



49 NORTH RESOURCE FLOW-THROUGH LIMITED PARTNERSHIP

Annual Management Report of Fund Performance

As at December 31, 2005

This annual management report of fund performance for 49 North Resource Flow-Through Limited Partnership ("49 North" or "Partnership") contains financial highlights and should be read in conjunction with the annual financial statements for the year ended December 31, 2005 and the notes that accompany those statements (collectively the "financial statements"). You may obtain a copy of the financial statements at your request, and at no cost, by writing us at #602 – 224 – 4th Avenue South, Saskatoon, Saskatchewan, S7K 5M5 or by visiting our website at www.49northresource.ca or by visiting the SEDAR website at www.sedar.com.

Securityholders may also contact us by using one of these methods to request a copy of our proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

49 North was formed under a limited partnership agreement made July 19, 2005, as amended and restated September 30, 2005 (the "Partnership Agreement") among 49 North Resource Fund Inc., as general partner (the "General Partner"), the Initial Limited Partner (as therein defined) and the persons who from time to time are limited partners of the Partnership (the "Limited Partners"), and was constituted a limited partnership under the laws of Saskatchewan upon the registration of a declaration of limited partnership pursuant to *The Partnership Act* (Saskatchewan) and *The Business Names Registration Act* (Saskatchewan) effective July 20, 2005. Generally, and subject to the Partnership Agreement, the General Partner has exclusive authority to manage the operations and affairs of the Partnership, although certain of the functions and powers of the General Partner with respect to the Partnership's investment portfolio (the "Portfolio") have been delegated to TMM Portfolio Management Inc. pursuant to an Investment Management Agreement made September 30, 2005.

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

Management Discussion of Fund Performance

Investment Objectives and Strategies

The Partnership's objective is to invest in a diversified portfolio of flow-through shares of resource issuers in accordance with the investment objectives and investment strategy, and subject to the investment guidelines, set forth in its Partnership Agreement (the "Investment Guidelines"). Pursuant to the Partnership Agreement, the Portfolio focuses primarily on flow-through shares of junior and intermediate mining issuers, with a lesser weighting towards oil and gas issuers. The Partnership may also invest up to 5% of its available funds in alternative energy issuers, but to date no funds have been invested in alternative energy issuers. Subject to the provisions of the Partnership Agreement, the Partnership invests in common shares or warrants issued on a flow-through basis by resource issuers with a view to providing Limited Partners with capital appreciation and maximization of tax benefits. Generally, Limited Partners will be entitled to claim deductions from income for income tax purposes as well as potentially being entitled to claim non-refundable investment tax credits.

In addition to the requirements and restrictions in the Partnership's Investment Guidelines, in making investments in resource issuers, the General Partner on behalf of the Partnership will consider (a) the

experience of management; (b) the past production, exploration results and financial condition of investee resource issuers; (c) pricing of the flow-through shares and the relative value, liquidity and potential for growth in value of such shares; and (d) where available, engineering reports and other information relating to the exploration program to be conducted by the resource issuer.

Risk

During the period since inception of the Partnership in July, 2005, there have been no material changes that affect the level of risk or types of risk factors from those that are disclosed in the prospectus.

Results of Operations

Investment Performance

Since its formation on July 20, 2005, the Partnership completed an initial public offering and private placements that raised \$6 million, which was invested in 14 Canadian resource issuers. At December 31, 2005, the portfolio assets were 77% invested in mineral exploration issuers with the remaining 23% invested in oil and gas issuers.

During the period ended December 31, 2005, the Partnership incurred expenses of \$25,483 resulting in a net loss from investment operations of the same amount (\$0.02 per unit). Expenses for the period were audit fees of \$10,000, interest of \$2,159, management fees of \$8,324 and administration fees of \$5,000. Management fees are calculated based on 0.5% of the net asset value (NAV) of the Partnership at the end of the quarter and were pro-rated based on the initial closing of the Offering at December 6, 2005.

The unrealized appreciation of investments of \$308,286 represents the net increase in the fair value of the portfolio to December 31, 2005 over the initial investment cost.

At December 31, 2005, the Partnership had a net asset value of \$5,717,242 or \$4.76 per unit. Although the Partnership's investments appreciated by 5.1% in the short time since its inception, net assets were reduced by agent's fees and other issuance costs of \$565,566 (\$0.47 per unit).

Loan Facility

The Partnership entered into a loan agreement (the "Loan Agreement") with Mr. Tom MacNeill (the "Lender"), the sole shareholder of the General Partner, dated December 7, 2005, pursuant to which the Lender agreed to provide certain demand loan facilities to the Partnership generally on the terms as described in the prospectus; including loans to pay or reimburse the Partnership for agent's fees and offering costs incurred in connection with the Offering. Pursuant to this Loan Agreement, \$422,000 was advanced to the Partnership in 2005, which is equivalent to 7.4% of the net assets of the Partnership. The Loan Agreement provides the Lender with a general security interest in all assets of the Partnership and a pledge of all Portfolio investments. Interest is charged on the loan at the rate of the Royal Bank of Canada prime plus 2%. The loan is payable on the earlier of demand, the date preceding a reorganization transaction, the date of dissolution of the Partnership, or March 31, 2007.

Recent Developments

There have been no recent developments that affect the Partnership.

Related Party Transactions

The General Partner is responsible for the management of the Partnership in accordance with the terms and conditions of the Partnership Agreement. Under the terms of the Partnership Agreement, the General Partner is entitled to management fees, a share of the Partnership's income or loss and a performance bonus as described below in the "Management Fees" section of this report. As at December 31, 2005 \$8,324 of management fees have been accrued.

The loan facility described above under “Loan Facility” pursuant to which the Lender advanced funds to the Partnership as described therein was undertaken under normal commercial terms. As at December 31, 2005, \$2,159 of interest expense have been accrued under that loan facility.

Management Fees

Under the terms of the Partnership Agreement, the General Partner is entitled to 0.01% of the income or loss of the Partnership for each fiscal year. In addition, for each fiscal quarter (or partial fiscal quarter after the initial closing) the General Partner will be entitled to receive a management fee equal to 0.5% of the NAV of the Partnership calculated on the last business day of the relevant fiscal quarter. The management fee is for portfolio management services.

The Partnership Agreement also provides for a performance bonus to be paid to the General Partner upon dissolution of the Partnership or implementation of a reorganization transaction. This amount is to be equal to 20% of the amount, if any, by which the sum of the net asset value per unit as of that date and all distributions per unit on or prior to that date exceeds \$5.50.

Financial Highlights

The following tables disclose selected financial highlights of the Partnership and are intended to assist in understanding the Partnership’s performance in the period ended December 31, 2005. This information is derived from the Partnership’s audited financial statements.

Net Asset Value per Share (NAV)

| NAV for 1,200,000 units | Total Dollars | Per unit |
|--|---------------|----------|
| Initial issuance | \$ 6,000,000 | \$ 5.00 |
| Agent’s fees and issuance costs | (565,566) | (0.47) |
| Net loss from investment operations | (25,483) | (0.02) |
| Unrealized appreciation of investments | 308,286 | 0.26 |
| Balance as at December 31, 2005 | \$ 5,717,242 | \$ 4.76 |

Ratios and Supplemental Data¹

| | 2005 |
|---------------------------------------|-------------|
| Net assets | \$5,717,242 |
| Number of units outstanding | 1,200,000 |
| Management expense ratio ² | 6.33% |
| Portfolio turnover rate ³ | 0.00% |
| Trading expense ratio ⁴ | 0.00% |

1 Ratios calculated from initial closing of Offering on December 6, 2005 to December 31, 2005.

2 Management expense ratio is based on total expenses (excluding agent’s fees and issuance costs) for the stated period and is expressed as an annualized percentage of average net assets during the period.

3 The Partnership’s portfolio turnover indicates how actively the Partnership’s portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Partnership buying and selling all the securities in its portfolio once in the course of the year. Since no investments were traded in the short length of time in the reporting period, the portfolio turnover rate is 0.00%.

4 The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

Past Performance

The Partnership has not presented historical performance because it was formed during 2005.

Summary of Investment Portfolio

| Investment | % of Fund's NAV |
|-----------------------------------|-----------------|
| Wescan Goldfields Inc. | 12.03% |
| Goldsource Mines Inc. | 10.00% |
| Panterra Resources Corp. | 9.98% |
| Great Western Minerals Group Inc. | 9.72% |
| Great Western Diamonds Corp. | 9.66% |
| Claude Resources Inc. | 9.58% |
| Santoy Resources Ltd. | 9.52% |
| Golden Band Resources Inc. | 9.32% |
| Arsenal Energy Inc. | 8.50% |
| ESO Uranium Corp. | 6.53% |
| Titan Uranium Inc. | 4.55% |
| Allyn Resources Inc. | 4.36% |
| Magnus Energy Inc. | 3.55% |
| Nordic Oil & Gas Ltd. | 3.25% |

The summary of investment portfolio may change due to future portfolio transactions and will be updated quarterly.