



(formerly, 49 North Resource Fund Limited Partnership)

ANNUAL INFORMATION FORM

March 28, 2008

Table of Contents

| | |
|---|----|
| FORWARD LOOKING STATEMENTS | 1 |
| ELIGIBILITY FOR INVESTMENT..... | 1 |
| GLOSSARY AND EXPLANATORY NOTES | 1 |
| 1. NAME, FORMATION AND HISTORY | 4 |
| 1.1 Name and Formation | 4 |
| 1.2 Status | 4 |
| 1.3 History..... | 4 |
| 1.4 Relationship between the Issuer and the 49 North Flow-Through Funds | 6 |
| 2. INVESTMENT OBJECTIVES, FOCUS AND GUIDELINES..... | 7 |
| 2.1 Description of the Business..... | 7 |
| 2.2 Investment Authority and Guidelines..... | 8 |
| 3. DESCRIPTION OF SECURITIES | 10 |
| 3.1 Common Shares | 10 |
| 3.2 First Preferred Shares | 11 |
| 3.3 Second Preferred Shares..... | 11 |
| 4. NET ASSET VALUES AND VALUATION OF PORTFOLIO SECURITIES..... | 12 |
| 4.1 Net Asset Values | 12 |
| 4.2 Valuation of Portfolio Securities | 12 |
| 5. REDEMPTIONS, SWITCHES AND PURCHASES | 13 |
| 6. RESPONSIBILITY FOR OPERATIONS | 14 |
| 6.1 General..... | 14 |
| 6.2 Address and Contact Information..... | 14 |
| 6.3 Directors and Officers | 14 |
| 6.4 The Portfolio Manager | 15 |
| 6.5 Auditor | 16 |
| 6.6 Registrar and Transfer Agent | 16 |
| 7. CONFLICTS OF INTEREST | 16 |
| 7.1 Principal Holders of Securities..... | 16 |
| 7.2 Other Conflicts of Interest..... | 16 |
| 8. FUND GOVERNANCE | 17 |
| 8.1 Independent Review Committee | 17 |
| 8.2 Proxy Voting Policies and Procedures | 19 |
| 8.3 Use of Derivatives..... | 19 |
| 9. INCOME TAX CONSIDERATIONS | 19 |
| 9.1 Introduction | 19 |
| 9.2 Tax Considerations prior to the Conversion Transaction | 20 |
| 9.3 Tax Considerations after the Conversion Transaction..... | 21 |
| 10. REMUNERATION OF DIRECTORS, OFFICERS AND PORTFOLIO MANAGER..... | 22 |
| 10.1 Remuneration prior to January 1, 2008 | 22 |
| 10.2 Remuneration after January 1, 2008..... | 23 |
| 11. MATERIAL CONTRACTS..... | 23 |
| 12. OTHER MATERIAL INFORMATION | 23 |
| 12.1 Risk Factors..... | 23 |

FORWARD LOOKING STATEMENTS

Certain statements contained in this annual information form constitute forward-looking statements, including those identified by expressions such as “expects”, “anticipates”, “intends”, “plans”, “may”, “believes”, “seeks”, “estimates” or “appears”. These statements are not historical facts and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Manager believes that the expectations reflected in forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. These forward-looking statements speak only as of the date of this annual information form and the Manager undertakes no obligation to publicly update or revise any of these forward-looking statements.

ELIGIBILITY FOR INVESTMENT

Provided that the common shares of 49 North Resource Fund Inc. are listed on the TSX Venture Exchange (or on another stock exchange that is a “prescribed stock exchange in Canada” for the purposes of the *Income Tax Act* (Canada)), such shares will be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans.

GLOSSARY AND EXPLANATORY NOTES

Effective January 1, 2008, the investment fund formerly known as 49 North Resource Fund Limited Partnership undertook a series of transactions which are collectively referred to in this annual information form as the “January 2008 Conversion Transaction” or the “Conversion Transaction”. Amongst other things, as part of this January 2008 Conversion Transaction:

- (a) 49 North Resource Fund Limited Partnership converted from its former limited partnership structure into a corporate structure under the name 49 North Resource Fund Inc.;
- (b) the former general partner of 49 North Resource Fund Limited Partnership, which also had the name 49 North Resource Fund Inc., amalgamated with another company under the name 101110207 Saskatchewan Ltd. and that amalgamated company then immediately changed its name back to 49 North Resource Fund Inc.; and
- (c) all of the 2,798,314 limited partnership units of 49 North Resource Fund Limited Partnership that were outstanding immediately prior to the Conversion Transaction were consolidated on a one for two basis into, and exchanged for, a total 1,399,577 common shares in the capital stock of the post-amalgamation 49 North Resource Fund Inc. On January 2, 2008 these common shares were listed for trading on the TSX Venture Exchange under the trading symbol FNR, in substitution for the previously listed units which had traded under the symbol FNR.UN and which were cancelled as a result of the Conversion Transaction.

For convenience of reference, when used in this annual information form:

“Corporation” means 49 North Resource Fund Inc., from and after January 1, 2008.

“Partnership” means 49 North Resource Fund Limited Partnership, a limited partnership that existed under the laws of Saskatchewan from July 20, 2005 until it was wound-up and dissolved effective January 1, 2008 as part of the Conversion Transaction.

“49 North” and “Issuer”, when used with reference to the period from and after January 1, 2008, mean the Corporation and, when used with reference to the period prior to January 1, 2008, mean the Partnership.

Also, the Issuer is one of a number of investment funds under common management which are sometimes referred to collectively as the “49 North Group”. Other members of the 49 North Group include a series of limited partnerships that are referred to herein as, respectively, the “2006 Fund”, “2007 Fund” and “2008 Fund”. For greater clarity:

“2006 Fund” means 49 North 2006 Resource Flow-Through Limited Partnership, which was constituted as a limited partnership under the laws of Saskatchewan in January 2006 and was wound-up and dissolved in February 2007;

“2007 Fund” means 49 North 2007 Resource Flow-Through Limited Partnership, which was constituted as a limited partnership under the laws of Saskatchewan in January 2007 and was wound-up and dissolved in February 2008;

“2008 Fund” means 49 North 2008 Resource Flow Through Limited Partnership, which was constituted as a limited partnership under the laws of Saskatchewan in December 2007.

See also Item 1.3, “History”.

Additionally, as used in this annual information form, unless the context indicates otherwise:

“AIF” means this annual information form.

“Applicable Securities Legislation” means the securities legislation and regulations in each of the provinces and territories of Canada which have jurisdiction over the Issuer or the trading in securities of the Issuer and includes all applicable rules, general rulings, orders, national, multi-lateral and local instruments adopted by the respective Securities Regulators, or otherwise in force, in such jurisdictions.

“Fiscal Quarter” means the three month interim periods ending on the last day of March, June, September and December, respectively, in each Fiscal Year of the Issuer.

“Fiscal Year” or “Fiscal Period” means a fiscal year of the Issuer ending December 31 of each year.

“flow-through partnership” or “flow-through fund” is meant as a reference to an investment fund (whether or not a member of the 49 North Group) such as a limited partnership or other entity that invests in flow-through shares of resource issuers with the intent that the holders of the securities of the flow-through fund (such securities being sometimes referred to herein as “flow-through units”) will be able to claim, subject to the provisions of the Tax Act and similar Canadian provincial or territorial income tax legislation, deductions in computing their taxable income as a result of CEE renounced to the fund by such resource issuers and/or, in certain cases, claim certain federal or provincial income tax credits (“ITCs”) relating to CEE incurred by certain mining companies engaged in specified surface “grass-roots” mining activities, as defined in the Tax Act (“Federal ITCs”) or in similar Canadian provincial or territorial income tax legislation (“Provincial ITCs”), as applicable.

“General Partner” means the corporation which, under the name 49 North Resource Fund Inc., but prior to its amalgamation with 101110207 Saskatchewan Ltd as part of the Conversion Transaction, served as the general partner of the Partnership.

“Manager” and “Board”, when used with reference to the period from and after January 1, 2008, means the board of directors of the Corporation and, when used with reference to the period prior to January 1, 2008, means the board of directors of the General Partner.

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

“Partnership Agreement” means the amended and restated limited partnership agreement in respect of the Partnership made effective October 26, 2006 between the General Partner and each person who was or from time to time became a Limited Partner in accordance with the terms thereof, which Partnership Agreement governed the Issuer prior to the Conversion Transaction.

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

“Portfolio Management Agreement” has the meaning given that term in Item 6.4 of this AIF.

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

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

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

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

“Tax Act” means the *Income Tax Act* (Canada) and/or the Regulations thereunder, as amended from time to time, and words and phrases that are defined in the Tax Act, and are not otherwise defined herein, including without limitation, the terms “flow-through share”, “Canadian exploration expense” and “Canadian development expense” (and their abbreviated forms “CEE” and “CDE” as used herein), “related corporation”, “principal-business corporation” and “adjusted cost base” have the same meanings herein as therein.

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

“TSXV” or “Exchange” means the TSX Venture Exchange.

Unless otherwise indicated, all reference in this AIF to dollar amounts or currency mean Canadian dollars.

1. NAME, FORMATION AND HISTORY

1.1 Name and Formation

49 North Resource Fund Inc. was continued as a corporation under the laws of Saskatchewan pursuant to articles of amalgamation, as amended by article of amendment, registered under the SBCA on January 1, 2008 and restated as of January 17, 2008; and is the successor by reorganization to 49 North Resource Fund Limited Partnership which was constituted as a limited partnership under the laws of Saskatchewan, originally under the name 49 North Resource Flow-Through Limited Partnership, pursuant to a declaration of limited partnership registered under the Registration Act and the Partnership Act on July 20, 2005, which declaration was amended November 8, 2006 to, amongst other things, change the name of the Partnership to 49 North Resource Fund Limited Partnership.

The companies that amalgamated to form the Corporation included 49 North Resource Fund Inc., which was incorporated pursuant to the SBCA on October 13, 2004 under the name 101062093 Saskatchewan Ltd. and amended its articles effective May 11, 2005 to change its name to 49 North Resource Fund Inc. and which, prior to the Conversion Transaction was the general partner of the Partnership; and 101110207 Saskatchewan Ltd. which was incorporated pursuant to the SBCA on October 30, 2007 for the sole purpose of facilitating the reorganization of 49 North from its former structure as a limited partnership to its current structure as a corporation pursuant to the Conversion Transaction.

The head office of the Issuer is located at 602 - 224 - 4th Avenue South, Saskatoon, Saskatchewan, S7K 5M5. Its registered office is 374 - 3rd Avenue South, Saskatoon, Saskatchewan, S7K 1M5.

1.2 Status

The Corporation is an “investment fund” and, more specifically, is a “non-redeemable investment fund” as defined in Applicable Securities Legislation, or what is sometimes referred to as a “closed-end fund”. It is not a “mutual fund”.

1.3 History

The Issuer is one of a number of investment funds under common management which are sometimes referred to collectively as the “49 North Group”. The Group also includes a series of flow-through funds that are organized on an annual or more frequent basis and act as a window for investing in the listed shares of Issuer in a manner that permits investors to take advantage of tax incentives associated with investments in flow-through shares. Other members of the 49 North Group include (or have included) the 2006 Fund, 2007 Fund and 2008 Fund.

The Issuer was formed as the first member of the 49 North Group in July 2005, originally as a flow-through fund, under the name 49 North Resource Flow-Through Limited Partnership; and in December of 2005 raised \$6,000,000 on the sale of 1,200,000 limited partnership units (“units”) at \$5.00 per unit in an initial public offering in Saskatchewan pursuant to a prospectus dated September 30, 2005 and in related private placements outside of Saskatchewan (the “2005 Offering”). Under the partnership agreement by which the Issuer was then governed (the “Original Agreement”), the Issuer’s investment objective was to invest its available funds in flow-through shares, with the focus on resource companies with exploration programs in Saskatchewan and with a view to achieving capital appreciation of the Issuer’s investment portfolio (the “Portfolio”) and maximizing the tax benefits of an investment in the units for its limited partners. In furtherance of that objective, the proceeds of the 2005 Offering were invested in an initial Portfolio of flow-through shares of 14 resource companies. Generally, investors under the 2005 Offering who were limited partners of the Issuer as of December 31, 2005 were able to deduct their *pro rata* share of the CEE so renounced in computing their taxable income in 2005. Also, subject to certain limitations, such investors were able to claim a 15% non-refundable Federal ITC and investors resident in Saskatchewan were generally able to claim an additional 10% non-refundable Saskatchewan Provincial ITC on funds invested by 49 North in flow-through shares of certain mining companies engaged in “specified surface grass roots mining” activities in Saskatchewan.

The Original Agreement contemplated that the Partnership would continue only until March 31, 2007 unless such date was extended by extraordinary resolution of the limited partners. The Original Agreement and the Partnership's prospectus in respect of the 2005 Offering also contemplated, as an alternative to such dissolution, and in order to provide potential liquidity and long-term growth of capital to limited partners, that the General Partner would call a meeting of limited partners in 2006 for the purpose of considering and, if thought fit, approving by ordinary resolution a "reorganization transaction" pursuant to which the General Partner would be authorized to sell and transfer all or substantially all of the assets of the Partnership or, as attorney and agent for each limited partner, to sell and transfer all units of the Partnership and all of the interests of the respective limited partners in the Partnership, on a tax deferred basis, to a mutual fund corporation or another appropriate investment vehicle, such as a publicly listed corporation or a limited partnership (a "Public Entity"), in exchange for shares, limited partnership units and/or other securities of such Public Entity and to thereupon or as soon as reasonably possible thereafter distribute the shares or other securities so received to the limited partners on a *pro rata* basis. Subsequently, however, the General Partner determined that there were no suitable Public Entities which had the unique focus that the Partnership had on the Saskatchewan resource sector or that had a similar depth of experience in Saskatchewan's resource sector. Accordingly, the General Partner recommended to the limited partners that, rather than transferring assets or units to another Public Entity in a reorganization transaction of the type described above, it would be in the best interests of the Partnership and the limited partners to amend the Original Agreement to, in effect, convert the Partnership into a closed-end investment fund and to list the units of the Partnership on a stock exchange. At a special meeting held September 19, 2006 the limited partner's approved, by extraordinary resolution, the General Partner's recommendations in this regard and the General Partner caused the Original Agreement to be amended and restated in accordance with this extraordinary resolution effective October 26, 2006 to, amongst other things, change the name of the Partnership from 49 North Resource Flow-Through Limited Partnership to 49 North Resource Fund Limited Partnership; increase the Partnership's authorized capital from 1,200,000 to an unlimited number of units; change the Partnership's investment objective, strategy and guidelines to de-emphasize income tax considerations and to clarify that the Partnership could now invest in securities of resource issuers whether or not such securities were flow-through shares; and to extend the term of the Partnership;

Effective December 28, 2006 the Partnership's units were listed on the TSXV (trading symbol FNR.UN).

In January 2006, the 2006 Fund was established as the second member of the 49 North Group. Between July and December 2006, the 2006 Fund raised \$8,115,030 on the sale of 1,623,006 limited partnership units (the "2006 Units") at \$5.00 per unit in an initial public offering in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario, pursuant to a prospectus dated May 18, 2006 as amended August 17, 2006, and in related private placements (the "2006 Offering"). Prior to December 31, 2006, the 2006 Fund invested a substantially equal amount in a portfolio of flow-through shares of 24 resource companies, resulting in investors in the 2006 Offering being able to claim income tax deductions and related Federal ITCs in 2006 in a manner similar to those available in 2005 to investors in 49 North's inaugural offering as described above. Saskatchewan Provincial ITCs were not available to investors in the 2006 Fund (or the 2007 Fund) as the Saskatchewan program for such tax credits was discontinued in early 2006.¹

Effective February 21, 2007, the 2006 Fund was merged into the Issuer pursuant to a reorganization transaction (the "2006 Fund Reorganization Transaction") wherein the outstanding 2006 Units were exchanged for units in the Issuer at a conversion ratio of approximately 0.985 units in the Issuer for each of the 1,623,006 units of the 2006 Fund (reflecting the relative net asset values of the respective units of the two funds). Subsequently, the 2006 Fund was wound up and dissolved. As a result of the 2006 Fund Reorganization Transaction, the equity capital of the Issuer was increased by 1,598,314 units to a total of 2,798,314 units.

The 2007 Fund was established as the third member of the 49 North Group in January 2007 and filed a prospectus dated July 19, 2007 with the Securities Regulators in all provinces of Canada, other than Quebec. The 2007 Fund raised a total of \$9,327,700 on the sale of 932,770 units at \$10.00 per unit under that prospectus offering (and a small related private placement in Quebec) (the "2007 Offering") in two closings held August 8 and October 10, 2007. Prior to December 31, 2007, the 2007 Fund invested a substantially equal amount in a portfolio of flow-through shares, resulting in investors in the 2007 Offering being expected to be able to claim income tax deductions

¹ On March 19, 2008 the Government of Saskatchewan announced as part of the Saskatchewan Provincial Budget that it was reinstating the 10% Saskatchewan Provincial mineral exploration tax credit for flow-through shares purchased under agreements entered into after March 31, 2008.

and related Federal ITCs in 2007 in a manner similar to those available to investors in the 2005 and 2006 Offerings, respectively, as described above.

Effective January 1, 2008, the Issuer completed the Conversion Transaction, thereby converting from its former limited partnership structure into its current corporate structure. At that time all of the outstanding limited partnership units of the Partnership were consolidated and exchanged for common shares of the Corporation on a one common share for every two units basis, resulting in a total of 1,399,157 common shares being issued to 49 North's (former) limited partners. At the same time, a \$2,000,000 secured convertible debenture issued by the Partnership in June 2007 was converted into 200,000 second preferred series 1 shares of the Corporation. The common shares issued in the Conversion Transaction began trading on the TSXV (trading symbol FNR) on January 2, 2008, in substitution for the previously listed units which were cancelled as a result of that transaction. Ancillary to the Conversion Transaction the Issuer adopted new investment guidelines as described in Item 2 of this AIF.

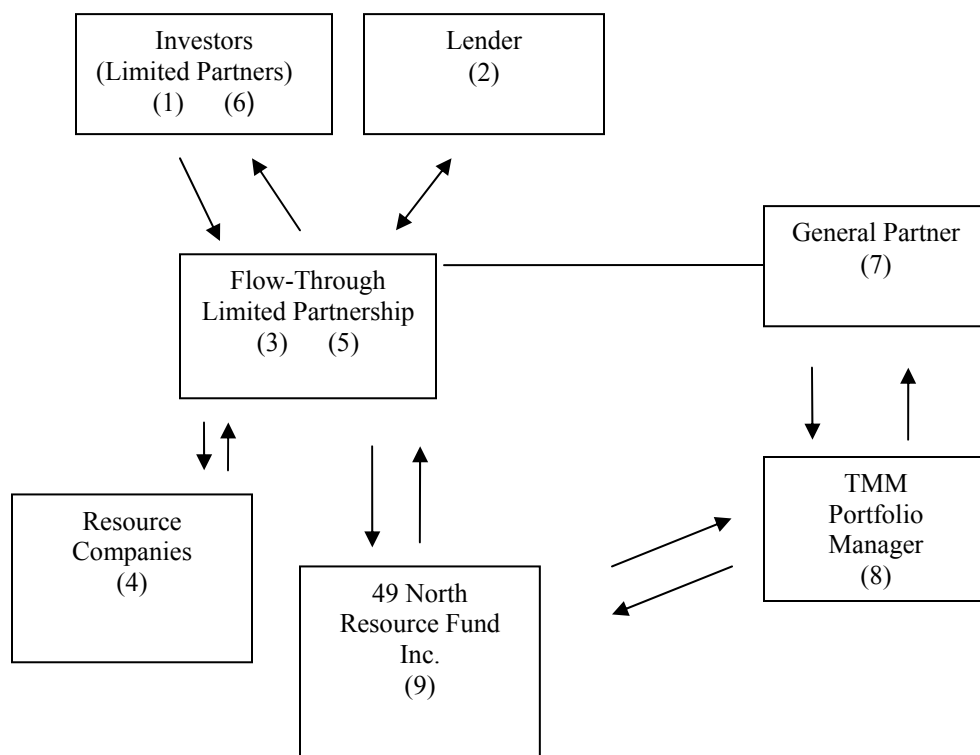
Effective February 14, 2008, the Issuer and the 2007 Fund completed a transaction (the "2007 Fund Roll-over Transaction") pursuant to which all of the assets of the 2007 Fund were transferred on a tax deferred basis to, and in exchange for a total of 497,520 common shares in the capital stock of, the Issuer; with the number of common shares so issued reflecting the respective tax adjusted net asset values of the Issuer and the 2007 Fund as of February 14, 2008. Following this transfer, 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 security holders resulting in each (former) limited partner / unitholder of the 2007 Fund receiving 0.533325741 common shares of the Issuer for each limited partnership unit of the 2007 Fund they previously held. As a result of the 2007 Fund Roll-over Transaction, the number of outstanding common shares of the Issuer increased to a total of 1,896,677 shares.

On July 17, 2007 the Partnership announced that it was commencing a normal course issuer bid to acquire, through the facilities and in accordance with the requirements of the TSXV, over the period July 23, 2007 to not later than July 23, 2008, up to 276,041 of its units (138,020 common shares after giving effect to the January 2008 Conversion Transaction) representing approximately 9.86% of the outstanding units and 10% of the Partnership's "public float". outstanding as of such date. As at the date of this AIF, the Issuer has purchased a total of 2,000 shares under this normal course issuer bid, all of which shares have been purchased in March of 2008.

The 2008 Fund was established as the fourth member of the 49 North Group effective December 11, 2007 and filed a prospectus dated February 12, 2008 with the Securities Regulators in all provinces and territories of Canada for an initial public offering, at \$10 per unit, of a minimum of 300,000 (\$3,000,000) and a maximum of 1,500,000 (\$15,000,000) limited partnership units (the "2008 Offering"). An initial closing of the 2008 Offering was completed on February 28, 2008 with the 2008 Fund receiving gross proceeds of \$5,563,720 on the sale of 556,372 units. One or more subsequent closings of the 2008 Offering is expected to be held on or prior to May 12, 2008. The 2008 Fund intends to invest the proceeds of the 2008 Offering in flow-through shares prior to December 31, 2008, in a manner similar to the investments made by the 2006 and 2007 Funds, resulting in investors in the 2008 Offering being expected to be able to claim income tax deductions and related ITCs in 2008 in a manner similar to those available to investors in the 2005, 2006 and 2007 Offerings. Also, as more particularly described in the 2008 Fund's prospectus, the 2008 Fund entered into a transfer agreement (the "2008 Fund Transfer Agreement") with the Corporation dated February 12, 2008, pursuant to which it is anticipated that the assets of the 2008 Fund will be transferred to the Issuer in exchange for common shares pursuant to a proposed roll-over transaction that is expected to be implemented in February 2009 (the proposed "2008 Fund Roll-over Transaction").

1.4 Relationship between the Issuer and the 49 North Flow-Through Funds

The diagram on the following page illustrates the underlying investment concept and organizational structure of the various 49 North Flow-Through Funds and the relationship between the 49 North Flow-Through Funds and the listed fund, 49 North Resource Fund Inc. This diagram is provided for illustration purposes only and is qualified by the information set forth in the prospectuses and other statutory filings of the different members of the 49 North Group, copies of which are available on SEDAR at www.sedar.com.



- (1) Investors subscribe for flow-through units in the initial public offering of a 49 North Flow-Through Fund that is structured as a limited partnership and become limited partners in such partnership.
- (2) Lender provides loan facilities to the Flow-Through Fund to finance agent fees, offering costs and initial administrative costs.
- (3) The Flow-Through Fund invests the gross proceeds of its initial public offering in a portfolio of flow-through shares of resource companies.
- (4) The investee resource companies renounce CEE to the Flow-Through Fund.
- (5) The Flow-Through Fund allocates the CEE renounced to it by its investee resource companies, *pro rata*, to its investors / limited partners.
- (6) The investors claim CEE allocated to them by the Flow-Through Fund and, if applicable, claim related Investment Tax Credits in calculating their taxable income for the year of their investment, thereby potentially significantly reducing the respective investors' after tax cost of investment.
- (7) The general partner manages the Flow-Through Fund and supervises and directs the Portfolio Manager in the management of the Fund's portfolio of flow-through shares.
- (8) The Portfolio Manager provides advice to the general partner and manages the Flow-Through Fund's investment portfolio, as well as managing the investment Portfolio of the listed fund, 49 North Resource Fund Inc.
- (9) In the year following the investors' investment in the flow-through units, the Flow-Through Fund transfers its investment portfolio to 49 North Resource Fund Inc and the investors' flow-through units are exchanged for common shares of the listed fund; thereby providing investors with secondary market liquidity for their investment by being able to trade their shares on a stock exchange and, if desired, contribute their shares to a self-directed registered retirement savings plan.

2. INVESTMENT OBJECTIVES, FOCUS AND GUIDELINES

2.1 Description of the Business

The Issuer's business is to invest in and manage a diversified portfolio (the "Portfolio") of securities of resource companies. Subject to the overall power and authority of the Board to direct the management of the business and

affairs of the Corporation, the Issuer's investment and portfolio management functions are carried out by its portfolio manager, TMM Portfolio Management Inc.

Management has designed and manages the Issuer to appeal primarily to investors interested in achieving medium to long-term capital appreciation of their investment through the prudent management of the Portfolio and the growth in value of the Portfolio. In the opinion of management, income tax benefits from the ability to deduct CEE, and potentially claim ITCs, although an important factor to consider in connection with investment in a 49 North Flow-Through Fund, is of secondary importance to the Issuer.

2.2 Investment Authority and Guidelines

General

49 North has the power and authority to invest its funds in any investments that pursuant to Applicable Securities Legislation are lawfully permitted investments for "non-redeemable investments funds" and on such terms and conditions as may be determined by its Board, or, subject to the terms of the Portfolio Management Agreement, as may be determined by TMM. Investments may be made in either the primary market under public offerings or on a private placement basis, or in the secondary market, and the power to invest includes the power to dispose of securities and reinvest the net proceeds from any such disposition in other securities. Without limiting this general investment power and authority, substantially all of the funds of 49 North (the "Available Funds") are invested in "resource securities", other than reasonable reserves that are set aside for working capital purposes such as the payment of ongoing operating and administrative costs, debt service, management fees and expenses and similar costs.

In investing Available Funds and managing the Portfolio, the Board and TMM are guided by the following policies and guidelines (all of which are sometimes referred to herein, collectively, as the "Investment Guidelines")¹.

Resource Securities

Generally, all Available Funds are invested in "resource securities". For these purposes, "resource securities" or "securities" include, and the Portfolio is comprised primarily of, common shares or other equity or equity-linked securities in the capital of "resource companies". The Portfolio may also include special warrants, warrants, options, rights and/or other convertible securities entitling the holder to acquire equity securities in the capital of resource companies; as well as debt instruments of resource companies, including without limitation, convertible debentures and/or other debentures, bonds, commercial paper or other evidence of indebtedness, whether or not convertible into equity securities; and may also include derivative instruments. 49 North may invest in flow-through shares of resource companies but it is not in any way restricted to investing in flow-through shares.

Resource Companies

Generally, for the purposes of the Investment Guidelines, a "resource company" or "resource issuer" means any company or other entity that, directly or indirectly, is engaged or intends to engage in mining or exploring for minerals (a "mining issuer" or "mining company") and/or exploring or drilling for petroleum or natural gas (an "oil and gas issuer" or "oil and gas company"). Resource companies may also be issuers engaged, or that intend to engage, in the generation of electricity or other energy forms through alternative means or the development of projects for alternative energy generation such as "clean-coal" power production, wind power or solar power, or for the production of alternative fuels ("alternative energy companies"). Also, although 49 North primarily invests directly in resource companies, it may also invest indirectly, such as by investing in the securities of other resource based investment funds.

¹ Percentage limitations in the Investment Guidelines apply only immediately prior to the purchase of the securities and any subsequent change in any applicable percentages resulting from changing values do not require elimination of any security from the Portfolio.

Resource Sectors

There are no fixed restrictions or requirements as to the amount of Available Funds that must be invested in any particular sector of the resource industry and no fixed restrictions or requirements as to the geographical locations in which investee resource companies conduct their exploration and/or development activities. The sectoral mix of the Portfolio changes over time as a result of changes in the market prices or values of Portfolio securities and/or as a result of trading activity by the Corporation in response to evolving conditions in the resource sector and market opportunities.

Size and Types of Resource Companies

49 North's investment Portfolio focuses on junior and intermediate resource companies, with Available Funds invested predominantly in resource companies that are listed on the TSXV. However, 49 North may invest in securities of any resource company regardless of if or on what stock exchange such securities are listed, regardless of the status or stage of development of the investee company's exploration, development or other business activities, and regardless of the size or market capitalization of the investee company. A significant portion of Available Funds may at any time or from time to time be invested in unlisted securities, including securities acquired under private placements of what are commonly referred to as "founders shares" or "seed-capital shares", securities that may otherwise be issued by a resource company prior to completing feasibility studies including, without limitation, a Form 43-101F1 Technical Report, or securities that may otherwise be issued prior to a resource company becoming a "reporting issuer". Accordingly, certain of the securities in 49 North's Portfolio may be subject to continuing re-sale and other trading restrictions under Applicable Securities Legislation and/or, regardless of such restrictions, may be illiquid. Investing in relatively smaller companies that are listed on a junior exchange (or are not listed) may be considered to be riskier than investing in securities of relatively larger companies whose securities are listed on a senior exchange such as the TSX. On the other hand, the potential returns on investment in smaller, relatively early stage companies may be greater.

Investment Considerations

49 North and/or the Portfolio Manager, when considering investing in any particular resource company, will consider, without limitation, the experience of management on a general, overall basis and with specific consideration 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 company; pricing of the securities and the relative value, liquidity and potential for growth in value of the securities of the resource company. Also, to the extent available, 49 North and/or the Portfolio Manager may consider engineering reports and other information regarding the exploration program to be conducted by the resource company. However, the existence and/or review of an engineering report will not necessarily be a condition or requirement of 49 North's investment in the securities of any particular resource company.

Diversification

Generally, 49 North will limit its investment in any single resource issuer to a maximum of 10% of Available Funds. However, with the express approval of the Board, after giving due consideration to market capitalization, price, liquidity, and other relevant factors, up to 20% of Available Funds may be invested in any particular, publicly traded resource company.

No Control

Generally, 49 North will not invest for the purpose of exercising or seeking to exercise control of an issuer or for the purposes of being actively involved in the management of any issuer in which it invests. Generally, this means that it will not purchase more than 9.99% of the voting securities in any publicly listed resource issuer in which it may invest, and not greater 19.99% of the voting securities in any other resource issuer in which it may invest. In isolated instances the Corporation may acquire 20% or more of the voting securities of a non-listed resource issuer, but only if, in the circumstances, such investment would not result in the Corporation being considered a "control person" in relation to such issuer under Applicable Securities Legislation and/or subject to the Corporation obtaining such

discretionary orders or approvals of applicable regulatory authorities as may be necessary so as to not jeopardize its status as an “investment fund” for the purposes of Applicable Securities Legislation.

Restriction on Underwriting

49 North will not act as an underwriter except to the extent that it may be deemed to be an underwriter in connection with the sale of securities in its investment Portfolio.

Derivatives

In addition to investing in resource securities as described above, 49 North may invest in derivative instruments that are consistent with its overall investment objective. In that regard, although the Corporation may invest in derivatives for non-hedging or speculative purposes, generally, the Corporation expects to use derivatives with the intention of offsetting or reducing risks associated with an investment or group of investments in resource securities and may use derivatives rather than direct investments in resource companies to reduce transaction costs, achieve greater liquidity, create effective exposure to broader markets or increase speed and flexibility in making Portfolio changes. The Corporation may seek to enhance the return to its Portfolio through the use of derivatives by seeking to reduce the potential for loss or by accepting a more certain lower return rather than seeking a less certain higher potential return. Derivatives may be used by the Corporation to position its investment Portfolio so that it may profit from declines in financial markets. Subject to applicable laws, the derivatives that the Corporation may invest in or use may include, without limitation, clearing corporation options, stock exchange indexes or index funds, future contracts, options on futures, over-the-counter put or call options, forward contracts, debt-like securities and listed or unlisted warrants and the Corporation may invest in or use such derivatives for hedging purposes and for non-hedging purposes.

Changes to Investment Objectives

The investment objectives and Investment Guidelines have been adopted as policies of the Corporation by the Board. The Investment Guidelines may be supplemented, amended or terminated by the Board at any time in its discretion.

3. DESCRIPTION OF SECURITIES

The Corporation’s authorized capital consists of an unlimited number of common shares; an unlimited number of first preferred shares, issuable in series; and an unlimited number of second preferred shares, issuable in series, including second preferred series 1 shares (the “Series 1 Shares”). No series of first preferred shares has been created and no series of second preferred shares, other than the Series 1 Shares, has been created.

As at the date of this AIF, 1,894,677 common shares and 200,000 Series 1 Shares are issued and outstanding, after accounting for common shares that were purchased by the Corporation pursuant to the normal course issuer bid described in Item 1.3, “History” and are to be cancelled.

3.1 Common Shares

Each common share entitles its holder to receive notice of and attend all annual and special meetings of shareholders of the Corporation, other than meetings at which only the holders of another particular class or series are entitled to vote and each such common share entitles its holder to one vote. The holders of common shares are entitled to receive, out of amounts properly applicable to the payment of dividends, such dividends on the common shares as may be declared by and in the discretion of the Board from time to time. Additionally, the holders of common shares are entitled to share equally in any distribution of the assets of the Corporation upon the liquidation, dissolution or winding up of the Corporation or other distribution of its assets among its shareholders. The rights of the holders of common shares to participate in dividends and upon winding-up of the Corporation are subject to the prior rights, privileges, restrictions and conditions attached to any issued and outstanding first preferred shares or second preferred shares.

3.2 First Preferred Shares

The first preferred shares may be issued from time to time in one or more series, with the terms of each series, including the number of shares, the designation, rights, including voting rights, preferences, privileges, priorities, restrictions, conditions and limitations to be determined at the time of creation of each such series by the Board without shareholder approval, provided that all first preferred shares will rank, with respect to dividends and return of capital in the event of liquidation, dissolution, winding up or other distribution of assets of the Corporation for the purposes of winding up its affairs, *pari passu* among themselves and in priority to all outstanding common shares and any outstanding second preferred shares.

3.3 Second Preferred Shares

The second preferred shares may be issued from time to time in one or more series, with the terms of each series, including the number of shares, the designation, rights, including voting rights, preferences, privileges, priorities, restrictions, conditions and limitations to be determined at the time of creation of each such series by the Board without shareholder approval, provided that all second preferred shares will rank, with respect to dividends and return of capital in the event of liquidation, dissolution, winding up or other distribution of assets of the Corporation for the purposes of winding up its affairs, *pari passu* among themselves, subject to the rights, privileges, restrictions and conditions attached to any issued and outstanding first preferred shares and in priority to all common shares.

Second Preferred Series 1 Shares

In addition to the rights, preferences, privileges, priorities, restrictions, conditions and limitations attaching to second preferred shares as a class, the Series 1 Shares entitle their holders to the following rights, privileges, restrictions and conditions:

- The Series 1 Shares are non-voting and the holders of Series 1 Shares are not entitled to receive notice of or attend at annual or special meetings of shareholders, other than meetings at which, pursuant to the SBCA, the holders of the second preferred shares and/or Series 1 Shares are entitled, as a class or series, to vote, in which case each Series 1 Share entitles its holder to one vote.
- The holders of Series 1 Shares are entitled to receive, out of monies properly applicable to the payment of dividends and after the payment of any dividends payable on the first preferred shares, if any, a fixed, cumulative, annual, dividend (the "Preferential Dividend") in the amount, per annum, equal to 9% of the price at which the Series 1 Shares are issued or deemed to be issued, which for these purposes means \$10 per share (the "Issue Price"), resulting in an annual dividend in the amount of \$0.90 per share (pro rated in the event that a Series 1 Share is outstanding for less than an entire year), which Preferential Dividend shall be declared and paid effective as of January 1 of each year commencing January 1, 2009, and/or effective as of the day immediately preceding the day that such shares are redeemed or converted into common shares in accordance with the provisions attaching to such shares. The holders of Series 1 Shares are not otherwise entitled to participate in any dividends.
- In the event of the liquidation, dissolution, winding up or other distribution of assets of the Corporation for the purpose of winding up its affairs, the holders of Series 1 Shares are entitled to receive, *pari passu* among themselves and in priority to all outstanding common shares, but subject to the rights, privileges, restrictions and conditions attaching to any issued and outstanding first preferred shares, an amount, per share, equal to the Issue Price plus any Preferential Dividends that have accrued but are unpaid as of the date immediately preceding the date of dissolution. The holders of Series 1 Shares are not otherwise entitled to participate in the liquidation, dissolution, winding up or other distribution of assets of the Corporation for the purpose of winding up its affairs.
- Each and any Series 1 Share may be converted at any time, at the option of the holder, into one common share (subject to conventional anti-dilution adjustments). Additionally, if and when both the net asset value per common share and the average market price of the common shares on any stock exchange on which such common shares are then listed reaches \$12 per share for a period of at least 60 consecutive days, the Corporation will have the right to require the holders of Series 1 Shares to elect either to (a)

convert each of the then outstanding Series 1 Shares into an equal number of common shares (subject to conventional anti-dilution adjustments), or to have the Corporation redeem such Series 1 Shares at an amount equal to 120% of the aforesaid Issue Price plus any Preferential Dividends that have accrued but are unpaid as of the date immediately preceding the date of such redemption. Pending achieving these targets, the Corporation may, at its option, on notice to the holders of all Series 1 Shares that are then outstanding, and subject to the holders, at their option, converting such Series 1 Shares into common shares as aforesaid, redeem all but not less than all of the Series 1 Shares that are then outstanding for a redemption price equal to the aforesaid deemed Issue Price plus any Preferential Dividends that have accrued but are unpaid as of the date immediately preceding the date fixed by the Corporation for such redemption, plus, if applicable, an early redemption premium, calculated as a percentage of the aforesaid deemed Issue Price. This early redemption premium will be 10% of the Issue Price in respect of shares redeemed before May 1, 2008; 8% in respect of shares redeemed on or after May 1, 2008 but on or prior to April 30, 2009; 6% in respect of shares redeemed on or after May 1, 2009 but on or prior to April 30, 2010; 4% in respect of shares redeemed on or after May 1, 2010 but on or prior to April 30, 2011; and 2% in respect of shares redeemed on or after May 1, 2011 but on or prior to April 30, 2012. Any Series 1 Shares that have not been converted into common shares or redeemed by April 30, 2012 in accordance with the foregoing, shall, subject to applicable law, be redeemed on May 1, 2012 at the Issue Price plus any Preferential Dividends that have accrued to but are unpaid as of April 30, 2012.

4. NET ASSET VALUES AND VALUATION OF PORTFOLIO SECURITIES

4.1 Net Asset Values

The Issuer calculates its net asset value (“NAV”) and net asset value per common share (or, prior to the January 2008 Conversion Transaction, net asset value per unit) on the last business day in each Fiscal Quarter, and may determine such NAVs as of such other dates as the Board may in its discretion determine (each such date being referred to herein as a “Valuation Date”). The net asset value of the Corporation on any such Valuation Date means, and is calculated, by subtracting the aggregate amount of the Corporation’s liabilities (including as applicable the book value of any preferred shares that are then outstanding) from the aggregate of its assets on that date. The net asset value per common share on any Valuation Date means the amount obtained by dividing the net asset value of the Corporation on that date by the total number of common shares that are outstanding (on a non-diluted basis) on that date. The Corporation consults with the Portfolio Manager in determining the net asset values. The process of valuing the net assets of the Corporation - and in particular the process of valuing investments for which no published market exists - is based on inherent uncertainties. The resulting values may differ from values that would have been used had a ready market existed for the investments and may differ from the prices at which the investments may be sold by the Corporation.

4.2 Valuation of Portfolio Securities

The Issuer’s assets are 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, is 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 is valued at 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 includes the 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 Issuer has determined that any such deposit, bill, demand note or account receivable is not worth the full amount thereof, the value thereof is deemed to be such value as the Issuer determines to be the fair value thereof;

(b) the value of any security which is listed or traded upon a stock exchange is determined by taking the latest available sale price of recent date (or such other value as Canadian generally accepted accounting principles or Securities Regulators may require or permit), 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 Issuer 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 Issuer), 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 is translated into Canadian currency at the prevailing rate of exchange, as determined by the Issuer, at the Valuation Date;
- (d) the value of any securities traded over-the-counter is 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 Issuer;
- (e) except as otherwise provided, assets, including restricted securities, for which no published market exists are valued at cost unless a different fair market value is determined by the Issuer;
- (f) the value of any restricted securities (including securities subject to any hold period) is 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 Issuer'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,

provided that if any security or property or other assets cannot be valued under the foregoing principles or if the foregoing principles are at any time considered by the Issuer to be inappropriate under the circumstances, then notwithstanding such principles, the Issuer will make such valuation as it considers fair and reasonable and, if there is an industry practise, in a manner consistent with industry practise for valuing such securities, property or other assets.

The Issuer's liabilities on each Valuation Date are determined by the Issuer in accordance with normal business practices and Canadian generally accepted accounting principles. The liabilities of the Issuer include all bills, notes and accounts payable; all administrative expenses payable or accrued (including management fees and, if applicable, any performance bonus (after the date such performance bonus is determined) due or accruing due to the Portfolio Manager); all contractual obligations for the payment of money or property; all allowances authorized or approved by the Issuer for taxes; and all other liabilities of the Issuer.

The net asset value per common share is calculated in accordance with the rules and procedures of the Securities Regulators or in accordance with exemptions therefrom that the Issuer may obtain. The net asset value per common share determined in accordance with the principles set out above may differ from net asset value per common share under Canadian generally accepted accounting principles.

5. REDEMPTIONS, SWITCHES AND PURCHASES

The Corporation is a closed-end investment fund. It is not a mutual fund. The holders of common shares have no right to redeem their shares or to switch their shares for securities of any other mutual fund or investment fund.

The Corporation's common shares are listed and posted for trading on the TSXV under the symbol FNR and investors may purchase or sell common shares through the facilities of the TSXV by contacting their investment advisor. While the Net Asset Value of 49 North's common shares is calculated on each Valuation Date as described in Item 4 above, "NET ASSET VALUES AND VALUATION OF PORTFOLIO SECURITIES", investors may not purchase common shares at this amount, but rather only through the TSXV and at prices determined by the "bid" and "ask" mechanisms of the Exchange. The prices at which the Corporation's common shares trade on the TSXV may be lower or higher than the NAV of the shares.

6. RESPONSIBILITY FOR OPERATIONS

6.1 General

Pursuant to the SBCA, the directors of the Corporation have the authority and duty to direct the management of the business and affairs of the Corporation and, as such, as and from January 1, 2008 the Board may be considered the “manager” of the Issuer. Prior to the Conversion Transaction, pursuant to the Partnership Agreement, the General Partner had the exclusive authority to manage the operations and affairs of the Partnership such that until January 1, 2008 the General Partner was considered the “manager” of the Issuer. Certain of the Board’s (and prior to January 1, 2008 General Partner’s) responsibilities and authority with respect to the management of the Portfolio have been delegated to TMM pursuant to a Portfolio Management Agreement as described in Item 6.4 below, “Portfolio Manager”.

6.2 Address and Contact Information

The following sets forth the address and related contact information for both the Issuer and the Portfolio Manager:

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

Phone: 306-664-4626

E-mail address: investorrelations@49northresource.ca

Website address: www.49northresource.ca

6.3 Directors and Officers

The following table sets forth the names, municipalities of residence, offices held with the Corporation and principal occupation of each of the Corporation’s directors and officers.

| Name and Municipality of Residence | Office or Position | Principal Occupation |
|---|---|--|
| Tom MacNeill ¹ Saskatoon, SK | President, Chief Executive Officer and Director | General Manager of BEC International Corporation. |
| Ronald G. (“Bud”) Walker Victoria, BC | Chief Financial Officer, Secretary and Director | Chairman (and previously President) of Great Canadian Dollar Store Franchising Ltd., since 1993. |
| Harvey J. Bay CMA ¹ 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. |
| Bradley R. Munro ^{1,2} Saskatoon, SK | Director | President & CEO of Bittercreek Capital Corporation since May 2006. Vice President, Investments of Growthworks Capital WV Ltd. or predecessor companies and affiliates since September, 1991. |
| 1. Member of audit committee 2. Mr. Munro was appointed to the Board on January 9, 2008 to fill a vacancy created by the resignation of Neil Burwash who served as a director from January 8, 2007 to January 9, 2008. | | |

The directors are elected by the common shareholders of the Corporation. Under the Issuer’s former structure as a limited partnership, Mr. Tom MacNeill, as the sole shareholder of the General Partner, had the exclusive power to elect or appoint directors. With the conversion of the Issuer into a corporate structure, directors will be elected on an

annual basis at the annual meeting of shareholders, the first of which annual meetings is expected to be held in May or June of 2008.

The services of the directors and officers are not exclusive to the Issuer. Although none of the directors and officers devote their full time to the business and affairs of the Issuer, each devotes such time as is necessary, which, in the case of directors other than Mr. MacNeill, includes attending Board meetings and meetings of the Audit Committee on a quarterly or more frequent basis. Mr. MacNeill spends substantially his full time on activities directly related to the resource sector and investment in the resource sector, approximately 25% of which time may be considered to be spent on business directly related to the Issuer.

6.4 The Portfolio Manager

TMM manages the Issuer's investment Portfolio. TMM, which was incorporated pursuant to the SBCA on May 30, 2005 under the name 101070469 Saskatchewan Ltd. and amended its articles July 26, 2005 to change its name to TMM Portfolio Management Inc., is registered as a portfolio manager and investment counsel in the Province of Saskatchewan and currently manages the investment portfolios of the Issuer and the 2008 Fund. It is not currently providing services to any other fund or person. Mr. Tom MacNeill, a director and the Chief Executive Officer of the Corporation, is the sole shareholder, director and officer of TMM.

TMM was originally appointed as the manager of the Issuer's investment Portfolio pursuant to an investment management agreement made September 30, 2005 as amended and restated effective October 26, 2006 (the "Investment Management Agreement"). This Investment Management Agreement was terminated as part of the January 2008 Conversion Transaction, at which time the Corporation and TMM entered into a new portfolio management agreement dated as of January 1, 2008 (the "Portfolio Management Agreement").

Pursuant to the Portfolio Management Agreement, TMM provides advice to the Corporation and, subject to the overall power of the Board to supervise and manage the Corporation, manages the Corporation's investment Portfolio. The duties and authority of the TMM include identifying, analyzing and selecting investment opportunities in the resource sector; monitoring the performance of resource issuers and, more generally, determining if and when to dispose of securities in the Portfolio and identifying, analyzing and selecting resource issuers in which the proceeds of any such dispositions may be reinvested. In performing its duties under the Portfolio Management Agreement, TMM must comply with the Corporation's Investment Guidelines; act honestly, in good faith and in the best interests of the Corporation; exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances; and disclose any conflicts in writing to the Board and/or directly to the Corporation's Independent Review Committee. The Portfolio Management Agreement also provides that TMM must report regularly to the Board and in any event whenever requested by the Board and the Board must review and approve all Portfolio transactions involving (a) an acquisition or disposition of securities at a price representing in excess of 10% of the Net Asset Value of the Portfolio; (b) a disposition of securities representing greater than 50% of the Corporation's position in any particular resource issuer at a price below the book value of such securities; and (c) all Portfolio transactions involving a conflict of interest on the part of TMM. The Portfolio Management Agreement also provides that TMM will not be liable in any way for any loss, default, failure, or defect in any of the securities comprising the Portfolio, unless such loss, default, failure or defect is attributable to the failure of the TMM to satisfy the standard of care described above.

TMM's appointment may be terminated by either the Corporation or TMM on 30 days' written notice, and such appointment will in certain cases terminate earlier if TMM or the Corporation becomes bankrupt or insolvent or if any of the registrations necessary for TMM to perform its duties under the Portfolio 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 a prescribed period.

The Board may also from time to time appoint other persons, firms or corporations to manage the or any portion of the Corporation's investment Portfolio; and/or the Board and/or TMM and/or such other portfolio managers as may in the future be appointed by the Board may also from time to time engage other advisors or sub-advisors to manage or provide advise or assistance in respect of the investment Portfolio or portions of the investment Portfolio. See also Item 10, REMUNERATION OF DIRECTORS, OFFICERS AND PORTFOLIO MANAGER.

6.5 Auditor

The auditors of the Issuer are Hergott Duval Stack LLP, Chartered Accountants, 1200 - 410 - 22nd Street East, Saskatoon, Saskatchewan, S7K 5T6.

6.6 Registrar and Transfer Agent

Equity Transfer & Trust Company, acting from its office in Calgary, Alberta, is the registrar and transfer agent for the common shares of the Issuer.

7. CONFLICTS OF INTEREST

7.1 Principal Holders of Securities

To the knowledge of the Corporation and TMM and their respective officers and directors, except for common shares of the Corporation held of record by depositaries, as of the date of this AIF: (a) no person or company owns beneficially or of record, directly or indirectly, more than 10% of any class or series of voting securities of the Corporation; and (b) Mr. Tom MacNeill, a director and the Chief Executive Officer of the Corporation, owns beneficially and of record all of the outstanding shares of TMM.

7.2 Other Conflicts of Interest

The officers and directors of the Issuer are also officers and directors of 49 North 2008 Resource Fund Inc., the general partner the 2008 Fund and TMM is also the portfolio manager of the 2008 Fund. Some or all of such officers and directors may also become officers and/or directors, and TMM is expected to be the portfolio manager, respectively, of other investment funds or entities in the 49 North Group that may be established in the future. More generally, conflicts of interest may arise in the governance, management and operations the Issuer, and investors must appreciate that they are relying on the expertise, management skills and discretion, good faith and integrity of the officers and directors of the Issuer and the Portfolio Manager and, especially, on the expertise, management skills and discretion, good faith and integrity of Mr. Tom MacNeill, for the success of their investment in the securities of the Issuer. Conflicts of interest may include, or arise from, any one or more of the following:

- (a) the services of the officers and directors of the Issuer and the services of TMM and its officers and directors are not exclusive to the Issuer. TMM and such officers and directors and their respective affiliates may also engage in the promotion or management of any other fund or partnership, including but not limited to other funds or partnerships in the 49 North Group, and including, without limitation, funds or partnerships that may compete with the Issuer;
- (b) there is no obligation on the Issuer or TMM or their respective officers, directors, affiliates and associates to present any particular investment opportunity to the Issuer and such persons may recommend such investment opportunities to others and/or themselves invest in such opportunities;
- (c) affiliates of the Issuer and Portfolio Manager, and the officers and directors thereof, are not in any way limited or affected in their ability to carry on other business ventures for their own account and/or for the account of others and may be engaged in the ownership, acquisition and operation of businesses which compete with the Issuer including, without limitation, acting as the general partner of other limited partnerships which are now or in the future may be in the same business as the Issuer;
- (d) TMM may from time to time be paid an indeterminate amount of fees or commissions from persons other than the Issuer in connection with the placement or investment of the Issuer's funds in resource issuers;
- (e) officers and directors of the Issuer and/or TMM may be or become officers or directors, or otherwise have an interest in, resource issuers in which the Issuer may invest and conflicts may arise from time to time in allocating investment opportunities, timing investment decisions and exercising rights in respect of and otherwise dealing with such securities and issuers; and

(f) conflicts of interest may arise in the enforcement of the terms and conditions of the Portfolio Management Agreement, whether it is being enforced by or against the Issuer.

Certain provisions have been included in the Portfolio Management Agreement to mitigate potential conflicts of interest. Most importantly in this regard:

(a) the Portfolio Management Agreement requires the Portfolio Manager to, amongst other things: comply with the Issuer’s Investment Guidelines; act honestly, in good faith and in the best interests of the Issuer; and exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances;

(b) the Portfolio Management Agreement also provides that the Board must review and approve all portfolio transactions involving (i) an acquisition or disposition of securities at a price representing in excess of 10% of the net asset value of the Portfolio; (ii) a disposition of securities representing greater than 50% of the Issuers’ position in any particular resource issuer at a price below the book value of such securities; and (iii) all Portfolio transactions involving a conflict of interest on the part of the TMM; and

(c) any “conflict of interest matter” must be referred to the Independent Review Committee.

Persons who are not willing to rely on the expertise, management skills and discretion, good faith and integrity of the officers and directors of the General Partner and the Portfolio Manager, and especially on the expertise, management skills and discretion, good faith and integrity of Mr. Tom MacNeill, should not invest in securities of the Issuer.

8. FUND GOVERNANCE

8.1 Independent Review Committee

In accordance with National Instrument 81-107, *Independent Review Committee for Investment Funds* (“NI 81-107”), the Issuer established an independent review committee (the “IRC”) in January 2007 and adopted a charter for the IRC effective November 1, 2007, which was subsequently amended and restated as of January 1, 2008 in conjunction with the Conversion Transaction. The members of the IRC also serve as the independent review committee for the 2008 Fund and may be expected to serve as the independent review committee of other investment funds in the 49 North Group that may be established in the future.

The following table sets forth the names, municipalities of residence and principal occupation of the members of the IRC:

| Name and Municipality of Residence | Principal Occupation |
|---|---|
| Irene Seiferling Saskatoon, SK | President, Board Dynamics Consulting, a Saskatoon, Saskatchewan based consulting firm specializing in corporate governance. |
| Gary Meschishnick Saskatoon, SK | Senior partner and commercial lawyer with Wallace Meschishnick Clackson Zwada LLC, Saskatoon, Saskatchewan. |
| Alon Zack Saskatoon, SK | President and CEO of Primewest Mortgage Investment Corporation. |

The General Partner appointed the above named initial members, which members will serve, subject to the provisions of NI81-107, for staggered three year terms provided that any IRC member may be reappointed for successive terms and provided that the terms of the initial members will expire, in the case of Mr. Zack on December 31, 2008, in the case of Ms. Seiferling on December 31, 2009, and in the case of Mr. Meschisnick on December 31, 2010. The General Partner also set the initial compensation for the IRC, with each IRC member to be

paid an annual stipend of \$10,000 and, for 2007 only, an additional stipend of \$5,000 in recognition of additional work involved in the year of establishing the IRC. This compensation will be reviewed and may be revised by the IRC on an annual basis provided that, in so doing, the IRC must consider the Issuer's recommendations in that regard. IRC members are also entitled to be reimbursed for all fees and expenses reasonably incurred in performing their duties as IRC members and all members and former members of the IRC and their respective heirs, executors, administrators or other legal representatives will be indemnified from and against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by such person in respect of any civil, criminal, administrative, investigative or other proceedings in which such person is involved because of being or having been a member of the IRC, provided that such right of indemnification shall be subject to the limitations thereon under NI81-107. The IRC may, and intends to, obtain independent review committee insurance for its members, the cost of which will be paid by the members of the 49 North Group of or in respect of which the IRC serves as the independent review committee. The obligations of such members of the 49 North Group for the fees and expenses of, and indemnity obligations to, the IRC members will be joint and several as between the Group and the IRC, and within the Group will be apportioned based on the respective net asset values of such members.

The mandate of the IRC, as it relates specifically to the Corporation, is to review all conflict of interest matters relating to the Corporation and/or the Portfolio Manager that are referred to it by the Board or by the Portfolio Manager and to approve or withhold its approval from such matters in accordance with its Charter and the provisions of NI81-107. For this purpose, and based on NI81-107, a "conflict of interest matter" is defined by the Charter to mean:

- (a) a situation where a reasonable person would consider the Board, or any member thereof, or the Portfolio Manager, or any entity related to any of the foregoing, to have an interest that may conflict with the Board's or the Portfolio Manager's ability to act in good faith and in the best interest of the Corporation; or
- (b) a conflict of interest or self dealing provision listed in NI81-107 that restricts or prohibits the Corporation, the Portfolio Manager or any entity related to the Corporation or the Portfolio Manager from proceeding with a proposed action.

The Issuer and the Portfolio Manager have established, and they will continue to develop, in conjunction with the IRC and other members of the 49 North Group, written policies and procedures, including standing instructions, for dealing with conflict of interest matters, and will maintain records in respect of these matters and provide assistance to the IRC in carrying out its functions. Without limiting the generality of the foregoing, these policies and procedures include provisions that require the Portfolio Manager to disclose to the Board and/or directly to the IRC the particulars of any commissions or fees received by the Portfolio Manager from any person in connection with or as a result of the placement or investment of any of the Issuer's funds in the securities of any issuer.

The Issuer and the Portfolio Manager will report to the IRC regularly on the operations of the Issuer and the Portfolio Manager, respectively, and periodically on: (i) compliance with their policies and procedures for dealing with conflict of interest matters; (ii) appropriate resolution of potential or perceived conflicts of interests; (iii) the accuracy of quarterly (or more frequent) net asset value calculations; and (iv) compliance with regulatory requirements. The Charter requires the IRC to meet at least three times annually and at such other times as the members may determine or as may reasonably be requested by the Board or the Portfolio Manager with a view that the IRC perform its duties promptly so as to not unduly delay Portfolio transactions or the conduct of the Issuer's business and the performance of the Board's and Portfolio Manager's duties in the ordinary course of business. Additionally, the IRC is subject to the requirements of NI 81-107 to conduct regular assessments and regularly provide reports to the Issuer and/or its securityholders, which reports will be provided at least annually and at such other times and in a prompt manner to permit the Issuer to complete, and to assist the Issuer in completing, its own reporting obligations relative to the IRC in a timely manner and otherwise in compliance with Applicable Securities Legislation. Without limiting the generality of the foregoing, the IRC will prepare, for each Fiscal Year of the Issuer and by no later than the date that the Issuer files its annual financial statements with applicable Securities Regulators, a report to the Issuer's securityholders describing the IRC and its activities that includes the information required by NI 81-107. Such reports will be sent by the Issuer, without charge, to any securityholder upon request, will be available at the Issuer's website and will be filed with applicable Securities Regulators and made available to the public on the SEDAR website at www.sedar.com.

8.2 Proxy Voting Policies and Procedures

The Issuer has delegated to the Portfolio Manager responsibility to exercise the voting rights attached to the securities in the Issuer's Portfolio and it is the Portfolio Manager's policy to seek to ensure that proxies for securities held by the Issuer are voted in the best interests of the Issuer and its securityholders. In practise this generally means that in the case of routine matters, which include ratification of auditors and financial reporting and the election of directors, the Issuer will generally either not vote or vote in favour of management's recommendations unless the Portfolio Manager believes it would be in the best interest of the Issuer and its securityholders to vote against the resolution. Non-routine matters, such as mergers and corporate restructurings, capital restructurings and executive and director compensation, are dealt with on a case-by-case basis with the best interests of the Issuer in mind at all times.

The policies and procedures that the Issuer follows when voting proxies relating to Portfolio securities are available on request, at no cost, by calling the Portfolio Manager at 306-664-4626 or by writing to the Portfolio Manager at 602 - 224 - 4th Avenue South, Saskatoon, Saskatchewan, S7K 5M5.

To date, the Issuer and Portfolio Manager have not actively voted proxies relating to Portfolio securities, and the Board is currently considering retaining the services of an institutional shareholder services company to vote proxies in the future and provide information relating to such voting for the purpose of providing the necessary reporting by the Issuer. The Issuer will make its proxy voting record for the period ended June 30 of each year available free of charge to any shareholder of the Issuer upon request at any time after August 31 of that year. The Issuer will also make its proxy voting record available on its website at www.49northresource.ca.

8.3 Use of Derivatives

As discussed in Item 2.2 of this AIF, "Investment Authority and Guidelines" the Issuer may invest in derivative instruments that are consistent with its overall investment objective. In that regard, although the Issuer may invest in derivatives for non-hedging or speculative purposes, generally, the Issuer expects to use derivatives with the intention of offsetting or reducing risks associated with an investment or group of investments in resource securities and may use derivatives rather than direct investments in resource companies to reduce transaction costs, achieve greater liquidity, create effective exposure to broader markets or increase speed and flexibility in making Portfolio changes. The Issuer may seek to enhance the return to its Portfolio through the use of derivatives by seeking to reduce the potential for loss or by accepting a more certain lower return rather than seeking a less certain higher potential return. Derivates may be used by the Issuer to position its investment Portfolio so that it may profit from declines in financial markets. Subject to applicable laws, the derivatives that the Issuer may invest in or use may include, without limitation, clearing corporation options, stock exchange indexes or index funds, future contracts, options on futures, over-the-counter put or call options, forward contracts, debt-like securities and listed or unlisted warrants and the Issuer may invest in or use such derivatives for hedging purposes and for non-hedging purposes.

9. INCOME TAX CONSIDERATIONS

9.1 Introduction

The January 2008 Conversion Transaction resulted in several material changes in the manner in which the Issuer and its securityholders are and will be taxed and, therefore, the discussion below addresses both the income tax considerations generally applicable to the Partnership and its limited partners / unitholders prior to the Conversion Transaction as well as the income tax considerations generally applicable the Corporation and its shareholders after the Conversion Transaction. This discussion is of a summary of certain tax considerations only and does not address all tax considerations that may be relevant to the Issuer or any particular securityholder, whether before or after the January 2008 Conversion Transaction. Without limiting the generality of the foregoing, except as expressly disclosed herein, this summary does not address the income tax considerations applicable to: (a) the 2006 Fund Reorganization Transaction that was effected as of February 21, 2007; (b) the January 2008 Conversion Transaction; (c) the 2007 Fund Roll-over Transaction that was effected as of February 14, 2008; or (d) the 2008 Fund Roll-over Transaction that is proposed to be effected in or about February 2009, all of which transactions are discussed in Item 1 of this AIF, "NAME, FORMATION AND HISTORY". For information specific to these transactions readers are referred to the 2006 Fund's information circular dated January 15, 2007, the Partnership's information circular dated

October 31, 2007, the 2007 Fund's information circular dated January 16, 2008 and the 2008 Fund's prospectus dated February 12, 2008 respectively, all of which documents are available at www.sedar.com. Additionally, for information on more general income tax considerations applicable to the Partnership prior to the January 2008 Conversion Transaction, readers are referred to the prospectus of the Partnership dated September 30, 2005 (the "prospectus") and are additionally advised to consult their own professional tax advisors with respect to tax consequences that may apply in their own personal circumstances as a consequence of holding or disposing of shares of the Corporation.

This summary is based on the current provisions of the Tax Act, the Regulations thereunder and the published administrative practices of the Canada Revenue Agency as at the date of this AIF and also takes into account all specific proposals to amend the Tax Act and the Regulations publicly announced by the Minister of Finance (Canada) prior to the date hereof. This summary does not otherwise take into account or anticipate any changes in laws, whether by judicial, governmental, or legislative decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations.

This summary is applicable only to persons who are or are deemed to be, at all relevant times, resident in Canada and who hold their common shares of the Corporation (and, if applicable, held their units of the Partnership prior to the January 2008 Conversion Transaction) as capital property for the purposes of the Tax Act. Provided such securities are not held in the course of carrying on a business and not acquired as an adventure in the nature of trade, the securities will generally be considered to be capital property. This summary assumes (a) that at all relevant times all securities in the Issuer's investment Portfolio are capital property to the Issuer; (b) that recourse for any financing or other indebtedness in respect of Partnership units by any and all limited partners was not limited and not deemed to be limited within the meaning of the Tax Act; and (c) that each shareholder (or, if applicable, limited partner), at all relevant times, deals (or dealt) at arm's length, for purposes of the Tax Act, with each of the resource issuers in which the Issuer holds or held flow-through shares. Further, this summary is not applicable to taxpayers that are "financial institutions", as defined in subsection 142.2(1) of the Tax Act, that are "principal-business corporations" within the meaning of subsection 66(15) of the Tax Act, whose business includes trading or dealing in rights, licences, or privileges to explore or drill for, or take, minerals, petroleum, natural gas, or other related hydrocarbons, or a taxpayer an interest in which is a "tax shelter investment" for the purposes of the Tax Act.

This summary 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 person. Accordingly, investors and/or prospective investors should obtain independent advice from a tax advisor who is knowledgeable in the area of income tax law regarding the income tax considerations applicable in his or her own particular circumstances.

9.2 Tax Considerations Prior to the Conversion Transaction

Although the Issuer, as a limited partnership, computed its income or loss as if it were a separate person resident in Canada, the Partnership was not itself a taxable entity and was not required to file income tax returns except for an annual information return. Rather, pursuant to the Partnership Agreement, generally, 99.99% of the income (including if applicable capital gains) or loss (including if applicable capital losses) of the Partnership in each Fiscal Year, and 100% of CEE renounced to the Partnership by resource issuers with an effective date in that Fiscal Year in respect of flow-through shares in the Partnership's Portfolio, was allocated *pro rata* among the limited partners who were limited partners of the Partnership on the last day of such Fiscal Year. The Fiscal Year of the Partnership ended on December 31 of each year and a "stub" Fiscal Year occurred for the period from the end of the Partnership's 2007 Fiscal Year to the dissolution of the Partnership effective January 1, 2008.

In each Fiscal Year where the Partnership had positive income, each limited partner was required to include his or her *pro rata* share of such income (including the 50% taxable portion of any capital gains) in computing such limited partner's own income for the taxation year that included the Fiscal Year end of the Partnership. Likewise, a taxpayer who was a limited partner at the end of a particular Fiscal Year of the Partnership could, in computing his income for the taxation year in which such Fiscal Year of the Partnership ended, generally, but subject to the application of a number of rules in the Tax Act which restrict the ability of a limited partner to deduct certain expenses and losses, deduct (a) an amount equal to 100% of CEE (and certain types of CDE) renounced to the Partnership and allocated to him or her by the Partnership in respect of that Fiscal Year; and (b) his *pro rata* share of any losses of the Partnership incurred in the Fiscal Year of the Partnership without taking into account the

expenditures or deductions referred to in (a) above, (including if applicable 50% of any capital losses). In addition, a limited partner who is an individual (other than a trust) might be entitled to claim a federal Investment Tax Credit to reduce his tax otherwise payable in respect of certain CEE relating to “specified surface grass roots mining exploration expenses” incurred in Canada by a resource issuer and renounced to the Partnership and allocated to him or her in that Fiscal Year.

As mentioned above, there are a number of rules in the Tax Act that may restrict the ability of a limited partner to deduct certain expenses and losses incurred by the Partnership or the limited partner in any particular year, including, without limitation, rules relating to the incurring and renunciation of CEE, the proposed reasonable expectation of profit proposals, at-risk rules, limited recourse debt rules, alternative minimum tax rules, rules that require capital losses be deducted only against taxable capital gains, and rules of general application that provide that certain expenses incurred in a particular year may only be deducted over a period of years, such as agency fees and offering costs incurred by the Partnership which, to the extent that they are reasonable, are deductible at a rate of 20% a year (pro rated for short taxation years). Each of these rules are discussed in considerable detail in the Partnership’s prospectus and any person who desires further information about these rules is urged to review the prospectus (a copy of which is available on SEDAR at www.sedar.com) and/or consult with his or her own professional tax advisor.

As the January 2008 Conversion Transaction was not effected until after December 31, 2007, the income (or loss) of the Partnership for its Fiscal Year ending December 31, 2007, including CEE renounced to the Partnership in 2007 in respect of flow-through shares in the Partnership’s Portfolio, was allocated to limited partners who were limited partners as of December 31, 2007, and must be included (or may be deducted) by such limited partners in the manner discussed above, as if the Conversion Transaction never occurred. Generally, the income or loss so allocated will be added to or deducted from the adjusted cost base of the respective limited partner’s Partnership units and the resulting adjusted cost base of the common shares into which such units were converted pursuant to the January 2008 Conversion Transaction.

9.3 Tax Considerations after the Conversion Transaction

The income or loss of the Corporation after the January 2008 Conversion Transaction (i.e. starting with the Fiscal Year ending December 31, 2008) will be taxed at the corporate level and the provisions of the Tax Act applicable to the taxation of public corporations resident in Canada generally will apply to the Issuer. Generally, subject to the Tax Act, shareholders of the Corporation will experience tax consequences relative to their common shares only if and when dividends or other distributions are paid on such shares or if and when they sell or otherwise dispose, or are deemed by the Tax Act to have disposed, of their shares. Generally, if and when the Issuer pays a dividend on its common shares, an individual shareholder will be required to gross up such dividend by 25% and include such grossed up amount in his or her taxable income in the year that the dividend is paid. At the same time, the shareholder may claim a dividend tax credit to reduce his or her tax payable in that year in an amount equal to two-thirds of the gross up amount. As a result of recent amendments to the Tax Act to enhance the dividend gross-up and tax credit mechanism applicable to certain “eligible dividends” paid after 2005 by public corporations resident in Canada, in certain circumstances dividends may be eligible for a 45% dividend gross-up and 11/18ths gross-up tax credit, thereby decreasing the effective tax rate otherwise generally applicable to dividend income. The dividend gross up and tax credit mechanisms applicable to individuals do not apply to shareholders that are corporations. The taxation of dividends received by shareholders that are corporations will vary depending on a number of factors. Investors that are corporations are therefore advised to obtain advice from their own professional tax advisors as to the tax treatment of dividends that may in the future be paid on their shares in the Issuer.

Generally, where a shareholder sells or otherwise disposes, or is deemed to have disposed of, his common shares he will incur a capital gain (or a capital loss) to the extent that his proceeds of disposition, net of reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the shares 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 taxpayer’s income in the year and 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 or forward indefinitely in accordance with detailed rules in the Tax Act.

A particular shareholder's adjusted cost base of his common shares – and therefore the capital gain that may be realized on a disposition of shares - will vary from shareholder to shareholder depending on, amongst potentially other factors, when, how and at what price the shares were acquired and how long the shares (or, as applicable units of the Partnership that were subsequently exchanged for shares, directly or indirectly, in connection with the 2006 Fund Reorganization Transaction, the January 2008 Conversion Transaction and/or the 2007 Fund Roll-over Transaction) were acquired. In particular, shareholders that originally acquired units of the Partnership, the 2006 Fund and/or the 2007 Fund, respectively, in the 2005, 2006 and/or 2007 Offerings, will generally have been allocated CEE and other losses in the year of investment substantially equal to their respective subscription price for such units such that their adjusted cost base as of the end of the year of investment will generally have been nil and their adjusted cost base for their common shares will, generally, currently be equal to the share of income (if any) allocated to them in subsequent Fiscal Years. Investors who may be considering disposing of shares are therefore advised to consult with their own professional advisors prior to disposing of shares.

10. REMUNERATION OF DIRECTORS, OFFICERS AND PORTFOLIO MANAGER

10.1 Remuneration prior to January 1, 2008

Prior to the conversion of the Issuer from a limited partnership to a corporate structure in the January 2008 Conversion Transaction, none of the directors or officers of the General Partner personally received any direct compensation from the Partnership, whether as salary, bonus or otherwise, and the Partnership did not have, and/or no director or officer received or was entitled to receive, any "options", "stock appreciation rights" or any benefits under any "long-term incentive plan" (as those terms are defined in Form 51-102F6, *Statement of Executive Compensation*) for acting in such capacity. The General Partner did pay directors fees or other compensation in amounts from time to time determined by its board of directors, but all of such amounts, if any, were for the account of the General Partner and were not charged to the Partnership. Directors and officers were, however, entitled to be reimbursed by the General Partner out of funds of the Partnership for reasonable expenses incurred on business related to the Partnership.

Pursuant to the Partnership Agreement (and/or the Investment Management Agreement), for each Fiscal Quarter of the Partnership, the General Partner (and/or the Portfolio Manager) was entitled to receive a management fee equal to, in aggregate, 0.5% of the net asset value of the Partnership calculated as of the last business day of the relevant Fiscal Quarter, which management fee was payable on or prior to the end of the month next following the relevant Fiscal Quarter. Additionally, in each Fiscal Year of the Partnership starting with its Fiscal Year ended December 31, 2006, the General Partner (and/or the Investment Manager) was entitled to receive a performance bonus, calculated as of the last business day of the applicable Fiscal Year, in an aggregate amount in respect of each limited partnership unit that was 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, exceeded the greater of \$5.50 and the net asset value per unit as of the last business day of the preceding Fiscal Year. Any such performance bonus was payable within 30 days following the end of the Fiscal Year to which it related. Management fees and, if applicable, any performance bonus, not paid by the due dates described above accrued interest at prime plus 2% until paid in full. Additionally, the Partnership reimbursed the General Partner (and the Portfolio Manager) for all expenses reasonably and properly incurred in conducting the Partnership's business and performing its duties and obligations under the Partnership Agreement (or, in the case of the Portfolio Manager, in performing its duties under the Investment Management Agreement), provided that such reimbursements were not to include any charges for overhead or profit, it being specifically acknowledged in the Partnership Agreement and in the Investment Management Agreement that such overhead and profit had been taken into consideration in determining the management fees and performance bonus, if any, payable as described above. Pursuant to these arrangements, the Partnership paid or accrued management fees and performance bonuses to the General Partner or TMM in the following amounts in each of the Fiscal Years 2005, 2007 and 2007:

| Year | Management Fees | Performance Bonus | Total |
|-------------|------------------------|--------------------------|--------------|
| 2005 | \$8,324 | - | \$8,324 |
| 2006 | \$122,916 | - | \$122,916 |
| 2007 | \$337,882 | \$1,926,593 | \$2,264,475 |

Also during the fiscal year ended December 31, 2007 the CEO of the General Partner was paid interest of \$43,978 on loans that were outstanding during portions of the year, all of which loans were repaid during the year.

10.2 Remuneration after January 1, 2008

Pursuant to the Portfolio Management Agreement, since January 1, 2008, TMM has been entitled to be paid a quarterly management fee equal to 0.5% of the net asset value of the Corporation calculated as of the last business day of the relevant Fiscal Quarter, which management fee is payable on or prior to the end of the month next following the relevant Fiscal Quarter. Additionally, in each Fiscal Year of the Corporation starting with its Fiscal Year ended December 31, 2008, TMM will be entitled to receive a performance bonus, calculated as of the last business day of the applicable Fiscal Year, in an amount in respect of each common share 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 common share as of that date, plus all dividends or other distributions per common share made during that Fiscal Year, exceeds the greater of \$16.34 and the net asset value per share as of the last business day of the preceding Fiscal Year. Any such performance bonus is payable within 30 days following the end of the Fiscal Year to which it relates. Management fees and, if applicable, any performance bonus, not paid by the due dates described above bear interest at prime plus 2% until paid in full. Additionally, the Corporation will reimburse TMM for all expenses reasonably and properly incurred in performing its duties and obligations under the Portfolio Management Agreement, provided that such reimbursements are not intended to and shall not include any charges for overhead or profit, it being specifically acknowledged in the Portfolio Management Agreement that such overhead and profit has been taken into consideration in determining the management fees and performance bonus, if any, payable as described above.

With the conversion of the Issuer to its current corporate structure, it is the intention of the Issuer to establish a compensation policy for its directors and officers that is expected to provide for compensation commensurate with that paid to directors and officers of other similar sized investment funds in Canada. However, as at the date of this AIF such compensation policies have not been finalized.

11. MATERIAL CONTRACTS

As at the date of this AIF the Issuer is party to the following material contracts:

- (a) Portfolio Management Agreement made January 1, 2008 between the Corporation and TMM as Portfolio Manager, referred to herein under Item 6.4, "The Portfolio Manager"; and
- (b) Transfer Agreement made February 12, 2008 between the Corporation and 49 North 2008 Resource Fund Inc., as general partner and on behalf of the 2008 Fund, relating to the proposed 2008 Fund Roll-over Transaction referred to herein under Item 1.3, "History".

Copies of the aforesaid material contracts may be inspected during normal business hours at the head office of the Issuer at 602 - 224 - 4th Avenue South, Saskatoon, Saskatchewan, S7K 5M5. Additionally, copies are available at the SEDAR website at www.sedar.com.

12. OTHER MATERIAL INFORMATION

12.1 Risk Factors

There are many risks associated with an investment in common shares of the Issuer, some of which are outlined below.

Reliance on Management

Shareholders must rely entirely on the discretion, knowledge and expertise of management of the Issuer and the Portfolio Manager in determining the composition of the Issuer's investment Portfolio, negotiating the pricing of resource securities purchased for or sold from the Portfolio and in determining if, when and on what terms to acquire or dispose of Portfolio securities.

Conflicts of Interest

The officers and directors of the Issuer are also all officers and directors of the general partner of the 2008 Fund, and the Portfolio Manager, TMM, is also the portfolio manager of the 2008 Fund. Some or all of such officers and directors may also become officers and directors, and TMM is expected to be the portfolio manager, respectively, of other investment funds in the 49 North Group that may be established in the future. Mr. Tom MacNeill is a director and the President and Chief Executive Officer of the Corporation, as well as being the sole shareholder, a director and officer of the general partner of the 2008 Fund (and potentially of future members of the 49 North Group) and TMM. Potential conflicts of interest may arise or be perceived between Mr. MacNeill acting on the one hand in his capacity as a director and officer of the Portfolio Manager and, on the other hand, as a director and officer of the Issuer, and potential conflicts of interest may arise or be perceived between the Issuer and other funds or entities of which the directors and officers of the Issuer may also be directors, officers, or otherwise involved in the management, including but not limited to other members and future members of the 49 North Group. Investors must appreciate that they are relying on the expertise, good faith and integrity of the officers and directors of the Issuer and the Portfolio Manager, and especially on the expertise, good faith and integrity of Mr. Tom MacNeill, for the success of their investment in the shares of the Issuer. More generally, the services of the officers and directors of the Issuer and of TMM are not exclusive to the Issuer. The officers and directors of the Issuer and their affiliates may engage in activities for their own account which compete with the Issuer. Conflicts may arise from time to time in allocating investment opportunities, timing investment decisions and exercising rights in respect of and otherwise dealing with securities and issuers in which the Issuer and/or the officers and directors of the Issuer and/or their affiliates invest. Potential conflicts of interest may arise in the enforcement of the terms and conditions of the Portfolio Management Agreement, whether such agreement is being enforced by or against the Issuer.

Risks Associated with Resource Issuers

In general, the business of the Issuer is to invest in resource issuers with such investments made predominantly in junior or intermediate resource issuers. There is no assurance that any of the resource issuers in which the Issuer invests will prove to be profitable or viable over the short or long term. The resource industries are highly competitive and resource issuers in which the Issuer may invest must compete with many companies, many of which have far greater financial strength, experience and technical resources. Generally, there is intense competition for the acquisition of resource properties considered to have commercial potential as well as for equipment and personnel necessary to exploit such properties. The business activities of resource issuers that the Issuer invests in are typically speculative and may be adversely affected by sector specific risk factors, outside the control of the resource issuers, which may ultimately have an impact on the Issuer's investments in such issuers' securities. Risks associated with the resource sector include, without limitation, the following:

- (a) The business of exploring for minerals and/or oil and gas involves a high degree of risk, many of which risks are beyond the control of the relevant resource issuer. Many of the resource issuers that the Issuer invests in may not hold, discover or successfully exploit commercial quantities of minerals, petroleum or natural gas and/or may not have a history of earnings or payment of dividends.
- (b) The marketability of natural resources which may be acquired or discovered by a resource issuer will be affected by numerous factors which are beyond the control of such resource issuer. These factors include market fluctuations in the price of minerals, petroleum and/or natural gas, as applicable, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of materials and environmental protection. The exact effect of these factors cannot be accurately predicted, but any one or a combination of these factors could result in a resource issuer not receiving an adequate return for its shareholders.
- (c) There are certain risks inherent in the mineral exploration, mining and oil and gas industries, including potential claims arising from operational activities, which may or may not be insurable, or against which a resource issuer may elect not to insure. Such liabilities may have a material, adverse effect on such resource issuer's financial position and on the value of the securities of such resource issuer held as part of the Issuer's investment portfolio.
- (d) Mining and oil and gas operations and the resource industries in general are subject to extensive controls and regulations imposed by various levels of government. In addition to federal regulation, each province has

legislation and regulations which govern land tenure, royalties, production rates, environmental protection and other matters. The royalty regime is a significant factor in the profitability of resource production. Royalties payable on production from lands other than Crown lands are determined by negotiations between the mineral owner and the lessee. Crown royalties are determined by government regulation and are generally calculated as a percentage of the value of the gross production, and the rate of royalty's payable generally depends in part on prescribed reference prices, productivity, geographical location, discovery date and the type or quality of the commodity produced. Operations may be effected from time to time in varying degrees due to political and environmental developments such as tax increases, expropriation of property and changes in conditions under which resources may be developed, produced, generated and/or exported. Additionally, a resource issuer's property interests may be located in foreign jurisdictions, and its operations in such jurisdictions may be affected in varying degrees by the extent of political and economic stability, and by changes in regulations or shifts in political or economic conditions that are beyond the control of the resource issuer. Such factors may adversely affect the resource issuer's business and/or its property holdings. Although a resource issuer's activities may be carried out in accordance with all applicable rules and regulations at any point in time, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development of the resource issuer's operations. Amendments to current laws and regulations governing the operations of a resource issuer or more stringent enforcement of such laws and regulations could have a substantial adverse impact on the financial results of the resource issuer.

(e) The mineral exploration, mining and oil and gas industries are subject to various environmental regulations set by federal and provincial governments. Environmental legislation prescribes restrictions and prohibitions on releases or emissions of various substances produced or utilized in association with certain mining and oil and natural gas operations. Such legislation also prescribes certain requirements for the abandonment and reclamation of mines, wells and other facility sites. A breach of such legislation may result in the imposition on a resource issuer of fines and penalties and/or liability to third parties and may require a resource issuer to incur costs to remedy such breach. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which has led to stricter standards and enforcement and greater fines and penalties for non-compliance. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the resource issuer's financial condition, results of operations or prospects.

Marketability of Underlying Securities and Related Risks

The value of the Issuer's shares will vary in accordance with the value of the securities in the Issuer's investment portfolio and the value of securities owned by the Issuer may be affected by such factors as investor demand, resale restrictions, general market trends or regulatory restrictions. The Issuer's investment Portfolio generally focuses on junior and intermediate resource companies, with Available Funds invested predominantly in resource companies that are listed on the TSXV. However, the Issuer may invest in securities of any resource company regardless of if or on what stock exchange such securities are listed, regardless of the status or stage of development of the investee company's exploration, development or other business activities, and regardless of the size or market capitalization of the investee company. A significant portion of Available Funds may at any time or from time to time be invested in unlisted securities, including securities acquired under private placements of what are commonly referred to as "founders shares" or "seed-capital shares", securities that may otherwise be issued by a company prior to completing feasibility studies including, without limitation, a Form 43-101F1 Technical Report, or securities that may otherwise be issued prior to a resource company becoming a "reporting issuer". Investing in relatively smaller companies that are listed on a junior exchange (or are not listed) may be considered to be riskier than investing in securities of relatively larger companies whose securities are listed on a senior exchange such as the TSX. These risks include, without limitation, the following:

(a) The share price of smaller companies is usually more volatile than that of larger, more established companies. Smaller companies may have limited resources, including limited access to funds, and their shares may trade less frequently and in smaller volume than shares of larger companies. They may have few shares outstanding, so a sale or purchase of shares will have a greater impact on the share price. The value of these investments may rise and fall substantially.

(b) In general, investments in smaller companies tend to be less liquid than other types of investments. The Issuer's investments in illiquid securities and in certain other small resource issuers may be difficult to value accurately or to sell and may trade at a price significantly lower than their value. In general, the less liquid an investment, the more its market value tends to fluctuate. As a result, the Issuer may not be able to convert its investments to cash at a fair market price when it needs to or it may bear additional costs in doing so.

(c) The securities of non-reporting issuers may not be sold by the Issuer unless an exemption is available under applicable securities laws.

More generally, many of the securities held by the Issuer, regardless of the industry sector in which the issuer conducts business and including those listed and not subject to resale restrictions, may be relatively illiquid and may decline in price if a significant number of shares are offered for sale.

On the other hand, the potential returns on investment in smaller, relatively early stage companies may be greater than the returns experienced from investment in larger, more established companies.

Market for Shares - Dilution

Although the Issuer calculates and publishes its net asset value and net asset value per share on a regular basis, as a non-redeemable investment fund, its common shares are not redeemable by shareholders. Rather, a person desiring to buy or sell common shares may do so through the facilities of the TSXV by contacting his broker or investment advisor. The prices at which common shares are traded on the Exchange are established through the "bid" and "ask" mechanisms of the Exchange and will typically be something less (but may be more) than the net asset value of the shares.

Concentration Risk

The Issuer invests predominantly in securities of junior and intermediate resource companies engaged in mineral or oil and gas exploration in Canada. Concentrating its investment in the resource sector may result in the value of the Issuer's shares fluctuating to a greater degree than if the Issuer invested in a broader spectrum of issuers.

Distributions and Dividends

The Issuer has never paid dividends on its common shares and, although subject to applicable solvency test provisions of the SBCA and the preferential rights of the holders of Series 1 Shares and other first or second preferred shares that may be issued in the future, if any, it is not precluded from paying dividends, the Board has not yet adopted a dividend policy and there is no assurance that a dividend policy will be adopted. Further, regardless of whether or not a dividend policy is adopted, there is no assurance that dividends will be paid in accordance with such policies as may be adopted or at all.

49 NORTH RESOURCE FUND INC.

Manager: The Issuer is managed by its board of directors
Portfolio Manager: TMM Portfolio Management Inc.
Address: 602 – 224 4th Avenue South
Saskatoon, Saskatchewan S7K 5M5
Telephone: 306-664-4626
Fax: 306-664-4483
Website: 49northresource.ca

Additional information about the Issuer is available in its financial statements and management reports of fund performance. You can get a copy of these documents at no cost by calling collect at 306-664-4626 or by e-mail at investorrelations@49northresource.ca

Copies of these documents and other information about the Issuer, such as information circulars and material contracts, are also available the Issuer's website at www.49northresource.ca or on SEDAR at www.sedar.com.