term to maturity of any discount or premium from the face value of an obligation at the time of its acquisition, and (iii) if the General Partner has determined that any such deposit, bill, demand note or account receivable is not worth the full amount thereof, the value thereof shall be deemed to be such value as the General Partner determines to be the fair value thereof;
- (b) the value of any security which is listed or traded upon a stock exchange shall be determined by taking the latest available sale price of recent date, or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price, (unless in the opinion of the General Partner such value does not reflect the value thereof and in which case the latest offer price or bid price will be used as determined by the General Partner), as at the Valuation Date on which the Net Asset Value is being determined, all as reported by any means in common use;
- (c) any market price reported in currency other than Canadian dollars shall be translated into Canadian currency at the prevailing rate of exchange, as determined by the General Partner, at the Valuation Date;
- (d) the value of any securities traded over-the-counter will be priced at the average of the latest bid and ask prices quoted by a major dealer in such securities unless a different fair market value is otherwise determined by the General Partner;
- (e) except as otherwise provided, assets, including restricted securities, for which no published market exists will be valued at cost unless a different fair market value is determined by the General Partner;
- (f) the value of any restricted securities (including securities subject to any hold period) shall be the lesser of:
 - (i) the value thereof based on reported quotations in common use; and
 - (ii) the market value of securities of the same class, the trading of which is not restricted or limited by reason of any representation, undertaking or agreement or by law, multiplied by the percentage that the Partnership’s acquisition cost was of the market value of such securities at the time of acquisition, provided that a gradual taking into account of the actual value of the securities may be made where the date on which the restriction will be lifted is known;
- (g) the value of any security or property or other assets to which, in the opinion of the General Partner, the above principles cannot be applied (whether because no price or yield equivalent

quotations are available as above provided, or for any other reason) shall be the fair value thereof determined in good faith in such manner as the General Partner from time to time adopts.

The Net Asset Value per Unit is the amount obtained by dividing the Net Asset Value as of a particular Valuation Date by the total number of Units outstanding on that date.

6. PURCHASES AND SWITCHES

All of the authorized Units of the Partnership were issued in the Offering in December, 2005. Units are not redeemable and investors have no ability or right to switch Units for securities of any other fund or company, subject however to the provisions of the Partnership Agreement relating to a Reorganization Transaction as described in Part 1 above.

Accordingly, an investor who desires to purchase securities of the Partnership may only do so by purchasing Units from an existing Limited Partner in the secondary market. In that regard, the Partnership Agreement provides that only whole Units are transferable. A Limited Partner may transfer Units only in compliance with the provisions of the Partnership Agreement, including the requirement that both the transferor and transferee duly execute and deliver to the General Partner a Power of Attorney and Transfer Form, in the form stipulated by the Partnership Agreement, or in such other form as is acceptable to the General Partner (a "Transfer") and the requirement that the transferee provide certain information to the General Partner, including such investor's full name, residential address or address for service, social insurance number or corporation account number as the case may be, and the name and registered representative number of the representative of any dealer or other CDS Participant (as hereafter defined) through whom the Units were acquired.

Pursuant to such Transfer and pursuant to the Partnership Agreement, the Transferee, among other things; (a) acknowledge that he is bound by the terms of the Partnership Agreement and is liable for all obligations of a Limited Partner thereunder; (b) makes certain representations, warranties and covenants as to matters set out in the Partnership Agreement, including, without limitation, that he: (i) is not a "non-resident" of Canada for the purposes of the *Tax Act* and will maintain such status during such time as he continues to hold Units; (ii) has not financed the purchase of the Units through financing or other indebtedness for which recourse is or is deemed to be limited within the meaning of the *Tax Act*; (iii) is not a partnership; (iv) (unless he has provided written notice to the contrary to the General Partner) he: (A) is not a "financial institution" as defined in section 142.2(1) of the *Tax Act* and will continue to not be such a "financial institution" during such time as he continues to hold Units; and (B) deals at arms-length with the issuers of Flow-Through Shares held by or on behalf of the Partnership; (c) irrevocably nominates, constitutes and appoints the General Partner as his true and lawful attorney with full power and authority as set out in the Partnership Agreement; and (d) irrevocably authorizes the General Partner to file all elections deemed necessary or desirable by the General Partner to be filed under the *Tax Act* and any other applicable tax legislation in respect of any Reorganization Transaction or the dissolution of the Partnership.

The General Partner may deny transfers of Units to transferees who to its knowledge are "non-residents" of Canada for the purposes of the *Tax Act*, have financed the purchase of Units with indebtedness for which recourse is, or is deemed to be, limited for the purposes of the *Tax Act*, or are partnerships. The General Partner may also deny transfers to transferees who are financial institutions within the meaning of the *Tax Act* if, as a result thereof, financial institutions would own 45% or more of the Units of the Partnership, or if the proposed transferee is not at arms-length from all Resource Issuers then in the Partnership's investment Portfolio or, more generally, if the holding of any Units by a proposed transferee 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 otherwise claim) any Income, Loss, CEE or ITC. The General Partner also has 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 laws or if the transfer is proposed to be made after a notice of dissolution has been provided to Limited Partners.

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, duly signed and completed by the transferor and transferee, is accepted by the General Partner. Where a transfer is accepted by the General Partner, the General

Partner will record or cause to be recorded the particulars of the transfer in the Register and will, by not later than December 31 in the year in which the transfer is effected, 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. The transferee will become a Limited Partner at the time the Declaration is so amended (unless he was already a Limited Partner) at that time, and the transferor shall thereupon cease to be a Limited Partner (unless he continues to hold other Units).

The Partnership has adopted a book entry system (the “Book-Based System”) for recording holdings of Partnership Units and all Units are registered in the name of CDS & Co. as the nominee of The Canadian Depository for Securities Limited, or in the name of registered dealers or other financial intermediaries participating in the Book-Based System (a “CDS Participant”). Any transfer of Units must be made through a CDS Participant in accordance with such Book-Based System.

7. REDEMPTION OF UNITS

Limited Partners are not entitled to have their Units redeemed by the Partnership. Except upon a dissolution of the Partnership, no Limited Partner is entitled to any reimbursement of his contribution to the Partnership’s capital and no Limited Partner has the right to ask for the dissolution of the Partnership, for the winding-up of its affairs or for the distribution of its assets.

8. RESPONSIBILITY FOR PARTNERSHIP OPERATIONS

8.1 General

Pursuant to the Partnership Agreement, the General Partner has the exclusive authority to manage the operations and affairs of the Partnership including managing the investment Portfolio of the Partnership in compliance with the investment objectives, investment strategy and Investment Guidelines as described in the Partnership Agreement. See Part 2, “Investment Objectives and Restrictions”. As such, the General Partner may be considered the “Manager” of the Partnership. Certain of the General Partner’s responsibilities and authority with respect to the management of the Portfolio have been delegated to the Investment Manager pursuant to the Investment Management Agreement.

8.2 Manager

Name: 49 North Resource Fund Inc.

Address: 600 - 224 - 4th Avenue South
Saskatoon, Saskatchewan
S7K 5M5

Phone: 306-664-4626

E-mail address: bec_bec@sasktel.net

Website address: www.49resourcefund.ca

The following table sets forth the names, municipalities of residence, offices held with the General Partner and principal occupation for the past five years for each director and officer of the General Partner.

Name and Municipality of Residence	Office or Position	Principal Occupation
Tom MacNeill Saskatoon, SK	President, Chief Executive Officer, Chief Financial Officer, Secretary and Director	General Manager of BEC International Corporation, a private company that manages pools of private capital dedicated to resource exploration and development
James B. Engdahl Calgary, AB	Director	President and Chief Executive Officer of Great Western Minerals Group Ltd. since March 2006. Previously, Managing Director, Prairie Region, Windy Point Capital since March 2005; and prior to that various corporate finance or advisory services positions with Tamarack Group, a management and financial consulting organization owned by Meyers Norris Penny LLP, Chartered Accountants
Harvey J. Bay CMA Saskatoon, SK	Director	Chief Financial Officer of Shore Gold Inc. since November 2002 and of Wescan Goldfields Inc. since June 2004; President, Baywatch Industries Inc. since 1993

8.3 Investment Manager

The General Partner has appointed TMM Portfolio Management Inc. as the Investment Manager of the Partnership pursuant to an Investment Management Agreement made among the General Partner on behalf of the Partnership and TMM as of September 30, 2005. Mr. Tom MacNeill, the sole shareholder and officer, and a director, of the General Partner, is the sole shareholder, officer and director of TMM. Pursuant to the Investment Management Agreement, the Investment Manager assists the General Partner in identifying, analyzing and selecting investment opportunities in the mining, oil and gas and alternative energy sectors. The Investment Manager 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 Flow-Through Shares 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, pursuant to the Investment Management Agreement, the Investment Manager agrees to comply with the investment objective and strategy and the Investment 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 the Investment Manager would exercise in comparable circumstances. The Investment Management Agreement provides that the Investment Manager 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 the Investment Manager to satisfy the foregoing standard of care.

The Investment Management Agreement provides that the role of the Investment Manager is primarily consultative, and although the General Partner shall consult with the Investment Manager, 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.

The Investment Management Agreement provides that the term of the Investment Manager's appointment thereunder will expire on the earlier of the implementation of a Reorganization Transaction and the dissolution of the Partnership, but may be terminated by either party on 30 days written notice unless terminated earlier as described below. The Investment Manager's appointment will terminate earlier if the Investment Manager or the

Partnership becomes bankrupt or insolvent or if any of the registrations necessary for the Investment Manager to perform its duties under the Investment Management Agreement are no longer in full force and effect. The appointment may also be terminated by either party as a result of a breach or default of the provisions thereof which are not cured within the prescribed period. If the Investment Manager's appointment is terminated as provided above, the General Partner will promptly appoint a successor Investment Manager to carry out the activities of such terminated Investment Manager.

8.4 Custodian

The General Partner acts as custodian of the Partnership's investment Portfolio.

8.5 Auditor

The auditors of the Partnership and the General Partner are Hergott Duval Stack & Partners LLP, 1200 - 410 - 22nd Street East, Saskatoon, Saskatchewan, S7K 5T6.

8.6 Registrar

The General Partner, at 602 - 224 - 4th Avenue South, Saskatoon, Saskatchewan, S7K 5M5, acts as the registrar and transfer agent for the Partnership.

9. CONFLICTS OF INTEREST

9.1 Principal Holders of Securities

As of the date of this Annual Information Circular:

- no person or company owns of record, or is known by the Partnership, the General Partner or the Investment Manager to own beneficially, directly or indirectly, more than 10% of the outstanding Units of the Partnership with the exception of Units registered in the name of CDS & Co. under the Book-Based System which Units are held as depositary and of record only, and not beneficially;
- all of the outstanding shares of the General Partner and all of the outstanding shares of the Investment Manager are owned beneficially and of record by Mr. Tom MacNeill, who is also the sole officer and a director of the General Partner and the sole officer and director of the Investment Manager; and
- directors and officers of the General Partner beneficially own, directly or indirectly, in aggregate, approximately 1.27% of the issued and outstanding Units of the Partnership.

Disclosure as to the amount of fees received by the General Partner and/or the Investment Manager in the fiscal year ended December 31, 2005 is contained in the audited financial statements of the Partnership.

10. PARTNERSHIP GOVERNANCE

Pursuant to the Partnership Agreement, the General Partner has the exclusive authority to manage the operations and affairs of the Partnership and the operations and affairs of the General Partner are, in turn, governed by the board of directors of the General Partner. Messrs. Bay and Engdahl are independent of management. The investment policies and practises of the Partnership and General Partner are governed by the investment objective, investment strategy and Investment Guidelines established by the Partnership Agreement as described in Part 2 above. Conflicts of interest which may arise within the General Partner or between the Partnership and the General Partner are addressed in accordance with the fiduciary duties and obligations of officers and directors pursuant to applicable corporate law and the similar, applicable duties and standard of care contemplated by the Partnership Agreement. Without limiting the generality of the foregoing, decisions and/or actions taken by the General Partner on behalf of the Partnership in the enforcement by or against the Partnership of provisions of the Investment Management

Agreement will be taken on the recommendation of those directors and officers of the General Partner that do not have an interest in the Investment Manager.

11. INCOME TAX CONSIDERATIONS

The following is, as of the date hereof, a general summary of the principal Canadian Federal income tax considerations for a Limited Partner who acquired Units pursuant to the Offering. 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 recourse for any financing by a Limited Partner for the subscription price for Units is not limited and is not deemed to be limited for the purposes of the *Tax Act*. This summary also assumes 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 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" as defined in the *Tax Act*; 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 the Saskatchewan Provincial Investment Tax Credits as expressly set forth below under the sub-heading "Federal and Saskatchewan Provincial 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 will be 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 potential purchaser of Units should obtain independent advice from his own tax advisor regarding the income tax consequences of investing in the Partnership based on the purchaser's own particular circumstances.

Computation of Income

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 a subscription 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 (the "Loan Facility") 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 and/or the Investment Manager, 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 Annual Information Form 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”, 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 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 a financing for which recourse is or is deemed to be limited within the meaning of the *Tax Act*), 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.

As noted above the indebtedness of the Partnership under the Loan Facility will constitute a limited recourse amount and it is therefore anticipated that any expenditures traceable to the Loan Facility proceeds may not be deductible to the extent of the limited recourse amount.

Generally, Limited Partners who acquired Units in the Offering in 2005 were allocated CEE in an amount equal to their full subscription price for Units. Accordingly, the Eligible Expenditures of the type discussed below will not be available to persons who acquire Units after December 31, 2005. Likewise, the Investment Tax Credits discussed below will not be available to investors who acquire Units after December 31, 2005.

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 2005, CEE and Eligible CDE which such corporation anticipates incurring prior to December 31, 2006 may generally be renounced effective December 31, 2005 to the Partnership and allocated to the Limited Partners who are Limited Partners as of December 31, 2005. If CEE and Eligible CDE renounced by March 31, 2006 effective December 31, 2005 is not, in fact, incurred in 2006, the Partnership will have its CEE reduced accordingly as of December 31, 2005. However, none of the Limited Partners will be charged interest on any unpaid tax arising as a result of such reduction before May 2007.

Provided that a Limited Partner continues to be a Limited Partner at the end of a particular fiscal year 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 year. 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

A Limited Partner who is an individual other than a trust may be entitled to a Federal non-refundable investment tax credit equal to 15% of a certain type of CEE renounced to the Partnership and allocated to the Limited Partner. Generally, the CEE that gives rise to the 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.

This Federal ITC can be used by the Limited Partners 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 the credit may be claimed in the following ten years or the preceding three years. To the extent the Federal ITC is applied in a year, it is deducted from the Limited Partner’s Cumulative CEE account for the following taxation year.

Saskatchewan also offers an Investment Tax Credit (the “Saskatchewan Provincial ITC” or “METC”) in respect of eligible individuals that are deemed to incur the type of CEE described above for the Federal ITC.

An eligible mineral exploration corporation may apply to the Minister for Saskatchewan Industry and Resources, in accordance with *The Mineral Exploration Tax Credit Regulations* under *The Mineral Resources Act, 1985* (as amended) (collectively the “METC Regulations”), for approval to issue METCs to eligible individuals who purchase eligible flow-through shares of that corporation to enable the corporation to finance flow-through mining expenditures in Saskatchewan. Such mineral exploration tax credit is an amount equal to 10% of the eligible individual’s eligible flow-through mining expenditures for the year determined in accordance with the METC Regulations. Saskatchewan METCs are deemed to be “assistance” in respect of the CEE incurred, and a Limited Partner’s Cumulative CEE pool will be reduced by the amount of any such credit in the year that the Limited Partner becomes entitled to receive the credit and, therefore, the amount of such deduction will be included in determining the taxpayer’s taxable income in that year.

Income Tax Withholdings and Instalments

Limited Partners who are employees and have income tax withheld at source from remuneration paid by an employer may request the CRA to authorize a reduction in such withholding. The CRA has, however, a discretionary power to refuse such a request.

Limited Partners who are required to pay income tax on an instalment basis may take into account their share, subject to the “at-risk” rules and “tax shelter investment” rules, of the CEE, ITCs and any income or loss of the Partnership in determining their instalment remittances.

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 the subscription 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. A Limited Partner who is considering disposing of Units during a fiscal period of the Partnership should obtain specific tax advice as to the calculation of the adjusted cost base of his Units.

Dissolution of the Partnership and Reorganization Transactions

If the Partnership is dissolved following the disposition of all of its assets for cash proceeds the Limited Partners will be allocated their proportionate share of any income of the Partnership resulting from such disposition. If the Partnership distributes its assets to Limited Partners on the dissolution of the Partnership, such distribution will generally constitute a disposition by the Partnership of such assets for deemed proceeds of disposition equal to their fair market value and Limited Partners will be allocated their proportionate share of the income of the Partnership resulting from such disposition. So far as the assets of the Partnership consist of Flow-Through Shares, the Partnership will incur taxable capital gains equal to one-half of the proceeds of disposition of the Flow-Through Shares net of reasonable costs of disposition. The dissolution of the Partnership and distribution of cash proceeds or assets to the Limited Partners will result in a disposition by Limited Partners of their Units for an amount equal to the cash proceeds or fair market value of the assets, as the case may be, distributed to them. The adjusted cost base of the Units to Limited Partners will generally be increased by the capital gains allocated to them in respect of the income of the Partnership allocated prior to dissolution of the Partnership.

In certain circumstances, the *Tax Act* may permit the dissolution of the Partnership to occur on a tax-deferred basis, subject to the filing of certain elections with the CRA. This would include a circumstance where the Partnership is liquidated on a basis whereby each Limited Partner receives an undivided pro rata share of each asset of the Partnership (including Flow-Through Shares). It is the CRA's administrative position that shares so distributed may be partitioned on a tax-deferred basis provided that the shares may be partitioned under the relevant law.

Another alternative for a tax-deferred dissolution of the Partnership may be whereby the Partnership disposes of all of its assets for shares of a mutual fund corporation and the Partnership is dissolved within 60 days of making the exchange such that at the time of the dissolution its only assets consist of cash or shares of the mutual fund corporation. In such event, provided the appropriate elections are made and filed in a timely manner, no taxable capital gains will be realized by the Partnership from the transfer. The mutual fund corporation would acquire each asset of the Partnership at the cost amount equal to the lesser of the cost amount thereof to the Partnership and the fair market value of the asset on the transfer date. Provided that the dissolution of the Partnership takes place within 60 days of the transfer of assets to the mutual fund corporation, the mutual fund corporation's shares could be distributed to the Limited Partners with a cost for tax purposes equal to the cost of the Partnership Units held by such Limited Partner. As a result, a Limited partner would not be subject to tax in respect of such transaction.

Other Reorganization Transactions may also be structured on a tax deferred basis depending on the particulars of the transaction. However, as the particulars of any potential Reorganization Transaction are not known at this time, the specific tax consequences to Limited Partners that may result from such transaction cannot be known at this time.

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 thereof 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 16%. 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 \$500,000 capital gains deduction that is available on the disposition of certain qualifying small business corporation shares and farm property.

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.

12. REMUNERATION OF DIRECTORS AND OFFICERS

None of the directors or officers of the General Partner were remunerated for their services as such in the fiscal year ended December 31, 2005. However, under the terms of the Partnership Agreement, the General Partner is entitled to 0.1% of the income or loss of the Partnership for each fiscal year and, for each fiscal quarter, is entitled to receive a management fee equal to 0.5% of the Net Asset Value of the Partnership calculated on the last business day of the relevant fiscal quarter. As of December 31, 2005, \$8,324 in such management fees had accrued. Additionally, the Partnership Agreement provides for a performance bonus to be paid to the General Partner upon dissolution of the Partnership or implementation of a Reorganization Transaction. This amount is to be 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. Also, the Partnership entered into a loan agreement (the "Loan Agreement") with Mr. Tom MacNeill, the sole shareholder of the General Partner, dated December 7, 2005, pursuant to which it was provided certain demand loan facilities, including loans to pay or reimburse the Partnership for agent's fees and offering costs incurred in connection with the Offering. Pursuant to this Loan Agreement, \$422,000 was advanced to the Partnership in 2005. The Loan Agreement provides Mr. MacNeill with a general security interest in all assets of the Partnership and a pledge of all Portfolio investments. Interest is charged on the loan at the rate of the Royal Bank of Canada prime plus 2%. The loan is payable on the earlier of demand, the date preceding a Reorganization Transaction, the Dissolution Date, or March 31, 2007. As at December 31, 2005, \$2,159 of interest expense had been accrued under that Loan Facility.

13. MATERIAL CONTRACTS

The Partnership has entered into the following material contracts:

- (a) limited partnership agreement (the "Partnership Agreement") relating to the creation, operation, governance and, generally, the business and affairs of the Partnership, made as of July 19, 2005, as amended and restated September 30, 2005 between the General Partner and each person who, from time to time, becomes a Limited Partner of the Partnership in accordance with the terms of such agreement;
- (b) Investment Management Agreement made September 30, 2005 between the General Partner on behalf of the Partnership and the Investment Manager, pursuant to which the Investment Manager was appointed as investment manager to assist the General Partner in identifying, analyzing and selecting investment opportunities, in monitoring the performance of Resource Issuers and, generally, to provide advice and assistance to the General Partner in determining if and when to dispose of Flow-Through Shares in the Partnership's Portfolio and to identify, analyze and select Resource Issuers in which the proceeds of any such disposition may be reinvested; and
- (c) a Loan Agreement made between the General Partner on behalf of the Partnership and Mr. Tom MacNeill pursuant to which Mr. MacNeill has provided loans to the Partnership to pay or reimburse the Partnership for the payment of agent's fees and offering costs in connection with the Offering as well as ongoing administrative fees and expenses incurred or to be incurred after December 31, 2005.

Copies of the aforesaid material contracts may be inspected during normal business hours at the head office of the General Partner at 602 - 224 - 4th Avenue South, Saskatoon, Saskatchewan, S7K 5M5. Additionally, copies are available at the Partnership's website at www.49resourcefund.ca or at the SEDAR website at www.sedar.com.

14. LEGAL AND ADMINISTRATIVE PROCEEDINGS

As of the date of this Annual Information Form, there are no legal or administrative proceedings material to the Partnership, to which either the Partnership, the General Partner or the Investment Manager is a party.

49 NORTH RESOURCE FLOW-THROUGH LIMITED PARTNERSHIP

602 - 224 - 4th Avenue South, Saskatoon, Saskatchewan, S7K 5M5

Phone: 306-664-4626

Additional information about the Partnership is available in the Partnership's financial statements and management reports of fund performance. You can get a copy of the Partnership's financial statements, including a statement of portfolio transactions, and/or its management reports of fund performance, at no cost, by calling collect at 306-664-4626 or by e-mail at bec_bec@sasktel.net.

These documents and other information about the Partnership, such as information circulars and material contracts, are also available at www.49northresource.ca or at www.sedar.com.