



## **Management's Discussion and Analysis**

**For the year ended December 31, 2008**

**Date of Report: April 24, 2009**

### **Overview:**

This Management's Discussion and Analysis of the financial condition and results of operation ("MD&A") of 49 North Resource Fund Inc. (the "Corporation") has been prepared based upon information available to the Corporation as at April 24, 2009 and should be read in conjunction with the audited financial statements and related notes of the Corporation (the "current statements") as at and for the year ended December 31, 2008 (the "current year") and of 49 North Resource Fund Limited Partnership (the "Former Partnership") for the year ended December 31, 2007. All financial data in this MD&A is reported in Canadian dollars and has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") unless otherwise indicated (see "Non-GAAP Measures").

As discussed in greater detail below under "Significant Events - Conversion Transaction", effective January 1, 2008, 49 North converted from its former, limited partnership structure into its current corporate structure in a series of transactions referred to herein collectively as the "Conversion Transaction" at which time all of the limited partnership units ("Units") of the Former Partnership that were outstanding as December 31, 2007 were consolidated and exchanged for common shares of the Corporation on a one share for two Units basis. All references herein to "49 North" or the "Company", and personal pronouns such as "us", "we" or "our", mean the Corporation when used with reference to the period from and after January 1, 2008 and mean the Former Partnership when used with reference to the period prior to January 1, 2008. References herein to the "General Partner" mean the corporation which, under the name 49 North Resource Fund Inc., served as the general partner of the Former Partnership until its dissolution as part of the Conversion Transaction. Unless the context indicates otherwise, references to "shares" of the Company, mean common shares of the Corporation when used with reference to the period from and after January 1, 2008 and include Units of the Former Partnership when used with reference to the period prior to January 1, 2008. Additionally, unless otherwise indicated, all current and comparative figures in this MD&A have been adjusted to reflect the 2 Unit for 1 common share consolidation that occurred effective January 1, 2008 as part of the Conversion Transaction. References to the "TSXV" mean the TSX Venture Exchange.

### **Nature of the Business:**

The Corporation is incorporated under the laws of Saskatchewan and its common shares are publicly traded on the TSXV under the symbol "FNR". 49 North is a resource investment, financial and managerial advisory, and merchant banking company which, currently, as its principal business, invests in a diversified portfolio of shares and other securities of resource issuers including, without limitation, resource issuers engaged in mineral (uranium, base metals, precious metals), oil and gas and potash exploration and development, with a view to achieving capital appreciation of the portfolio.

### **Overall Performance:**

The economic climate during the fourth quarter and most of 2008 was one of continuing global credit failure and associated de-leveraging, which severely constrained access to capital resulting in an intensifying expectation of a protracted global recession. This extreme negative sentiment has resulted in extraordinary downward pressure on commodity prices and related equities which in turn has had a substantially negative impact on 49 North's investment portfolio. Commodity prices and stock prices ended the year at levels significantly lower than at the beginning of the year and, in many cases, at or near all-time lows.

The effect of this uncertainty and negative sentiment on the Company's financial results was significant. The net gains on the disposal of investments which we realized in 2007 contrasted sharply with net losses recognized in 2008. In addition, net unrealized losses on our portfolio increased significantly over the year and especially during the fourth quarter reflecting the decline in stock prices of most companies worldwide.

Both net unrealized losses and net losses on disposal of investments reflect the significant declines in the trading prices of the Company's investments caused mostly by factors outside of management's control, including the current state of macro economic factors and financial health of the world economy. As at December 31, 2008 the fair value of the Company's investments was \$7,672,171 as compared to \$26,156,667 as at December 31, 2007 (a 71% decrease) and shareholders' equity stood at \$3,719,302 as at December 31, 2008 as compared to \$22,346,015 as at December 31, 2007 (a 86% decrease).

Despite the current state of the world market, 49 North remains committed to its investment strategy and long-term objectives. The Company believes that the current volatility and downward pressure on stock prices will remain in the near term and may result in 49 North incurring realized losses on sales of its investments in order to generate cash needed to fund its operations. Additionally, if there are further declines in the trading prices of securities which 49 North holds, the Company may incur additional unrealized losses on its investments.

### Selected Annual Information:

The following financial information is derived from the Company's audited financial statements for the three most recently completed financial years:

| <b>Balance Sheet Information</b><br>In \$ 000's except per share data           | <b>At December 31</b>         |                 |             |
|---|-------------------------------|-----------------|-------------|
|   | <b>2008</b>                   | <b>2007</b>     | <b>2006</b> |
| Equity investments, at fair value   | \$ 7,672                      | \$ 26,157       | \$ 6,066    |
| Total assets  | 8,679                         | 26,157          | 6,134       |
| Liabilities   | 4,960                         | 3,811           | 564         |
| Shareholders Equity   | 3,719                         | 22,346          | 5,570       |
| Per share, basic  | \$ 2.05                       | \$ 15.98        | \$ 4.64     |
| Per share, diluted  | \$ 1.91                       | \$ 15.20        | \$ 4.64     |
| <b>Statement of Operations Information</b><br>In \$ 000's except per share data | <b>Year ended December 31</b> |                 |             |
|   | <b>2008</b>                   | <b>2007</b>     | <b>2006</b> |
| Net realized investment gains (losses)  | (4,451)                       | 999             | 682         |
| Net unrealized investment gains (losses)  | (18,961)                      | 11,877          | (513)       |
| Dividend income   | 229                           | -               | -           |
| Interest income   | 2                             | 3               | 1           |
|   | <u>\$(23,181)</u>             | <u>\$12,879</u> | <u>170</u>  |
| Expenses  | 2,847                         | 2,758           | 212         |
| Income (loss) before income taxes   | (26,028)                      | 10,121          | (42)        |
| Future income taxes   | (4,062)                       | -               | -           |
| Net Income (loss)   | (21,966)                      | 10,121          | (42)        |
| Earnings (loss) per share, basic  | \$(12.14)                     | \$3.85          | (\$0.01)    |
| Earnings (loss) per share, diluted  | \$(12.14)                     | \$3.58          | (\$0.01)    |

### Significant Events:

Apart from the general economic factors and specific financial information mentioned above, the following events and developments occurred during the fiscal year ended 2008 and the first three months of fiscal 2009 that changed or affected the organizational structure, capitalization, operations and/or result of operation of 49 North.

➤ **Conversion Transaction:** Effective January 1, 2008 49 North undertook a series of transactions (collectively the “Conversion Transaction”) by which it converted from its former limited partnership structure under the name 49 North Resource Fund Limited Partnership into its current corporate structure under the name 49 North Resource Fund Inc. and, at the same time, consolidated its outstanding securities on a 2 Units for 1 common share basis. As part of this Conversion Transaction, the holder of a \$2 million convertible debenture that was issued by the Former Partnership in June of 2007 converted that debenture, in accordance with its terms, into 400,000 Units, immediately following which the Former Partnership transferred its investment portfolio to 101110207 Saskatchewan Ltd. (“Acquisitionco”) in exchange for 1,399,297 common shares and 200,000 second preferred series 1 shares of Acquisitionco. Immediately following this transfer, the Former Partnership was wound up and dissolved and the second preferred series 1 shares were distributed to the former debenture holder and the common shares were distributed to the other (former) partners of the Former Partnership, including 1,399,157 common shares distributed to the limited partners (other than the former debenture holder) and 140 common shares distributed to the General Partner, following which all of the outstanding shares of the General Partner were transferred to Acquisitionco. Acquisitionco and the General Partner were then continued as a single company under the name 101110207 Saskatchewan Ltd. pursuant to Articles of Amalgamation that were registered under *The Business Corporations Act* (Saskatchewan) effective January 1, 2008 and then immediately amended to change the name of the amalgamated company back to 49 North Resource Fund Inc. As a result of that amalgamation, the 140 common shares issued to the General Partner were cancelled, resulting in 49 North then having a total of 1,399,157 common shares outstanding, which were listed on the TSXV effective January 2, 2008 under the symbol FNR, in substitution for the previous listing of the Units which were cancelled, and 200,000 second preferred series 1 shares.

➤ **Roll-over Transaction with 2007 Fund:** 49 North 2007 Resource Flow-through Limited Partnership (the “2007 Fund”), in 2007 raised a total of \$9,327,700 on the sale of 932,770 flow-through units at \$10 per unit under a prospectus filed in all provinces of Canada, other than Québec (and a small related private placement in the province of Québec). Prior to December 31, 2007, the 2007 Fund invested a substantially equal amount in a portfolio of flow-through shares, and, as at December 31, 2007, the 2007 Fund had net assets representing partners’ equity of \$7,383,000. Effective February 14, 2008, 49 North 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 to, and in exchange for common shares in the capital stock of, 49 North; following which the 2007 Fund was wound-up and dissolved and, in connection therewith, these common shares were distributed amongst the (former) partners of the 2007 Fund. A total of 497,520 common shares were issued in this transaction, resulting in the number of 49 North’s outstanding common shares increasing to a total of 1,896,677 shares. Also as a consequence of the 2007 Fund Roll-over Transaction 49 North became a reporting issuer in New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador.

➤ **Stock Option Plan:** At 49 North’s annual and special meeting held June 4, 2008, the Company’s shareholders approved a stock option plan referred to as the “2008 Stock Option Plan”. The purpose of the 2008 Stock Option Plan is to attract, retain and motivate directors, employees and consultants of the Company and to advance the interests of the Company by providing such persons with the opportunity, through stock options, to acquire an equity interest in 49 North. The plan is a “rolling” plan for the purpose of TSXV policies, pursuant to which the board of directors may from time to time grant options to purchase common shares, exercisable at not less than the “discounted market price” (as defined by TSXV policies) for up to 10% of the Company’s issued and outstanding shares as at the time of grant. Effective July 16, 2008, 75,000 stock options were granted pursuant to this stock option plan, all of which were exercisable at \$10 per share and, if not exercised, were scheduled to expire July 16, 2018, subject to earlier expiration and/or price adjustments in accordance with the plan and applicable policies of the TSXV. All of these options were cancelled or otherwise expired on or prior to April 6, 2009, at which time 295,000 new options were issued all of which are exercisable at \$2.00 per share and, subject to earlier termination in accordance with that Plan, expire April 2, 2019.

➤ **Shareholder Rights Plans:** 49 North’s shareholders also approved a Shareholder Rights Plan at the Company’s June 4, 2008 annual and special meeting. The principal objective of the Shareholder Rights Plan is to provide adequate time for the directors and shareholders of 49 North to assess an unsolicited take-over bid for the Company, to provide the directors with sufficient time to explore and develop alternatives for maximizing shareholder value if a take-over bid is made, and to provide shareholders with an equal opportunity to participate in a take-over bid. The Shareholders Rights Plan was established pursuant to a shareholder rights plan agreement made as of June 4, 2008 with Equity Transfer & Trust Company, as rights’ agent.

➤ **Change in Status and Nature of Business:** From our inception in 2005, until June of 2008, 49 North's portfolio investment activities were carried out in accordance with investment guidelines, which, prior to the January 1, 2008 Conversion Transaction were included as part of the partnership agreement of the Former Partnership and which, subsequently, were adopted as policies of the Corporation's board of directors. These investment guidelines included so-called "non-control provisions" which generally prevented 49 North from investing for the purpose of exercising control of or being actively involved in the management of the resource companies in which it invests. Because of these "non-control provisions", 49 North had been classified as an "investment fund" as defined in, and for the purposes of, applicable securities legislation. Effective June 4, 2008 the Company's board of directors amended the investment guidelines to remove these "non-control provisions". This has had two important consequences for the Company. First, by removing the "non-control provisions", the Company ceased to be classified as an "investment fund" for the purposes of securities legislation and, as a result, 49 North's continuous disclosure obligations under securities legislation changed. In that regard, as an "investment fund", the Company's continuous disclosure obligations were generally governed by National Instrument 81-106, *Investment Fund Continuous Disclosure*, which differ in some respects from the continuous disclosure obligations under National Instrument 51-102, *Continuous Disclosure Obligations* that generally apply to reporting issuers that are not investment funds and that have applied to 49 North since June 4, 2008. For example, as an investment fund, 49 North publicly filed and distributed its annual audited and bi-annual unaudited interim financial statements but, unlike most reporting issuers that are not investment funds, was not required to publish or distribute quarterly financial statements. Also, as an investment fund, the Company's annual and interim financial statements were accompanied by a management report on fund performance ("MFRP"), whereas the financial statements of non-investment fund reporting issuers are typically accompanied by a Management Discussion and Analysis report ("MD&A"). Since ceasing to be an investment fund, starting with our financial quarter ending June 30, 2008, we have publicly filed and distributed financial statements and MD&A on a quarterly basis in accordance with the requirements of National Instrument 51-102.

Second, and more substantively, we anticipate that, with the removal of the "non-control provisions", over time 49 North may take a greater role in the management of and larger positions (including, potentially, control positions) in selected resource issuers and/or may become directly or indirectly (through one or more subsidiaries, joint ventures, farm-in or other arrangements that may be established for that purpose) involved in the acquisition, development and/or commercialization of resource properties.

➤ **Private Placement of Convertible Debentures:** In 2007 we issued a \$2,000,000 convertible secured debenture (the "2007 Debenture") on a private placement basis. When issued, the 2007 Debenture was to bear interest at 9%, payable annually on December 31 each year; was to mature May 1, 2012 with the full principal amount payable in a single payment on maturity; was secured by a general security interest in all of our present and after acquired property; and was convertible in whole or in part at any time at the option of the holder into Units of the Former Partnership at a conversion price of \$5.00 per Unit. Effective January 1, 2008, as part of the Conversion Transaction, the 2007 Debenture was converted in accordance with its terms into 400,000 Units of the Former Partnership and then exchanged for 200,000 second preferred series 1 shares of the Corporation.

In July of 2008 we raised gross proceeds of \$5,000,000 in a brokered private placement of 9% convertible, unsecured, subordinated debentures (the "2008 Debentures") which was carried out under the "offering memorandum exemption" in part 2.9 of National Instrument 45-106, *Prospectus and Registration Exemptions* pursuant to an offering memorandum dated July 4, 2008. The 2008 Debentures were issued pursuant to a trust indenture dated July 24, 2008 between the Company and Equity Transfer & Trust Company, as trustee. Subject to the detailed terms and conditions of that trust indenture, the 2008 Debentures have a three-year term maturing July 24, 2011 and bear interest from July 24, 2008 at 9% per annum which, unless the debentures are earlier converted or redeemed in accordance with their terms, is to be paid on July 24 in each of 2009 and 2010 and on maturity. The 2008 Debentures are convertible, at the option of the respective holders, at any time or from time to time prior to 5 p.m. (Toronto time) on July 23, 2011, into fully paid, non-assessable common shares at a conversion price of (i) \$11.00 per share if converted prior to July 24, 2009, (ii) \$11.75 per share if converted on or after July 24, 2009 and before July 24, 2010, and (iii) \$12.50 per share if converted on or after July 24, 2010 and prior to the conversion expiry time. Where debentures are converted, interest accruing due but otherwise unpaid to the date preceding the date of conversion will be paid promptly following such date.

Subject to certain conditions precedent, the Company may redeem the 2008 Debentures prior to maturity at a redemption price equal to their principal amount plus interest accruing to but otherwise unpaid to the date preceding the redemption date plus a premium equal to 6% of the outstanding principal amount if redeemed prior to July 24, 2009, 4% of the outstanding principal amount if redeemed on or after July 24, 2009 but before July 24, 2010, or 2% of the outstanding principal amount if redeemed on or after July 24, 2010 and prior to maturity. These conditions precedent include the requirement that (i) we send notice of our intent to redeem the debentures and of the proposed redemption date to all 2008 Debenture holders at least 60 days and not more than 90 days prior to such redemption date, (ii) at the time of sending such notice, the weighted average trading price of our common shares for the 60 days preceding the date of the notice is equal to or exceeds the then applicable conversion price, and (iii) on the redemption date, we must redeem all of the outstanding 2008 Debentures that have not been converted into common shares in accordance with the terms of the trust indenture. The 2008 Debentures are unsecured and are subordinated to substantially all of the Issuer's other present and future indebtedness.

\$2,000,000 aggregate principal amount of the 2008 Debentures were issued to the holder of the 200,000 second preferred series 1 shares that were issued to the former holder of the 2007 Debenture as part of the January 2008 Conversion Transaction. All of these second preferred series 1 shares were repurchased and redeemed concurrent with the closing of the private placement of the 2008 Debentures, at a price of approximately \$2,100,000, representing the \$2,000,000 issue price of such shares in the Conversion Transaction plus dividends that accrued thereon from January 1, 2008 to June 23, 2008. As a result of this transaction, since July 24, 2008 we have not had any preferred shares outstanding. The balance of the proceeds of the 2008 Debentures private placement, net of agents' fees and expenses, was to be used to pay-out and/or reduce pre-existing indebtedness of the Company and for general working capital.

➤ **New CFO and Director:** Mr. Sandip Rana, of Brampton Ontario, was appointed as the Corporation's Chief Financial Officer and Secretary, and to its board of directors, effective November 20, 2008. Mr. Rana brings a wealth of financial experience to 49 North. He is currently the Vice-President, Corporate Finance, of a leading luxury hotel management company based in Canada; as well as being the former International Controller for Newmont Mining Corporation of Canada and previously working with Franco-Nevada Mining Corporation Limited as treasurer. In that capacity, Mr. Rana was involved in facilitating the three-way merger between Franco-Nevada Corporation, Newmont Mining and Normandy Mining. In announcing Mr. Rana's appointment, the Company's CEO, Mr. Tom McNeill, commented that "Sandip's wealth of experience and his expertise in all aspects of corporate finance and governance provide a very welcome addition that will strengthen 49 North's management system". Mr. Rana replaced Mr. Ronald ("Bud") Walker who retired from these positions for personal reasons.

➤ **Normal Course Issuer Bids:** In July 2007 the Former Partnership announced that it was implementing a normal course issuer bid (the "2007 NCIB") to acquire, between July 23, 2007 and July 23, 2008, up to 276,041 Units, representing approximately 9.86% of the total Units of the Former Partnership that were then outstanding (138,020 common shares of the Corporation after adjusting for the Conversion Transaction and 2 Units for 1 common share consolidation that occurred as part of that Conversion Transaction). On August 5, 2008, 49 North announced its intention to commence a new normal course issuer bid (the "2008 NCIB") to acquire up to 180,865 common shares during the period from August 6, 2008 until the earlier of August 6, 2009 and the date by which 49 North has acquired the maximum 180,865 shares which may be purchased under that bid. Purchases under these NCIBs are made in open market transactions through the facilities and in accordance with the rules of the TSX Venture Exchange at market prices prevailing at the time of acquisition. All common shares purchased under the NCIBs are cancelled. During the fiscal year ended December 31, 2008, the Company repurchased 92,600 shares pursuant to these NCIBs at a cost of \$733,945 (on average, \$7.93 per share). An additional 49,000 shares were purchased under the 2008 NCIB between January 1 and March 31, 2009 at a cost of \$84,612 (on average \$1.73 per share).

➤ **Roll-over Transaction with 2008-I Fund:** Between February and May 2008, 49 North 2008 Resource Flow-Through Limited Partnership (the "2008-I Fund") raised \$9,156,550 on the sale of 915,655 flow-through limited partnership units (the "2008-I Units"), at \$10 per 2008-I Unit, in an initial public offering that was carried out in all provinces and territories of Canada pursuant to a prospectus dated February 12, 2008. Pursuant to a transfer agreement made February 12, 2008, as amended and restated as of December 18, 2008, effective February 2, 2009, the 2008-I Fund transferred its assets – consisting of flow-through shares and warrants of 20 resource companies valued, after all adjustments, for the purposes of the transaction (the "2008-I Fund Roll-over

Transaction”), at \$4,016,711 – to, and in exchange for 1,656,376 common shares of, the Company, which were valued for the purpose of the transaction at \$2.425 per share. Following this transfer, but also effective February 2, 2009, the 2008-I Fund was wound-up and dissolved and these 1,656,376 shares were distributed amongst the (former) partners of the 2008-I Fund with each (former) limited partner of the 2008-I Fund receiving approximately 1.809 FNR shares for each 2008-I Unit they previously held. Also as a consequence of the 2008-I Fund Roll-over Transaction 49 North became a reporting issuer in Québec and the three territories such that it is now a reporting issuer in all provinces and territories of Canada.

➤ **Roll-over Transaction with 2008-II Fund:** In December 2008, 49 North 2008-II Resource Flow-Through Limited Partnership (the “2008-II Fund”) raised \$2,191,100 in a brokered private placement of 219,110 flow-through limited partnership units (the “2008-II Units”), at \$10 per 2008-II Unit. Pursuant to a framework agreement made as of September 5, 2008, as amended and restated as of November 25, 2008, effective February 2, 2009, the 2008-II Fund transferred its assets – consisting of flow-through shares in 2 resource companies valued, after all adjustments, for the purposes of the transaction at \$1,820,069 – to, and in exchange for, 750,544 common shares of, the Company, which were valued for the purpose of the transaction at \$2.425 per share. Following this transfer, but also effective February 2, 2009, the 2008-II Fund was wound-up and dissolved and these 750,544 FNR shares were distributed amongst the (former) partners of the 2008-II Fund with each (former) limited partner of the 2008-II Fund received approximately 3.425 FNR shares for each 2008-II Unit they previously held.

## Results of Operations:

### Summary of Results:

The Company’s operating results for its three most recently completed financial years and for the quarters ended December 31, September 30, June 30 and March 31 in each of 2008 and 2007 are summarized in the tables below.

| <b>Annual Results of Operation</b>  | <b>2008</b>     | <b>2007</b>   | <b>2006</b> |
|-------------------------------------|-----------------|---------------|-------------|
| Net investment gains (losses)       | \$ (23,181,304) | \$ 12,879,030 | \$ 170,669  |
| Net income (loss) for the year      | (21,965,982)    | 10,120,919    | (41,967)    |
| Earnings (loss) per share – basic   | (12.14)         | 3.85          | (0.01)      |
| Earnings (loss) per share - diluted | (12.14)         | 3.58          | (0.01)      |
|                                     |                 |               |             |
| Total assets                        | 8,679,384       | 26,156,667    | 6,134,453   |
| Total liabilities                   | 4,960,082       | 3,810,652     | 563,942     |
| Shareholders’ equity                | 3,719,302       | 22,346,015    | 5,570,511   |

| <b>Quarterly Results of Operation (unaudited)</b> |                      |                       |                      |                       |
|---|----------------------|-----------------------|----------------------|-----------------------|
| <b>In \$ 000’s except per share data</b>          | <b>Quarter ended</b> |                       |                      |                       |
|   | <b>Dec. 31, 2008</b> | <b>Sept. 30, 2008</b> | <b>June 30, 2008</b> | <b>March 31, 2008</b> |
| Net investment gains (losses)                     | \$(10,979)           | \$(29,998)            | \$ 15,694            | \$ 2,102              |
| Net income (loss)                                 | (9,844)              | (25,699)              | 11,838               | 1,739                 |
| Earnings (loss) per share – basic                 | \$(5.38)             | \$(14.06)             | \$ 6.40              | \$ 1.28               |
| Earnings (loss) per share – diluted               | \$(5.38)             | \$(14.06)             | \$ 6.01              | \$ 0.62               |
|   | <b>Dec 31, 2007</b>  | <b>Sept. 30, 2007</b> | <b>June 30, 2007</b> | <b>March 31, 2007</b> |
| Net investment gains (losses)                     | \$12,420             | \$(779)               | \$ 1,208             | \$ 30                 |
| Net income (loss)                                 | 10,204               | (1,006)               | 1,052                | (129)                 |
| Earnings (loss) per share – basic                 | \$3.97               | \$(0.36)              | \$ 0.37              | \$ (0.04)             |
| Earnings (loss) per share – diluted               | \$3.68               | \$(0.36)              | \$ 0.37              | \$ (0.04)             |

***Year Ended December 31, 2008 and 2007:***

For the year ended December 31, 2008, the Company recorded a pre-tax loss of \$26,028,531 and a net loss, after-tax, of \$21,965,982 (\$12.14 per share), compared to income of \$10,120,919 (\$3.85 per Unit) in the year ended December 31, 2007.

The difference in the Company's pre-tax and after-tax loss in 2008 is due to the fact that the Company recorded a recovery of income taxes for the year of \$4,062,549. By comparison, prior to converting to its current corporate structure effective January 1, 2008, the Former Partnership computed its income as if it were a separate person resident in Canada, but was not itself a taxable entity and was not required to file income tax returns except for an annual information return. Rather, the income or loss of the Former Partnership was, generally, taxed in the hands of the partners of the Former Partnership, with the limited partners generally required to include (or entitled to deduct) their respective *pro rata* share of such income (or loss) in computing their own income for the taxation year that included the relevant fiscal year end of the Former Partnership. Consequently, the Former Partnership's financial statements did not provide for income tax (or recoveries).

The Company's pre-tax losses in 2008 of \$26,028,531 were based on net investment losses of \$23,181,304 less recorded expenses of \$2,847,227; compared to income in 2007 of \$10,120,919 on net investment gains of \$12,879,030 and expenses of \$2,758,111. The significant year over year loss is primarily a result of a net change of \$30,338,430 between unrealized losses in 2008 versus unrealized gains in 2007.

The \$23,181,304 of net investment losses in 2008 is comprised of \$4,451,195 of realized losses, \$18,961,855 of unrealized losses and \$231,746 of dividends and interest income. By comparison, in 2007, the Company had realized net investment gains of \$999,401, unrealized gains of \$11,876,575, no dividend income and interest income of \$3,054. The Company's significant investment losses were generally attributable to the sharp declines in the market values of securities in the Company's investment portfolio as of December 31, 2008 compared to December 31, 2007 which, in turn, were largely a reflection of the general world-wide economic climate throughout much of 2008 and beyond the control of management. In that regard, the world-wide economic climate during most of 2008 was one of continuing global credit failure and associated de-leveraging, which severely constrained access to capital resulting in an intensifying expectation of a protracted global recession. This extreme negative sentiment resulted in extraordinary downward pressure on commodity prices and related equities which in turn has had a substantially negative impact on 49 North's investment portfolio. Commodity prices and stock prices generally ended the year at levels significantly lower than at the beginning of the year and, in many cases, at or near all-time lows.

The realized investment losses of \$4,451,195 were also attributable to losses of \$5,830,659 in the fourth quarter resulting from year end tax loss selling of certain portfolio investments, which more than offset realized gains experienced in the first three quarters of 2008; as well as to a year end write down in the carrying value of certain of the Company's investments in private companies as discussed in more detail below with respect to our fourth quarter results of operations.

Expenses for the year ended December 31, 2008 were \$2,847,227, compared to expenses of \$2,758,111 in 2007. The following table provides a list of all expenses incurred by the Company for the years ended December 31, 2008 and 2007. Additional information about these expenses including the main reasons for year-over-year changes in expenses is provided in the notes to the table.

| Annual Expenses  | Year Ended December 31 |                  |
|--|------------------------|------------------|
|  | 2008                   | 2007             |
| Business development and investor relations <sup>1</sup> | 644,419                | -                |
| Interest <sup>2</sup>                                    | 590,036                | 177,949          |
| Management fees <sup>3</sup>                             | 362,144                | 337,882          |
| Management performance bonus <sup>3</sup>                | -                      | 1,926,593        |
| Office and administration <sup>1</sup>                   | 134,869                | 26,873           |
| Professional fees <sup>4</sup>                           | 254,086                | 105,652          |
| Stock compensation <sup>5</sup>                          | 635,818                | -                |
| Transaction costs <sup>6</sup>                           | 140,977                | 183,162          |
| Wages and benefits <sup>1</sup>                          | 84,878                 | -                |
|  | <b>2,847,227</b>       | <b>2,758,111</b> |

**Notes:**

1. Business development and investor relation costs, wages and benefits, and office and administrative expenses totaled \$864,166 compared to \$26,873 for the year ended December 31, 2007. In 2008 the Company hired its first permanent employees and staff, including a full time Manager of Investor Relations, and initiated several new investor relations activities as well as acquiring new office premises.
2. Interest expense was \$590,036 for 2008 compared to \$177,949 for the year ended December 31, 2007. The increase is due primarily to the fact that in July 2008 the Company issued \$5,000,000 principal amount of convertible debentures at a 9% interest rate compared to a \$2,000,000 convertible debenture at a 9% interest rate that was issued in June 2007 and then converted into preferred shares as part of the January 2008 Conversion Transaction. Interest expense in 2008 also included dividends on these preferred shares that accrued until they were redeemed in July of 2008. In addition, the interest expense for the year includes the accretion of the liability component of the debentures in the amount of \$106,581. See also "Significant Events - Private Placement of Convertible Debentures".
3. The large decrease in management performance bonus is due to the fact that a performance bonus of \$1,926,593 was accrued in the fourth quarter of 2007 and no performance bonus was earned or accrued in 2008. In that regard, management fees and, if applicable, the management performance bonus, consist of amounts payable by the Company to TMM Portfolio Management Inc. ("TMM" or the "Portfolio Manager") in accordance with a portfolio management agreement made between the Corporation and TMM as of January 1, 2008 (or, prior to 2008, in accordance with a substantially similar investment management agreement made between the General Partner of the Former Partnership and TMM as of September 30, 2005, as amended and restated effective October 26, 2008, which was terminated and replaced with the above referenced portfolio management agreement as part of the January 2008 Conversion Transaction). Pursuant to these agreements (collectively the "Management Agreement"), TMM provides advice to the Company and, subject to the overall power of the board of directors to supervise and manage the Company, manages 49 North's investment portfolio.

TMM is entitled under the Management Agreement to be paid a quarterly management fee equal to 0.5% of the Published NAV of the Company (see in this regard the discussions below under "Valuation of Assets", "Net Asset Values" and "Non-GAAP Measures") 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 Company, TMM is entitled to receive a performance bonus, calculated as of the last business day of the applicable fiscal year, in an amount equal to 20% of the amount, if any, by which the sum of the Published NAV per common share (or prior to 2008 the Published NAV per Unit) as of that date, plus all dividends or other distributions per common share (or Unit) during that fiscal year, exceeds the greater of a "benchmark value" as stipulated in Management Agreement and the Published NAV per common share (or 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 bear interest at prime plus 2% until paid in full.

Fiscal 2007 was a strong year for the Company financially with net income for the year of \$10,120,919 and, as a result, a performance bonus of \$1,926,593 was accrued in 2007, most of which (\$1,637,593) remained owing as at December 31, 2007 and was paid in fiscal 2008. As a result of this significant performance bonus in 2007, the “benchmark value” under the new portfolio management agreement that was entered into as part of the January 1, 2008 Conversion Transaction was increased to \$16.34 per common share. Unfortunately, for the reasons discussed above, 2008 was more volatile than 2007 and the criteria for the payment of the performance bonus was not achieved. Therefore, a performance bonus was not payable in respect of 2008 and has thus not been accrued for the year.

4. Professional fees in 2008 were \$254,086, an increase of \$148,434 over 2007, attributable to the large number of significant transactions and other events involving the Company in 2008. See in this regard the discussion above under “Significant Events”.
5. In July 2008 the Company issued stock options for the first time. A total of 75,000 options were granted to employees, directors and consultants, all with an exercise price of \$10.00 and a life of 10 years. As a result, the Company’s financial statements for the year ended December 31, 2008 include stock based compensation of \$635,818 (2007- nil). The options were valued using the Black-Scholes valuation model. See also “Significant Events - Stock Option Plan”.
6. Transactions costs were lower in 2008, \$140,977 versus 2007, \$183,162 due to a decrease in the volume of transactions being incurred. Transaction costs arise from purchases and dispositions of investments through brokers, which are expensed immediately in accordance with the Company’s accounting policy for investments.

***Three Months Ended December 31, 2008 and 2007:***

For the three months ended December 31, 2008, the Company recorded a pre-tax loss of \$11,531,287, based on net investment losses of \$10,979,511 and recorded expenses of \$551,776; compared to income of \$10,204,421 in the three months ended December 31, 2007 on net investment gains of \$12,420,159 and expenses of \$2,215,738.

The net investment losses of \$10,979,511 were comprised of actual realized losses of \$5,360,398 and unrealized losses of \$5,830,659 and interest and dividend income of \$211,546 for the quarter. By comparison, the Company had realized net investment losses of \$429,665 and unrealized investment gains of \$12,849,824 in the fourth quarter of 2007. The investment losses for the fourth quarter were generally attributable to the same factors that affected the results of operations for the entire year as discussed above. The realized investment losses of \$5,830,659 were also attributable to year end tax loss selling of certain portfolio investments.

In addition, during the fourth quarter the Company wrote down \$102,272 related to certain investments in private companies, which is included in the above \$5,830,659. Management performed a comprehensive review of each private company investment to assess whether a write-down was required. This review was based upon analyzing available financial information for the respective investments and reviewing any recent transactions that may have occurred (e.g. financings, resource updates).

Dividend and interest income totaled \$211,546 in the quarter compared to nil in 2007. The dividend income was received from one of our investments in the oil and gas sector.

Expenses in the fourth quarter of 2008 were \$551,776 compared to expenses of \$2,215,738 in the fourth quarter of 2007. The following table provides a list of all expenses incurred by the Company for the three months ended December 31 for 2008 and 2007.

| Fourth Quarter Expenses                                  | Three Months Ended December 31, 2008 |                  |
|--|--------------------------------------|------------------|
|  | 2008                                 | 2007             |
| Business development and investor relations <sup>1</sup> | 159,955                              | -                |
| Interest <sup>2</sup>                                    | 254,634                              | 72,525           |
| Management fees <sup>3</sup>                             | (1,894)                              | 133,353          |
| Management performance bonus <sup>3</sup>                | -                                    | 1,926,593        |
| Office and administration <sup>1</sup>                   | 88,234                               | 26,873           |
| Professional fees <sup>4</sup>                           | 28,799                               | 19,137           |
| Stock compensation <sup>5</sup>                          | (44,182)                             | -                |
| Transaction costs  | 37,381                               | 37,257           |
| Wages and benefits <sup>1</sup>                          | 28,799                               | -                |
|  | <b>551,776</b>                       | <b>2,215,738</b> |

**Notes:**

1. Business development and investor relation costs, wages and benefits, and office and administrative expenses totaled approximately \$276,988, compared to \$26,873 in the fourth quarter of 2007, with the change attributable to the fact that in 2008 the Company hired its first permanent employees and staff, including a full time Manager of Investor Relations, and initiated several new investor relations activities as well as acquiring new office premises.
2. Interest expense was \$254,634 in the fourth quarter of 2008 compared to \$72,525 a year ago, due to the increase in convertible debentures outstanding from \$2,000,000 as of December 31, 2007 to \$5,000,000 as of December 31, 2008. See also Note 2 to the above table of Annual Expenses. In addition, the interest expense amount in fourth quarter includes the accretion of the liability component of the debentures of \$106,581.
3. The large decrease in management performance bonus is due to the fact that a performance bonus of \$1,926,593 was accrued in the fourth quarter of 2007 and no performance bonus was earned or accrued in 2008. See also Note 3 to the above table of Annual Expenses.
4. Professional fees in the fourth quarter of 2008 were \$28,799, compared to \$19,137 in 2007. The increase is again attributable to the large number of significant transactions and other events involving the Company in 2008.
5. In July 2008 49 North issued 75,000 stock options to employees, directors and consultants with an exercise price of \$10.00 and a life of 10 years. An expense totaling \$680,000 was reported in respect of these stock options in the third quarter, which was adjusted downwards by \$44,812 in the fourth quarter of the current year.

The Company also recorded a recovery of income taxes in the three months ended December 31, 2008 of \$1,686,916 compared to nil for the Former Partnership in 2007.

**Cash Flow:**

***Years ended December 31, 2008 and 2007:***

Net cash used in operating activities was \$2,754,720 for the year ended December 31, 2008, compared to net cash used in operating activities of \$1,368,529 in the same period last year, an increase of \$1,386,191.

Net cash generated from investing activities during the year was \$2,018,491 compared to \$717,637 in 2007. This was largely a result of net proceeds from disposition of investments of \$2,083,536 in 2008 and \$232,933 in 2007.

Net cash generated from financing activities was \$989,176 in the twelve months ended December 31, 2008 compared to \$366,322 in 2007. The 2008 activity consisted of the issuance of convertible debentures of \$5,000,000 offset by redemption of preferred shares (\$2,000,000), repurchase of common shares (\$733,945) and repayment of loan payable (\$965,000).

For the year ended December 31, 2008 the Company had a net increase in cash of \$252,947 compared to a decrease of \$284,570 a year ago.

***Three Months Ended December 31, 2008 and 2007:***

Net cash used in operating activities was \$32,017 in the three months ended December 31, 2008, compared to net cash used in operating activities of \$1,628,977 in the same period last year, a decrease of \$1,596,960.

Net cash generated from investing activities during the fourth quarter was \$1,905,690 compared to \$2,770,576 in 2007. This was largely a result of proceeds from disposition of investments of \$1,904,259 in 2008 and \$4,727,955 in 2007. The proceeds received in 2007 were partially offset by purchases of investments of \$2,442,083.

Net cash used in financing activities was \$162,086 in the fourth quarter ended December 31, 2008 compared to \$1,083,678 in 2007. This was due to repurchases of shares and payments made to related parties.

For the three months ended December 31, 2008 the Company had a net increase in cash of \$1,711,587 compared to \$7,921 a year ago.

**Capital Resources:**

***Assets:***

49 North's principle business is to invest in and manage a diversified portfolio of securities of resource companies with the objective of achieving medium to long-term capital appreciation through the aggressive management of and growth in value of the portfolio. At December 31, 2008 we had total assets of \$8,679,384, approximately 88% of which - \$7,672,171- consisted of equity investments in a total of 44 resource companies.

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. However, our portfolio focuses on junior and intermediate resource companies, with funds invested predominately in resource companies that are listed on the TSXV or other junior exchanges; although a significant portion of the portfolio, by value, may also be invested in TSX listed companies. Additionally, a significant portion of our portfolio 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 "founder's share" or "seed-capital shares", securities that may otherwise be issued by a resource company prior to completing feasibility studies including, without limitation, a Form 43-101 Technical Report, or securities that may otherwise may be issued prior to a resource company becoming a "reporting issuer".

There are no fixed restrictions or requirements as to the particular sectors of the resource industry in which we invest and no fixed restrictions or requirements as to the geographical locations in which investee resource companies conduct their exploration and/or development activities. However, we tend to focus predominantly on resource companies with activities in Saskatchewan and our portfolio has historically has been weighted more to mineral exploration companies than to oil and gas companies. We endeavour to diversify the portfolio based on commodity type. As described in more detail in the tables below, as of December 31, 2008, our portfolio included holdings in companies in the potash, oil and gas, coal, precious metals, base metals, uranium, diamond and other resource sectors.

The resource equity investments held by the Company as of December 31, 2008 - valued at \$7,672,171- represents a significant - \$18,484,496 - decline compared to the equity investments and total assets of \$26,156,667 held at December 31, 2007. This significant year over year decline is attributable to the factors discussed above under "Results of Operations".

The total number of investments held by the Company increased slightly from 43 at December 31, 2007 to 44 at December 31, 2008. There were periods during 2008 when we held over 60 investments, but we reduced the

number of holdings due to the heightened volatility and unpredictability of the sectors in which the Company invests. Additionally, management disposed of a number of investments in the fourth quarter to take advantage of available capital tax losses.

At December 31, 2008 the Company's equity investments consisted of the following:

| <b>Portfolio Holdings at December 31, 2008<sup>1</sup></b> |               |               |                   |                                |
|--|---------------|---------------|-------------------|--------------------------------|
| <b>Name of Company<sup>2</sup></b>                         | <b>Symbol</b> | <b>Number</b> | <b>Fair Value</b> | <b>Percentage of Portfolio</b> |
| <b>Mineral Exploration:</b>                                |               |               |                   |                                |
| <i>Shares</i>  |               |               |                   |                                |
| Athabasca Potash Inc. (TSX)                                | API           | 2,231,500     | 2,476,965         | 32.29%                         |
| Goldsource Mines Inc.                                      |               | 552,500       | 1,066,325         | 13.90%                         |
| Rockport Mining Corp. (private)                            |               | 486,274       | 364,720           | 4.75%                          |
| Wescan Goldfields Inc.                                     | WGF           | 2,000,500     | 330,083           | 4.30%                          |
| Panwestern Energy Inc.                                     | PW            | 1,779,322     | 266,898           | 3.48%                          |
| Northern Freegold Resources                                | NFR           | 1,416,552     | 226,648           | 2.95%                          |
| Red Rock Energy Inc.                                       | RRK           | 1,965,856     | 137,610           | 1.79%                          |
| Great Western Minerals Group Ltd.                          | GWG           | 2,688,000     | 120,960           | 1.58%                          |
| Bending Lake Iron Group Ltd.                               |               | 100,000       | 100,000           | 1.30%                          |
| NuCoal Energy Corp. (private)                              |               | 400,000       | 100,000           | 1.30%                          |
| Copper Reef Mines Ltd. (CNQ)                               | CZC           | 2,405,000     | 96,200            | 1.25%                          |
| Canalaska Uranium Ltd.                                     | CVV           | 500,911       | 57,605            | 0.75%                          |
| Claude Resources Inc. (TSX)                                | CRJ           | 100,000       | 42,000            | 0.55%                          |
| Stikine Gold Corporation                                   | SKY           | 1,336,667     | 40,100            | 0.52%                          |
| Virginia Uranium (private)                                 |               | 73,333        | 34,091            | 0.44%                          |
| Northern Continental Resources Inc.                        | NCR           | 415,500       | 33,240            | 0.43%                          |
| Laurion Mineral Exploration Inc.                           | LME           | 2,077,665     | 31,165            | 0.41%                          |
| J-Pacific Gold Inc.  | JPN           | 391,000       | 27,370            | 0.36%                          |
| Titan Uranium Ltd.   | TUE           | 98,000        | 20,090            | 0.26%                          |
| Lakota Resources Inc.                                      | LAK           | 250,500       | 15,030            | 0.19%                          |
| Roxgold Inc.   | ROG           | 740,000       | 14,800            | 0.19%                          |
| ESO Uranium Corp.  | ESO           | 590,000       | 14,750            | 0.19%                          |
| Halo Resources Ltd.  | HLO           | 981,915       | 14,729            | 0.19%                          |
| Royal Roads Corp.  | RRO           | 668,050       | 13,361            | 0.17%                          |
| Skeena Resources Ltd.                                      | SKE           | 346,500       | 10,395            | 0.14%                          |
| Dumont Nickel Inc.   | DNI           | 630,000       | 9,450             | 0.12%                          |
| Raytec Metals Corp.  | RAY           | 50,000        | 8,500             | 0.11%                          |
| Troy Energy Corp.  | TEG           | 242,800       | 7,284             | 0.09%                          |
| Rochester Resources  | RCT           | 34,000        | 5,270             | 0.07%                          |
| Vaaldiam Resources   | VAA           | 191,000       | 1,910             | 0.02%                          |
| El Nino Ventures Inc.                                      | ELN           | 540           | 54                | 0.00%                          |
| Valgold Resources Inc.                                     | VAL           | 334           | 7                 | 0.00%                          |
| Copper Canyon Resources Ltd.                               | CPY           | 35            | 4                 | 0.00%                          |
| <i>Warrants</i>  |               |               |                   |                                |
| Alix Resources   |               | 250,000       | -                 | 0.00%                          |
| Blue Sky Uranium Corp                                      |               | 120,000       | -                 | 0.00%                          |
| Copper Canyon Resources Ltd.                               |               | 294,117       | -                 | 0.00%                          |
| Copper Reef Mines Ltd.                                     |               | 250,000       | -                 | 0.00%                          |
| Eagle Plains Resources Ltd.                                |               | 500,000       | -                 | 0.00%                          |
| G2 Resources Inc.  |               | 175,000       | -                 | 0.00%                          |

|                                      |     |           |                     |        |
|--------------------------------------|-----|-----------|---------------------|--------|
| Halo Resources Ltd.                  |     | 300,000   | -                   | 0.00%  |
| Laurion Mineral Exploration Inc.     |     | 1,063,832 | -                   | 0.00%  |
| Northern Continental Resources Inc.  |     | 250,000   | -                   | 0.00%  |
| Northern Freegold Resources Inc.     |     | 312,500   | -                   | 0.00%  |
| Petro Uno Resources                  |     | 312,500   | -                   | 0.00%  |
| Raytec Metals Corp.                  |     | 454,500   | -                   | 0.00%  |
| Roxgold Inc                          |     | 360,000   | -                   | 0.00%  |
| Skeena Resources Ltd.                |     | 100,000   | -                   | 0.00%  |
| Vena Resources Inc.                  |     | 430,000   | -                   | 0.00%  |
| Western Potash Corporation           |     | 100,000   | -                   | 0.00%  |
| Xiterra Resources Limited            |     | 35,000    | -                   | 0.00%  |
| <b>Oil &amp; Gas:</b>                |     |           |                     |        |
| <b>Shares</b>                        |     |           |                     |        |
| Prairie Hunter Energy Corp (private) |     | 1,135,697 | 1,135,697           | 14.80% |
| Ruby Energy Inc. (private)           |     | 916,996   | 484,174             | 6.31%  |
| Renegade Oil & Gas Ltd. (private)    |     | 80,000    | 200,000             | 2.61%  |
| Blackdog Resources Ltd.              | DOG | 250,710   | 67,692              | 0.88%  |
| Wildcat Exploration Ltd.             | WEL | 1,852,000 | 55,560              | 0.72%  |
| Nordic Oil & Gas Ltd.                | NOG | 423,000   | 16,920              | 0.22%  |
| Trivello Energy Corp.                | TRV | 265,000   | 14,575              | 0.19%  |
| Ivory Energy Inc.                    | IV  | 230,117   | 9,205               | 0.12%  |
| Welton Energy Corporation (TSX)      | WLT | 147,059   | 735                 | 0.01%  |
| Cheyenne Energy Corp.                | CHY | 714,280   | -                   | 0.00%  |
| Fair Sky Resources Inc.              | FSK | 65,570    | -                   | 0.00%  |
| <b>Warrants</b>                      |     |           |                     |        |
| Enhanced Oil Resources               |     | 125,000   | -                   | 0.00%  |
| Nordic Oil & Gas Ltd.                |     | 512,500   | -                   | 0.00%  |
| Renegade Oil & Gas Ltd.              |     | 80,000    | -                   | 0.00%  |
|                                      |     |           | <b>\$ 7,672,171</b> |        |

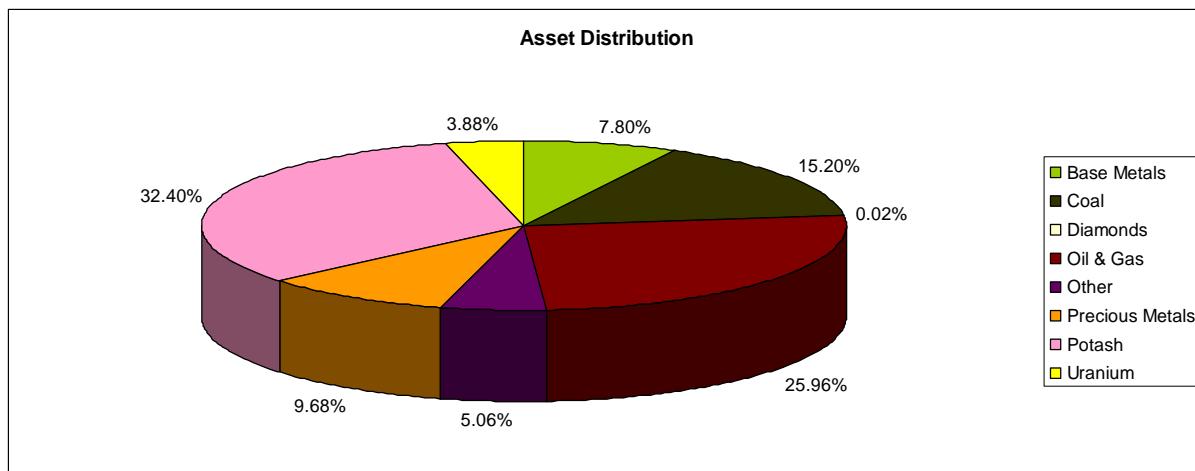
**Notes:**

- The information in this table is derived from the Company's current financial statements. See especially note 3 of the statements. See also the discussion below under the heading "Valuation of Investments".
- All investee companies are listed on the TSX Venture Exchange unless otherwise noted.

At December 31, 2008 49 North's portfolio included positions in 44 resource companies, diversified on the basis of what, if any, stock exchange such companies are listed upon and by commodity type as summarized in the tables below:

| <b>Exchange Listings of Portfolio Holdings</b> |                             |                    |                       |                             |                     |                       |
|--|-----------------------------|--------------------|-----------------------|-----------------------------|---------------------|-----------------------|
| <b>Exchange</b>                                | <b>At December 31, 2008</b> |                    |                       | <b>At December 31, 2007</b> |                     |                       |
|  | <b>No. of Companies</b>     | <b>Value (\$)</b>  | <b>% of Portfolio</b> | <b>No. of Companies</b>     | <b>Value (\$)</b>   | <b>% of Portfolio</b> |
| TSX Venture                                    | 33                          | 2,637,590          | 34.38%                | 35                          | 7,441,286           | 28.45%                |
| Private  | 6                           | 2,318,682          | 30.22%                | 4                           | 904,176             | 3.46%                 |
| TSX  | 4                           | 2,619,700          | 34.15%                | 3                           | 17,277,649          | 66.05%                |
| CNQ  | 1                           | 96,200             | 1.25%                 | 1                           | 533,556             | 2.04%                 |
| <b>TOTAL</b>                                   | <b>44</b>                   | <b>\$7,672,171</b> | <b>100.00%</b>        | <b>43</b>                   | <b>\$26,156,667</b> | <b>100.00%</b>        |

| <b>Portfolio Holding by Commodity</b> |                             |                    |                       |                             |                      |                       |
|---------------------------------------|-----------------------------|--------------------|-----------------------|-----------------------------|----------------------|-----------------------|
|                                       | <b>At December 31, 2008</b> |                    |                       | <b>At December 31, 2007</b> |                      |                       |
|                                       | <b>No. of Companies</b>     | <b>Value (\$)</b>  | <b>% of Portfolio</b> | <b>No. of Companies</b>     | <b>Value (\$)</b>    | <b>% of Portfolio</b> |
| Potash                                | 2                           | 2,485,465          | 32.40%                | 4                           | 18,110,417           | 69.24%                |
| Oil & Gas                             | 12                          | 1,991,842          | 25.96%                | 12                          | 1,681,638            | 6.43%                 |
| Coal                                  | 2                           | 1,166,325          | 15.20%                | 1                           | 121,600              | 0.46%                 |
| Precious Metals                       | 11                          | 742,868            | 9.68%                 | 12                          | 2,398,323            | 9.18%                 |
| Base Metals                           | 8                           | 598,518            | 7.80%                 | 7                           | 1,630,270            | 6.23%                 |
| Uranium                               | 6                           | 297,386            | 3.88%                 | 5                           | 1,163,220            | 4.45%                 |
| Diamonds                              | 1                           | 1,910              | 0.02%                 | 1                           | 471,960              | 1.80%                 |
| Other                                 | 2                           | 387,857            | 5.06%                 | 1                           | 579,239              | 2.21%                 |
| <b>TOTAL</b>                          | <b>44</b>                   | <b>\$7,672,171</b> | <b>100.00%</b>        | <b>43</b>                   | <b>\$ 26,156,667</b> | <b>100.00%</b>        |



In addition to its equity portfolio investments, as at December 31, 2008 the Company had other recorded assets totaling \$754,266 (2007 – nil); including loans and advances receivable of \$423,529 from two of its investee companies, capital assets consisting of furniture and equipment and leasehold improvements of \$204,795, and a future income tax asset of \$125,942. See notes 4, 5 and 12 of the current financial statements.

***Valuation of Assets:***

At December 31, 2008 the Company's assets included equity investments having a fair value of \$7,672,171, representing approximately 88% of the Company's total assets. These equity investments are classified as financial instruments held-for-trading and, in accordance with GAAP, are presented in the financial statements and measured at fair value, with changes in fair value recognized in net income. For this purpose, 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 Company has immediate access. Where bid and ask prices are unavailable, the Company uses the closing price of the most recent transaction for that instrument. The fair value of securities in the Company's investment portfolio as at the end of a period are determined as follows:

Publicly traded companies. The fair value of any security which is listed or traded upon a stock exchange is estimated by taking the latest bid price. The quoted bid price value of securities that are subject to a hold period will

be valued with an appropriate discount. The market values can be impacted by trading volumes, restrictions and market price fluctuations, and the quoted market price may not be indicative of what the Company 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.

Privately held 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 Company for similar flow-through securities. After the initial transaction, adjustments are made to reflect any changes in value as a result of an independent third party transaction. Downward adjustments to the carrying values are also made when there is evidence of a decline in value, as indicated by an assessment of the financial condition of the investment based on operational results, forecasts and other developments.

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

Any difference between the estimated fair value and the cost of the investments is treated as unrealized gains or losses in the statement of operations.

#### ***Net Asset Values:***

Until June of 2008 49 North was classified by securities legislation as an “investment fund” and its financial statements were presented in accordance with GAAP applicable to investment funds, which varies from the manner in which GAAP requires financial statements to be prepared for corporations that are not investment funds. Amongst other things, the financial statements of investment funds include a statement of the fund’s investment portfolio and a calculation of the fund’s net asset value (“NAV”) and NAV per security. Under GAAP applicable to corporations that are not investment funds, 49 North’s financial statements no longer include a statement of portfolio investments (although this information is included in note 3 of the Company’s current statements) nor a calculation of the Company’s NAV or NAV per share. Additionally, investment funds are required by securities legislation to publish their NAV and NAV per security on a quarterly or more frequent basis. The NAV and NAV per security, as historically published by 49 North when it was an investment fund (“Published NAV”), like that published by investment funds generally, varied from the NAV and NAV per security that is included in, or derived from, its financial statements. In particular, as mentioned above, under GAAP, the fair value of securities which are listed or traded upon a stock exchange, and the resulting calculation of NAV and NAV per security (“GAAP NAV”), are normally estimated by taking the latest bid prices for the securities. The Published NAV and NAV per security of an investment fund, on the other hand, normally estimates the fair value of publicly traded securities as of any particular date based on the closing price of such security on that date, unless the security did not trade, in which case it is valued at the average of the bid and ask price on that date; which was the general standard of measurement prior to the adoption, effective January 1, 2007, of new accounting standards issued by the Canadian Institute of Chartered Accountants (“CICA”): Handbook Section 3855, Financial Instruments – Recognition and Measurement. See also the discussion in this MD&A under the heading “Non-GAAP Measures”.

Since 49 North has ceased to be an investment fund, it is no longer required by securities legislation to publish its NAV or NAV per share. However, because the management fees and, if applicable, performance bonuses, paid by the Company to TMM are based on Published NAV, the Company continues to calculate its NAV and NAV per common share on a quarterly basis. The following table reconciles 49 North’s Published NAV to its GAAP NAV as of December 31, 2008.

|   | <b>Published NAV</b> | <b>GAAP NAV</b> | <b>Difference</b> |
|---|----------------------|-----------------|-------------------|
| Assets                                    | \$8,783,619          | \$8,679,384     | \$104,235         |
| Liabilities                               | \$4,960,082          | \$4,960,082     | -                 |
| Shareholder Equity (or Net Asset Value)   | \$3,823,537          | \$3,719,302     | \$104,235         |
| Common shares outstanding                 | 1,804,077            | 1,804,077       | -                 |
| Net Asset value per common share, basic   | \$2.12               | \$2.06          | \$0.06            |
| Net Asset value per common share, diluted | \$1.96               | \$1.91          | \$0.05            |

***Liabilities:***

At December 31, 2008 the Company had recorded liabilities of \$4,960,082 (2007, \$3,810,652). These liabilities include the following:

- Accounts payable and accrued liabilities of \$543,202 consisting of accruals for normal operating expenses, professional fees and interest payable on convertible debentures.
- Management fees and expense reimbursements of \$160,288 payable to TMM as of December 31, 2008 pursuant to the Management Agreement (2007 – nil), with no contingent performance bonus payable to TMM as of December 31, 2008 (2007, \$1,637,593). The President and CEO of the Company is the sole shareholder, director and an officer of TMM. See note 3 of the table of Annual Expenses herein under the heading “Results of Operations” for a detailed description of the terms of the Management Agreement;
- \$4,212,081 representing the redemption price (less the equity component) as at the end of the current period on the \$5,000,000 aggregate principal amount of convertible debentures that were issued in July 2008. See also the discussion herein under “Significant Events – Private Placement of Convertible Debentures” and note 9 of the current financial statements for a detailed description of the terms of these debentures; and
- \$44,511 due to related parties. This relates to amounts that were owing by the Company to the 2008-I Fund as at December 31, 2008 and which were effectively assumed by the Company as part of the 2008-I Fund Rollover Transaction that was completed in February 2009.

**Liquidity and Capital Management:**

Management’s objectives when managing the Company’s capital are to:

- (a) ensure that the Company maintains the level of capital necessary to meet the requirements of its brokers and bank;
- (b) allow the Company to respond to changes in economic and/or marketplace conditions by maintaining the Company’s ability to purchase new investments;
- (c) give shareholders sustained growth in shareholder value by increasing shareholders’ equity; and
- (d) maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its underlying assets. Traditionally, 49 North has relied on various sources of funds for its ongoing operational and investing activities, including:

- (a) proceeds from the disposition of its investments (and, in the current year, interest and dividend income from investments);
- (b) utilizing leverage in the form of margin (due from brokers) and the Company’s bank credit line;
- (c) capital raising activities such as equity or convertible debt financings;

- (d) borrowing funds from the Company's bank, brokers (margin account) and/or related parties; and
- (e) purchasing the Company's own shares for cancellation pursuant to normal course issuer bids.

49 North is not subject to any capital requirements imposed by a regulator and, as at December 31, 2008, the Company had no material outstanding commitments for capital expenditures. Cash operating expenses in 2008 were approximately \$1,650,000 and management anticipates that the Company's cash operating expenses will be approximately the same in 2009. In addition, the first interest payment on the convertible debentures is due in July 2009 in the amount of \$450,000.

Management anticipates that the Company's current capital resources will be sufficient to discharge its liabilities over the course of 2009 and that it will be able to generate sufficient cash to fund its operations through the normal course of purchasing and selling existing investments.

During the fourth quarter of 2008, 49 North reduced its reliance on margin borrowing as part of its ongoing capital management program and management expects to maintain a minimal margin borrowing balance in the near term future. Additionally, due to recent volatility in the capital markets and world-wide economic conditions generally, it is uncertain whether equity financings will present an effective means of capital raising in the upcoming months.

See also the discussion herein concerning financial instruments and related risks under the heading "Financial Instruments" and see the disclosure herein under the heading "Risk Factors" for a detailed discussion of the main risk factors that may have a material effect on the Company's business and on an investment in the securities of 49 North.

#### **Transactions with Related Parties:**

During the three and twelve month periods ended December 31, 2008, management fees of \$(1,894) (2007, \$133,353) and \$362,144 (2007, \$337,882), respectively, were accrued to TMM, a company controlled by the CEO of the Company. There was no management performance bonus payable in 2008 but was in 2007 of \$1,926,593.

In addition, as part of the 2007 Fund Roll-over Transaction that was completed effective February 14, 2008, the Company assumed indebtedness then owing by the 2007 Fund to the CEO of the Company in respect of monies loaned for the payment of issuance costs incurred in 2007 by the 2007 Fund. This loan, together with interest thereon at the prime plus 2%, was repaid during the year in the amount of \$965,000.

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.

#### **Critical Accounting Estimates:**

The Company's financial statements have been prepared in accordance with GAAP. The preparation of financial statements in accordance with GAAP 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. The significant accounting policies used by the Company in this regard are discussed in detail in the notes to the current statements. See especially note 2.

#### **Non-GAAP Measures:**

This MD&A contains references to "net asset value" and net asset value per share" (or "net asset value per Unit"). Net asset value, or "NAV", is a non-GAAP measure defined as total shareholders' equity divided by the total number of common shares of the Company outstanding, in the case of net asset value per share (basic), and total shareholders' equity divided by the total number of common shares of the Company outstanding, calculated based on the assumption that all outstanding securities that are convertible into common shares of the Company, including, if applicable, convertible preferred shares, convertible debentures, options or warrants of the Company have been exercised, in the case of NAV per share, diluted. The terms net asset value and net asset value per share do not have

any standardized meaning according to GAAP and therefore may not be comparable to similar measures presented by other companies. From its inception in 2005 until ceasing to be an “investment fund” for the purposes of applicable securities legislation, in June of 2008, the Company published its NAV in a consistent manner, and continues to calculate (and may occasionally publish) its NAV and/or NAV per share for the purpose of calculating management fees and, if applicable, any performance bonus payable to TMM pursuant to the Management Agreement. See also the discussion in this MD&A under the headings “Valuation of Investments” and “Net Asset Values”.

### **Financial Statement Presentation and Change of Accounting Policies:**

Until June of 2008 49 North was classified by securities legislation as an “investment fund” and its financial statements were presented in accordance with GAAP applicable to investment funds, which varies from the manner in which GAAP requires financial statements to be prepared for corporations that are not investment funds. Amongst other things, the financial statements of investment funds include a statement of the fund’s investment portfolio and a calculation of the fund’s NAV and NAV per security. Under GAAP applicable to corporations that are not investment funds, 49 North’s financial statements no longer include a statement of portfolio investments (although this information is included in note 3 of the Company’s current statements) nor a calculation the Company’s NAV or NAV per share.

The comparative figures that are included in the current financial statements and/or in this MD&A but that relate to periods ending prior to January 1, 2008 are those of the Former Partnership which, throughout such periods was classified as an “investment fund”. The manner of presentation of such comparative financial information and certain terminology used in the current statements and this MD&A has been changed to conform to the manner of presentation for the current period and the fact that 49 North is now a corporation rather than a partnership and is not an investment fund.

The Canadian Institute of Chartered Accountants (“CICA”) issued a new accounting standard, Section 3064, Goodwill and Intangible Assets, which clarifies that costs can be deferred only when they relate to an item that meets the definition of an asset. As a result, start-up costs must be expensed as incurred. Section 1000, Financial Statement Concepts, was also amended to provide consistency with this new standard. These new standards are effective for years beginning on or after October 1, 2008. The Company is currently assessing the impact of these standards on its financial statements.

In January 2006, the CICA Accounting Standards Board (“AcSB”) adopted a strategic plan for the direction of accounting standards in Canada. As part of the plan, accounting standards in Canada for public companies are to converge with International Financial Reporting Standards (“IFRS”) effective for fiscal periods beginning on or after January 1, 2011. The Corporation continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS.

### **Financial Instruments:**

The investment operations of Company’s business involve the purchase and sale of securities and, accordingly, the majority of the Company’s assets are currently comprised of financial instruments. The use of financial instruments can expose the Company to several risks, including liquidity, market, interest and credit risks. A discussion of the Company’s use of financial instruments and their associated risks is provided below.

#### ***Liquidity Risk:***

Liquidity risk is the risk that the Company will have insufficient cash resources to meet its financial obligations as they come due. The Company’s liquidity and operating results may be adversely affected if the Company’s access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company, or if the value of the Company’s investments declines, resulting in losses upon disposition. The Company generates cash flow primarily from its financing activities and proceeds from the disposition of its investments, in addition to interest and dividend income earned on its investments. The Company has sufficient marketable securities which are freely tradable and relatively liquid to fund its obligations as they become due under normal operating conditions.

The Company uses financial leverage (or “margin”) when purchasing investments. Trading on margin allows the Company to borrow part of the purchase price of the investments (using marginable investments as collateral), rather than pay for them in full. Buying on margin allows the Company to increase its portfolio size by increasing the number and amount of investments through leverage. However, if the market moves against the Company’s positions and the Company’s investments decline in value, the Company may be required to provide additional funds to its brokers. Given the nature of the Company’s business, the Company may not have sufficient cash on hand to meet margin calls and may be required to liquidate investments pre-maturely and/or at a loss, in order to generate funds needed to satisfy the Company’s obligations.

The Company has at times borrowed funds from other sources to meet its obligations, but there can be no assurances that such funds will be available in the future, or available on reasonable terms, and the absence of available funding and/or the sale of the Company’s investments in order to meet margin calls could have a materially adverse impact on the Company’s operating results.

The Company manages liquidity risk by reviewing the amount of margin available, and managing its cash flow. The Company holds investments which can be converted into cash when required. During 2008, the Company reduced its reliance on margin relative to prior years and management expects to maintain a minimal margin borrowing balance in the near term future.

***Market Risk:***

Market risk is the risk that the fair value of, or future cash flows from, the Company’s financial instruments will significantly fluctuate because of changes in market prices. The value of the financial instruments can be affected by changes in interest rates, equity and commodity prices. The Company is exposed to market risk in trading its investments and unfavorable market conditions could result in dispositions of investments at less than favorable prices.

The Company manages market risk by having a portfolio which is not singularly exposed to any one issuer or class of issuers. The Company’s investment activities are currently concentrated primarily across several sectors in the natural resource industry, including potash, oil and gas, coal, precious metals, base metals, uranium, diamonds and other commodities.

***Interest Rate Risk:***

Interest rate risk is the impact that changes in interest rates could have on the Company’s earnings and liabilities. As at December 31, 2008, the Company had liabilities payable (collectively “interest risk liabilities”), which bear interest at rates fluctuating with the prime rate. All of the interest risk liabilities can be repaid by the Company at any time, without notice or penalty, which provides the Company with some ability to manage and mitigate its interest rate risk.

***Credit Risk:***

Credit risk is the risk associated with the inability of a third party to fulfill its payment obligations. The Company is exposed to the risk that third parties that owe it money or securities (in connection with its loans receivable, for example) will not perform their underlying obligations.

At December 31, 2008 the Company had loans and advances receivable from two companies, totaling \$423,529 (\$650,000 before fair value adjustment) which represents approximately 4.9% of the Company’s total assets. The Company is working with the third party companies to convert the loans receivable to equity positions in each separate company.

***Fair Value:***

The fair value of the Corporation’s financial assets and liabilities approximate their carrying values unless otherwise disclosed in the accounting policies.

**Disclosure Controls and Procedures:**

Management evaluated the effectiveness and design of the Company's disclosure controls and procedures for the period ended December 31, 2008 and, based on this evaluation (which included testing of the key controls by examining evidence demonstrating their existence on a test basis), has determined these controls to be effective.

The Company's financial reporting procedures and practices have enabled the certification of the Company's interim filings in compliance with Multilateral Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*. Management has designed such internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements and other filings in accordance with Canadian GAAP.

Management is aware that given the few number of employees involved in the design of internal controls over financial reporting that in-house expertise to deal with complex taxation, accounting and reporting issues may not always be sufficient. During 2008 the Company retained a new Chief Financial Officer to improve its in-house expertise in this regard, but the Company continues to obtain outside assistance and advice on new accounting pronouncements and complex accounting and reporting issues from external accountants, legal counsel and applicable regulatory authorities; which is common with companies of a similar size.

Management is also aware that internal control weaknesses have been identified in respect to segregation of duties and that a risk of management override of controls and procedures exists, which is inherently due to the size of the Company. Management has taken and will continue to take steps to eliminate these weaknesses for 2009.

There have been no significant changes to the Company's internal controls over financial reporting except as described above for the most recent period that would have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

**Risk Factors:**

An investment in 49 North involves various risks. The following is a brief discussion of the main risk factors that may have a material effect on our business and on your investment in our common shares. Additional risks not currently known to us or that we currently deem immaterial may also impair our business operations.

***Reliance on Management:***

Shareholders must rely on the discretion, knowledge and expertise of management of the Company and the Portfolio Manager in determining the composition of our 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.

***Risks Associated with Resource Issuers:***

In general, our business 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 we invest will prove to be profitable or viable over the short or long term. The resource industries are highly competitive and resource issuers in which we 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 the resource issuers that we invest 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 our investments in such issuers' securities and/or on an investor's investment in 49 North. 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 we invest 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 our 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 may have property interests that are 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 our shares fluctuates as a result of numerous factors, including fluctuations resulting from changes in the value of the securities in our investment portfolio. The value of securities in our portfolio are affected by numerous factors such as investor demand, resale restrictions, general market trends or regulatory restrictions. Our investment portfolio generally focuses on junior and intermediate resource companies, with investments made predominantly in resource companies that are listed on the TSXV. However, we 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 our portfolio may at any time be comprised of 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 fewer 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. Investments in illiquid securities may be difficult to value accurately and/or may trade at prices significantly lower than their value. In general, the less liquid an investment, the more its market value tends to fluctuate. As a result, we may have difficulty in converting some of our portfolio investments to cash at a fair market price when funds are required or we may incur additional costs in doing so.
- (c) The securities of non-reporting issuers that we hold may not be sold unless an exemption is available under applicable securities laws.

More generally, many of the securities held in our investment portfolio, 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.

#### ***Conflicts of Interest:***

Each director and officer of the Corporation also is or has been a director and/or officer of the general partners of one or more of the 49 North Flow-Through Funds<sup>1</sup>; the Portfolio Manager, TMM, has also been the portfolio manager of each 49 North Flow-Through Fund; and Mr. Tom MacNeill, the President and Chief Executive Officer and a director of the Corporation, is also the President, sole director and sole shareholder of TMM. Potential conflicts of interest may arise or be perceived between the officers and directors of the Corporation, and especially Mr. MacNeill, acting on the one hand in their capacity as an officer and/or director of the Corporation and, on the other hand, as an officer, director and/or shareholder of the general partner of a 49 North Flow-Through Fund and, in the case of Mr. MacNeill, as an officer, director and shareholder of TMM, and potential conflicts of interest may arise or be perceived between the Corporation and other funds or entities, outside of the 49 North Group<sup>1</sup>, of which the directors and officers of the Corporation may also be directors, officers, or otherwise involved. Investors must appreciate that they are relying on the expertise, good faith and integrity of the officers and directors of the Corporation 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 Corporation. Persons who are unwilling to accept this risk should not invest in our securities. More generally, the services of the officers and directors of the Corporation and of TMM are not exclusive to the Corporation. The officers and directors of the Corporation and their affiliates may engage in activities for their own account which compete with the Corporation. Conflicts may

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<sup>1</sup> 49 North has been involved in the establishment of "flow-through limited partnerships" on an annual, or more frequent basis, in each year from 2006 to 2008 inclusive, including, without limitation, the 2007 Fund, 2008-I Fund and 2008-II Fund, as discussed above herein under "Significant Events". These flow-through funds are sometimes referred to herein, collectively, as the "49 North Flow-Through Funds" and, individually, as a "49 North Flow-Through Fund" and such Funds, together with the Company, are sometimes referred to herein collectively as the "49 North Group".

arise from time to time in allocating investment opportunities, timing investment decisions and exercising rights in respect of and otherwise dealing with securities and companies in which the Corporation and/or the officers and directors of the Corporation and/or their affiliates invest. Conflicts of interest may also arise in the enforcement of the terms and conditions of the Management Agreement and other agreements to which the Corporation is now or may in the future become a party, whether such agreements are being enforced by or against the Corporation.

***Market for Shares and Net Asset Value:***

As an investment fund, and in accordance with securities legislation applicable to investment funds, we calculated and published our net asset value and net asset value per share on a regular basis. Although since ceasing to be an investment fund we are no longer required to do so, we continue to calculate (and may publish) our net asset value and net asset value per share from time to time. However, our shares are not redeemable by shareholders. Rather, a person desiring to buy or sell our common shares may do so through the facilities of the TSXV by contacting his or her broker or investment advisor. The prices at which our common shares are traded are generally 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.

***Future Roll-over Transactions:***

We have been involved in the establishment of new 49 North Flow-Through Funds, on an annual or more frequent basis, in each year from 2006 to 2008; and each of the 49 North Flow-Through Funds that has been established to date has subsequently completed a transaction (herein referred to as a “Roll-over Transaction”) with 49 North pursuant to which the flow-through units acquired in the Flow-Through Fund’s own offering were subsequently exchanged for common shares of 49 North (or, prior to the January 2008 Conversion Transaction, for Units of the Former Partnership). Each of these prior Roll-over Transactions has been completed in February of the year following the year that the respective Funds completed their own offerings of flow-through units, with this timing designed, in part, to allow individual investors who so choose to contribute the securities they acquire in 49 North through the Roll-over Transaction to a self-directed RRSP by the end of February deadline for making contributions that may be claimed in the preceding year. We anticipate that new 49 North Flow-Through Funds may be established in the future and, at about the time that any particular new 49 North Flow-Through Fund is established, we may enter into agreements to acquire the portfolios of such funds in a proposed Roll-over Transaction. Such agreements are typically subject to various conditions, including, without limitation, the receipt of all necessary regulatory approvals. Accordingly, there is no assurance that a proposed Roll-over Transaction with any particular 49 North Flow-Through Fund will be completed within the time frames contemplated by the relevant agreements, or at all. Further, depending on the methodology used to value our shares and/or the assets of a new 49 North Flow-Through Fund, respectively, for the purpose of a proposed Roll-over Transaction; the size and timing of the new Fund’s own offering and the length of time between such offering and the completion of a proposed Roll-over Transaction; the requirements of stock exchanges on which 49 North’s shares may then be listed; and other factors which may not be known at this time and/or which may be outside of the control of management, the completion of any particular Roll-over Transaction may be dilutive to the persons who then hold shares of 49 North.

***Concentration Risk:***

We invest predominantly in securities of junior and intermediate resource companies engaged in mineral or oil and gas exploration in Canada, with a focus on resource companies with exploration programs in Saskatchewan. Concentrating our investments in the resource sector in this manner may result in the value of our shares fluctuating to a greater degree than if we invested in a broader spectrum of issuers or a broader geographical area.

***Segmented Information:***

The Company has a single reportable geographic segment – Canada, and all of the Company’s assets are located in Canada.

## Outstanding Share Data:

The Corporation is authorized to issue 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. A detailed description of the rights, privileges, restrictions and conditions attached to the authorized shares of the Corporation is included in the Company's annual information form for the current year ended December 31, 2008, a copy of which may be found on SEDAR at [www.sedar.com](http://www.sedar.com). No series of first preferred shares has been created and, as at the date of this MD&A, no first preferred shares are outstanding. No series of second preferred shares, other than the second preferred series 1 share, has been created and, as at the date of this MD&A no second preferred shares are outstanding.

As of March 31, 2009, the number of common shares of the Corporation outstanding, or reserved for issue under convertible securities, is a follows:

| <b>Common Shares</b>   | <b>Number</b>    |
|--|------------------|
| Outstanding  | 4,161,997        |
| Issuable upon conversion of convertible debentures <sup>1</sup>  | 454,545          |
| Issuable under options   | 65,000           |
| <b>Total diluted common shares</b>   | <b>4,681,542</b> |
| <b>Notes:</b>  |                  |
| 1. Assumes all \$5,000,000 principal amount of convertible debentures are converted into common shares at the lowest possible conversion price of \$11.00 per share. See the discussion herein under "Significant Events - Private Placement of Convertible Debentures". |                  |
| 2. See the discussion herein under "Significant Events - Stock Option Plan". 10,000 options granted during 2008 expired in February 2009 as a consequence of the retirement of a former director and officer of the Company in November 2008.                            |                  |

## Caution Regarding Forward-Looking Information:

Certain information contained in this MD&A constitutes forward-looking information, which is information regarding possible events, conditions or results of operations of the Company that is based upon assumptions about future economic conditions and courses of action and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, without limitation, our expectations regarding anticipated investment activities and results and financing activities, the impact of changes in accounting policies and other factors on our operating results, and the performance of global capital markets and interest rates.

Forward-looking information involves 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 information. The Company believes the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to: risks relating to investment performance, market fluctuations, fluctuations in prices of commodities underlying the Company's interests and equity investments, the strength of the Canadian, U.S. and

other economies, foreign exchange fluctuations, political and economic conditions in the countries in which the interests of the Company's portfolio investments are located and other risks discussed elsewhere in this MD&A and/or the Company's current annual information form and other public disclosure documents filed with Canadian securities regulatory authorities and available at [www.sedar.com](http://www.sedar.com).

Readers are cautioned that the foregoing lists of factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The forward-looking information contained in this MD&A is provided as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

**Additional Information:**

Additional information about 49 North, including its annual information form for the Company's most recently completed financial year, is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).