

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP

INTERIM FINANCIAL STATEMENTS

(unaudited)

FOR THE SIX MONTHS ENDED JUNE 30, 2007

In accordance with National Instrument 81-106 adopted by the securities regulatory authorities of every jurisdiction in Canada, the Partnership discloses that its auditors have not reviewed the unaudited interim financial statements for the six month period ended June 30, 2007.

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP

STATEMENT OF NET ASSETS

(unaudited)

AS AT JUNE 30, 2007

	<u>June 30, 2007</u>	December 31, <u>2006</u>
<u>ASSETS</u>		
Cash	\$ -	\$ 68,690
Investments	<u>16,544,598</u>	<u>6,065,763</u>
	<u>\$ 16,544,598</u>	<u>\$ 6,134,453</u>

LIABILITIES

Bank indebtedness (Note 4)	\$ 175,969	\$ -
Accounts payable	270,571	54,310
Management fee payable (Note 5)	89,322	9,632
Demand loan payable (Note 6)	850,000	500,000
Convertible debenture (Note 7)	<u>1,950,000</u>	<u>-</u>
	<u>3,335,862</u>	<u>563,942</u>

PARTNERS' EQUITY

Net assets, representing partners' equity	<u>\$ 13,208,736</u>	<u>\$ 5,570,511</u>
Limited partnership units outstanding (Note 8)	<u>2,798,314</u>	<u>1,200,000</u>
Net asset value per unit	<u>\$ 4.72</u>	<u>\$ 4.64</u>
Fully diluted net asset value per unit	<u>\$ 4.73</u>	<u>\$ 4.64</u>

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

signed "Tom MacNeil", Director

signed "Harvey Bay", Director

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP**STATEMENT OF INVESTMENT PORTFOLIO**

(unaudited)

JUNE 30, 2007

	<u>Shares/Warrants</u>	<u>Cost</u>	<u>Fair Value</u>
Mineral Exploration			
Allyn Resources Inc. (1)	1,994,000	\$ 299,000	\$ 127,730
Allyn Resources Inc. (warrants)	997,000	-	-
Anglo Minerals Ltd. (1)	540,000	575,587	1,649,713
Athabasca Potash Inc. (3)	1,978,855	1,307,636	1,780,969
Aurex Copper Mines (3)	640,000	160,000	142,222
Berkeley Resources Inc. (1)	166,660	149,994	90,333
Blue Sky Uranium Corp. (1)	240,000	240,000	184,484
Blue Sky Uranium Corp. (warrants)	120,000	-	-
Brett Resources Inc. (1)	129,000	92,880	124,586
CanAlaska Uranium Ltd. (1)	417,800	300,816	251,160
CanAlaska Uranium Ltd. (warrants)	486,678	-	11,111
Claude Resources Inc. (2)	400,000	643,770	587,353
Copper Canyon Resources Ltd. (1)	1,441,500	1,102,193	1,193,292
Copper Reef Mines Ltd. (3)	2,000,000	600,000	533,556
Copper Reef Mines Ltd. (warrants)	750,000	-	-
Diamondex Resources Ltd. (1)	50,000	18,000	14,290
Eagle Plains Resources Ltd. (1)	616,500	437,766	516,422
Eagle Plains Resources (warrants)	230,769	-	9,231
El Nino Ventures Inc. (1)	667,270	366,999	335,370
El Nino Ventures Inc. (warrants)	727,270	-	-
ESO Uranium Corp. (1)	590,000	489,000	343,050
ESO Uranium Corp. (warrants)	250,000	-	-
Golden Band Resources Inc. (1)	934,000	377,221	437,213
Goldsource Mines Inc. (1)	710,000	440,249	202,913
Great Western Diamonds Corp. (1)	2,052,000	1,042,929	798,780
Great Western Minerals Group Inc. (1)	1,619,000	727,575	614,272
Great Western Minerals Group Inc. (warrants)	1,111,111	-	-
Halo Resources Ltd. (1)	165,000	74,250	86,181
Halo Resources Ltd. (warrants)	277,778	-	-
ISX Resources Inc. (1)	142,500	128,307	182,562
Metalex Ventures Ltd. (1)	296,000	149,775	122,516
Northern Freegold Resources Ltd. (1)	247,000	209,950	158,221
Northern Freegold Resources Ltd. (warrants)	180,000	-	-
Pacific Gold Inc. (1)	625,000	250,000	246,373
Pacific Gold Inc. (warrants)	625,000	-	-
Red Rock Energy Inc. (3)	1,784,656	1,045,960	1,249,644
Red Rock Energy Inc. (warrants)	833,000	-	-
Santoy Resources Ltd. (1)	150,000	173,996	107,911
Santoy Resources Ltd. (warrants)	75,000	-	-
Shore Gold Inc. (2)	69,100	335,426	333,678
Skeena Resources Corp. (1)	146,500	31,497	49,087
Soltoro Ltd. (1)	280,000	124,900	118,653
Stikine Gold Corp. (1)	1,666,667	500,000	221,736
Stikine Gold Corp. (warrants)	833,333	-	-
Tagish Lake Gold Corp. (1)	1,423,846	320,883	266,606

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP

STATEMENT OF INVESTMENT PORTFOLIO

(unaudited)

JUNE 30, 2007

Tagish Lake Gold Corp. (warrants)	1,132,423	-	-
Titan Uranium Inc. (1)	80,000	147,468	149,795
Titan Uranium Inc. (warrants)	81,000	-	-
Valgold Resources Ltd. (1)	440,334	132,100	229,991
Valgold Resources Ltd. (warrants)	833,334	-	86,667
Vena Resources Inc. (2)	430,000	602,000	572,078
Vena Resources Inc. (warrants)	430,000	-	-
Wescan Goldfields Inc. (1)	1,699,586	871,696	535,977
Wescan Goldfields Inc. (warrants)	428,571	-	-
Oil & Gas			
Arsenal Energy Inc. (1)	80,000	138,019	37,449
Blackdog Resources Ltd. (1)	272,710	149,991	75,251
Cheyenne Energy Inc. (1)	714,280	249,998	249,891
Fair Sky Resources Inc. (1)	65,570	199,989	84,004
G2 Resources Inc. (1)	350,000	203,000	144,867
G2 Resources Inc. (warrants)	175,000	-	-
Ivory Energy Inc. (1)	290,117	246,599	197,276
Ivory Energy Inc. (warrants)	147,058	-	-
Longford Corporation (1)	1,500,000	375,000	110,868
Magnus Energy Inc. (1)	160,000	257,451	9,461
Nordic Oil & Gas Ltd. (1)	444,000	177,600	78,760
Oilsands Quest Inc. (4)	70,000	212,387	170,391
Panterra Resources Corp. (1)	500,000	125,000	123,186
Ruby Energy Inc. (3)	916,996	550,198	489,064
Trivello Energy Corp. (1)	1,000,000	200,000	108,404
Trivello Energy Corp. (warrants)	500,000	-	-
Total Investments		<u>\$ 17,555,064</u>	<u>\$ 16,544,598</u>

(1) Listed on TSX Venture Exchange

(2) Listed on TSX

(3) Private

(4) Listed on American Stock Exchange

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP

STATEMENT OF OPERATIONS

(unaudited)

FOR THE SIX MONTHS ENDED JUNE 30, 2007

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Income		
Interest	\$ <u>3,054</u>	\$ <u>575</u>
Expenses		
Audit and accounting	13,380	13,906
Bank fees	2,087	137
Buying commissions (Note 3)	57,849	-
Interest	33,464	17,724
Management fees	139,322	28,716
Legal fees	5,000	-
Selling commissions (Note 3)	<u>64,332</u>	<u>-</u>
	<u>315,434</u>	<u>60,483</u>
Net loss from investment operations	<u>(312,380)</u>	<u>(59,908)</u>
Realized gain on disposition of investments	1,479,592	233,858
Unrealized depreciation of investments	<u>(244,609)</u>	<u>(487,974)</u>
Net increase (decrease) in net assets	<u>\$ 922,603</u>	<u>\$ (314,024)</u>
Basic and diluted increase (decrease) in net assets per unit	<u>\$ 0.33</u>	<u>\$ (0.26)</u>

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP

STATEMENT OF CHANGES IN NET ASSETS

(unaudited)

FOR THE SIX MONTHS ENDED JUNE 30, 2007

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Net assets, beginning of period	\$ 5,570,511	\$ 5,717,242
Operations		
Accounting change (Note 3)	(96,810)	-
Net increase (decrease) in net assets	922,603	(314,024)
Partner transactions		
Equity portion of convertible debenture	50,000	-
Acquisition of 49 North 2006 (Note 1)	6,985,073	-
Other issuance and reorganization costs	<u>(222,641)</u>	<u>-</u>
Net assets, end of period	<u>\$ 13,208,736</u>	<u>\$ 5,403,218</u>

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP

STATEMENT OF CASH FLOWS

(unaudited)

FOR THE SIX MONTHS ENDED JUNE 30, 2007

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Cash flows from operating activities		
Net increase (decrease) in net assets	\$ 922,603	\$ (314,024)
Items not affecting cash:		
Realized gains on disposal of investments	(1,479,592)	(233,858)
Unrealized depreciation of investments	244,609	487,974
Net changes in non-cash working capital items	<u>295,951</u>	<u>33,667</u>
	<u>(16,429)</u>	<u>(26,241)</u>
Cash flows from investing activities		
Purchase of investments	(8,184,895)	(923,421)
Proceeds from disposition of investments	<u>6,395,369</u>	<u>722,639</u>
	<u>(1,911,707)</u>	<u>(200,782)</u>
Cash flows from financing activities		
Payment of loan payable	(500,000)	-
Issuance of debentures	<u>2,000,000</u>	<u>(20,000)</u>
	<u>1,500,000</u>	<u>(40,566)</u>
Net decrease in cash during period	(244,659)	(267,589)
(Bank indebtedness) cash, beginning of period	<u>68,690</u>	<u>-</u>
Bank indebtedness, end of period	<u>\$ (175,969)</u>	<u>\$ (267,589)</u>

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

(unaudited)

JUNE 30, 2007

1. Organization and business description

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

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

The Partnership invests in a diversified portfolio of shares and other securities of resource issuers including, without limitation, resource issuers engaged in mineral or oil and gas exploration and development, with the focus on resource issuers with exploration programs in Saskatchewan; and with a view to achieving capital appreciation of the portfolio. Prior to December 31, 2006 the Partnership was generally restricted to investing in shares that qualified as "flow-through shares" for the purposes of the *Income Tax Act* (Canada), but since then it has been authorized to invest in shares and other securities of resource issuers regardless of whether they are or are not flow-through shares.

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

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

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

(unaudited)

JUNE 30, 2007

2. Significant accounting policies

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

Use of estimates

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

Valuation of investments

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

Public companies

The fair value of any security which is listed or traded upon a stock exchange shall be estimated by taking the latest bid price. The quoted bid price value of securities that are subject to a hold period will be valued with an appropriate discount as determined by the General Partner.

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

Private companies

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

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

Warrants

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

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

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

(unaudited)

JUNE 30, 2007

2. Significant accounting policies (continued)

Investment transactions and income recognition

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

Income from investment transactions is recognized on an accrual basis.

Issuance and reorganization costs

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

Allocation of income and loss

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

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

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

Income taxes

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

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

Financial instruments

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

3. Change in accounting policy

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

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

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

(unaudited)

JUNE 30, 2007

3. Change in accounting policy (continued)

been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities.

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

Impact upon Adoption of Section 3855

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

Reconciliation of GAAP NAV to Trading NAV

As a result of the move to using quoted bid prices to determine NAV for Generally Accepted Accounting Principles ("GAAP") financial statements, there is a difference in the GAAP NAV and the Pricing NAV. The difference in the NAV calculations is the difference between the quoted bid and closing prices at any given point in time.

Reconciliation of NAV:

GAAP NAV	\$4.42
<u>Adjustments to closing prices</u>	<u>\$0.06</u>
Closing price NAV	\$4.48

4. Bank indebtedness

The Partnership has a line of credit facility with the HSBC (the "Bank") and has provided the Bank with a general security interest in all of the assets of the Partnership and a pledge of all investments. Interest is charged at a rate of prime plus 2% for any amount up to \$200,000 and 21% for any amount over \$200,000. As at June 30, 2006, the indebtedness to the Bank under this facility was \$197,910.

The Partnership has a margin account with Union Securities Ltd., which bears interest at a rate of prime plus 2.5% for all amounts greater than \$25,000, prime plus 3.5% for amounts between \$10,001 and \$25,000 and prime plus 3.75% for all amounts from \$1 to \$10,000. As at June 30, 2007, the Partnership had a positive balance of \$21,941 in this margin account.

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

(unaudited)

JUNE 30, 2007

5. Expenses of the partnership

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

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

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

6. Demand loan payable

As part of the 2007 Reorganization transaction (see Note 1), the Partnership assumed indebtedness then owing by the 2006 Fund to Mr. Tom MacNeill (the "Lender") in respect of monies loaned for the payment of issuance costs incurred in 2006 by the 2006 Fund. As security for this loan, the Partnership entered into a general security agreement with the Lender pursuant to which it granted the Lender a security interest in all assets of the Partnership, including a pledge of all of the Partnership's investments. This loan is payable on demand by the Lender and interest is charged on the loan at a rate equal to the Royal Bank of Canada's prime rate plus 2%.

7. Convertible debenture

The Partnership completed the issue of a \$2,000,000 convertible secured debenture on a private placement basis on June 28, 2007. The debenture is non-transferable and matures May 1, 2012 with the full principal amount payable in a single payment on maturity, except to the extent that principal is converted or the debenture redeemed prior to maturity. Outstanding principal bears interest at 9%, payable annually in cash on December 31 of each year commencing December 31, 2007.

49 NORTH RESOURCE FUND LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

(unaudited)

JUNE 30, 2007

7. Convertible debenture (continued)

The principal amount of the debenture is convertible in whole or in part at any time at the option of the holder into limited partnership units of the partnership at a conversion price of \$5.00 per Unit. Additionally, if and when both the Net Asset Value per Unit and trading price of the Units reach \$6.00 for a period of at least sixty consecutive days, the Partnership will have the right to require the holder to either convert all of the outstanding principal into Units at the \$5.00 per Unit conversion price or to sell the debenture back to the Partnership at an amount equal to 120% of the then outstanding principal amount plus any accrued but unpaid interest. Pending achieving these targets, the Partnership may, on sixty days notice, call the debenture for repurchase at its \$2,000,000 face value plus accrued interest plus, if applicable, an early repurchase premium. The premium will decline at 2% annually, from 10% of face value if the debenture is repurchased prior to May 1, 2008 to 2% if repurchased in the last year prior to maturity.

The convertible debenture is secured by a general security interest in all present and after acquired property of the Partnership, which security ranks in priority to the security granted to the Lender under the demand loan discussed in Note 6 above.

The carrying amount of the convertible debenture approximates fair value as determined by reference to current market conditions, except for the equity component of the \$2 million convertible debenture which had a fair value at issue date of \$50,000.

8. Partners' equity

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

The Partnership and the 2006 Fund completed a series of transactions on February 21, 2007 pursuant to which the 2006 Fund was effectively merged into the Partnership. See Note 1. All outstanding limited partnership units of the 2006 Fund were transferred to the Partnership in exchange for 1,598,314 Units of the Partnership. As a result of these transactions, the number of issued and outstanding Units of the Partnership increased from 1,200,000 to 2,798,314.

9. Related party transactions

During the period, the Partnership incurred \$139,322 (June 30, 2006 - \$28,716) of management fees to the General Partner and \$24,033 (June 30, 2006 - \$11,045) of interest expense to the Lender.

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

10. Tax shelter identification number

The identification number issued for this tax shelter shall be included in any income tax return filed by the investor. Issuance of the identification number is for administrative purposes only and does not in any way confirm the entitlement of an investor to claim any tax benefits associated with this partnership. The tax shelter number for the Partnership is TS070789.

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NOTES TO THE FINANCIAL STATEMENTS

(unaudited)

JUNE 30, 2007

11. Comparative figures

Certain of the comparative figures have been reclassified to conform with the current period's presentation.