



49 NORTH RESOURCE FUND INC.
(formerly, 49 North Resource Fund Limited Partnership)

Annual Management Report of Fund Performance
March 28, 2008

For the year ended December 31, 2007

This annual management report of fund performance contains financial highlights and should be read in conjunction with 49 North Resource Fund Limited Partnership's annual financial statements for the year ended December 31, 2007 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 in July 2005, originally as a flow-through fund¹ under the name 49 North Resource Flow-Through Limited Partnership, pursuant to a limited partnership agreement made July 19, 2005, as amended and restated September 30, 2005, 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. Effective October 26, 2006 the Partnership further amended and restated its limited partnership agreement to, amongst other things, change its name to 49 North Resource Fund Limited Partnership. This amended and restated limited partnership agreement (the "Partnership Agreement") governed the Partnership until January 1, 2008; at which time 49 North converted from a limited partnership into a corporation with the name 49 North Resource Fund Inc. in a series of transactions ("collectively the "Conversion Transaction") discussed below under "Recent Developments Affecting Capital and Organizational Structure – Conversion Transaction". 49 North Resource Fund Inc. is currently governed by restated articles registered under *The Business Corporations Act* (Saskatchewan) January 17, 2008².

49 North is a closed-end investment fund that is managed by its board of directors (the Board"). Subject to the overall power and authority of the Board to supervise and manage the Corporation, TMM Portfolio Management Inc. ("TMM") manages 49 North's investment portfolio pursuant to a portfolio management agreement made as of

¹ The term "flow-through fund" is meant as a reference to an investment fund (whether or not related to 49 North), such as a limited partnership or other entity, that invests in flow-through shares of resource issuers with the intent that, pursuant to provisions of the *Income Tax Act* (Canada) and/or provincial or territorial income tax or other legislation, the holders of the securities of the flow-through fund (such securities being sometimes referred to herein as "flow-through units") will be able to claim deductions and/or tax credits in respect of Canadian exploration expenses renounced to the fund by such resource issuers.

² For convenience, references in this report to: "Corporation" mean 49 North Resource Fund Inc. from and after January 1, 2008; "Partnership" mean 49 North Resource Fund Limited Partnership; and "49 North" mean the Corporation when used with reference to the period from and after January 1, 2008 and mean the Partnership when used with reference to the period prior to January 1, 2008. References in this report to the "General Partner" mean the corporation which, under the name 49 North Resource Fund Inc., served as the general partner of the Partnership until its dissolution as part of the Conversion Transaction.

January 1, 2008 (the “Portfolio Management Agreement”)¹. 49 North’s common shares trade on the TSX Venture Exchange (“TSXV” or the “Exchange”) under the symbol FNR². 49 North is one of a number of investment funds under common management which are sometimes referred to collectively as the “49 North Group”. The Group also includes a series of flow-through funds that have been organized on an annual basis since 2006 and act as a window for investing in the listed shares of 49 North in a manner that permits investors to take advantage of incentives under *The Income Tax Act* (Canada) (the “Tax Act”)³ and provincial taxation or other legislation relating to the resource industry⁴.

FORWARD LOOKING STATEMENTS

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

INVESTMENT OBJECTIVES AND STRATEGY

Management has designed and manages 49 North and other funds in the 49 North Group to appeal primarily to investors interested in achieving medium to long-term capital appreciation of their investment through the prudent management of the funds’ portfolio of resource securities and the growth in value of the portfolio. In the opinion of management, income tax benefits from the ability to deduct CEE and potentially claim ITCs associated with investments in flow-through units and the funds’ investment in flow-through shares - although an important factor with respect to the public offerings by the 49 North flow-through funds and an important consideration in mitigating some of the risks typically associated with investment in the junior and intermediate resource sector - are of secondary long-term importance.

Prior to the Conversion Transaction, 49 North’s investment power and authority was fixed by the investment objectives, strategy and guidelines set out in the Partnership Agreement. These objectives, strategy and guidelines

¹ Prior to the Conversion Transaction, the Partnership was managed by the board of directors of the General Partner, which, pursuant to the Partnership Agreement, generally had exclusive authority to manage the business and operations of the Partnership and to make all decisions regarding the Partnership; although certain of the functions and powers of the General Partner with respect to the Partnership’s investment portfolio were delegated to TMM pursuant to an amended and restated investment management agreement made as of October 26, 2006.

² The common shares of the Corporation were listed on the TSXV in January 2008 in substitution for the units of the Partnership that were originally listed on the TSXV on December 28, 2006 under the symbol FNR.UN.

³ Unless otherwise indicated, terms that are used in this report and that have a particular definition in the Tax Act, including, without limitation, the terms “flow-through share”, “Canadian exploration expense” and “Canadian development expense” (and their abbreviated forms “CEE” and “CDE” as used herein), have the same meanings in this report as given those terms in the Tax Act. Additionally, references in this report to “ITCs” are meant as a reference to non-refundable investment tax credits as described in paragraph (a.2) of the definition of “investment tax credits” in subsection 127(9) of the Tax Act in respect of certain surface grass-roots mining exploration expenses (“Federal ITCs”), or similar tax credits or benefits under the taxation or other legislation of any Canadian province or territory (“Provincial ITCs”).

⁴ Other members of the 49 North Group include (or have included) 49 North 2006 Resource Flow-Through Limited Partnership (the “2006 Fund”), 49 North 2007 Resource Flow-Through Limited Partnership (the “2007 Fund”) and 49 North 2008 Flow-Through Limited Partnership (“2008 Fund”).

were effectively repealed as a result of the termination of the Partnership as part of the Conversion Transaction. Under its current corporate structure, 49 North has the power and authority to invest its funds in any investments that pursuant to applicable securities legislation are lawfully permitted investments for “non-redeemable investments funds” and on such terms and conditions as may be determined by its Board, or, subject to the terms of the Portfolio Management Agreement, as may be determined by TMM. This general investment power and authority is exercised in accordance with investment guidelines that were adopted by the Board effective January 1, 2008 (the “Investment Guidelines”), the full text of which are published in 49 North’s annual information form dated March 28, 2008 (the “Annual Information Form”), which is available on SEDAR at www.sedar.com and on 49 North’s website at www.49northresource.ca. In accordance with these Investment Guidelines¹, substantially all of the funds of 49 North, other than reasonable reserves that are set aside for working capital purposes such as the payment of ongoing operating and administrative costs, debt service, management fees and expenses and similar costs (the “Available Funds”), are invested solely in resource issuers². 49 North invests predominantly in resource companies that are listed on the TSXV, as opposed to more senior exchanges such as the TSX. Additionally, a significant amount of the portfolio may at any time and from to time be invested in unlisted securities, including securities in resource companies that are not “reporting issuers” and which securities may, therefore, be subject to continuing re-sale and other trading restrictions under applicable securities law. Investing in relatively smaller companies that are listed on a junior exchange (or are not listed) may be considered to be riskier than investing in securities of relatively larger companies whose securities are listed on a senior exchange such as the TSX. On the other hand, the potential returns on investment in smaller, relatively early stage companies may be greater.

RECENT DEVELOPMENTS AFFECTING CAPITAL AND ORGANIZATIONAL STRUCTURE

Initial Capitalization: In December 2005 the Partnership raised \$6,000,000 on the sale of 1,200,000 limited partnership units (“units”) at a price of \$5.00 per unit in an initial public offering in Saskatchewan pursuant to a prospectus dated September 30, 2005 and related private placements (the “2005 Offering”). In the same month, the Partnership invested \$6,000,000 in flow-through shares of 14 Canadian resource issuers under agreements pursuant to which the investee resource issuers agreed to incur and renounce to the Partnership a similar amount of CEE. Generally, investors in the 2005 Offering who were limited partners as of December 31, 2005 were able to deduct their *pro rata* share of the CEE so renounced in computing their taxable income in 2005. Also, subject to certain limitations, such investors were able to claim a 15% non-refundable Federal ITC and investors resident in Saskatchewan were generally able to claim an additional 10% non-refundable Saskatchewan Provincial ITC on funds invested by 49 North in flow-through shares of certain mining companies engaged in specified surface grass roots mining activities in Saskatchewan.

The 2006 Fund Reorganization Transaction: The 2006 Fund was established in January 2006 and between July and December 2006 raised \$8,115,030 on the sale of 1,623,006 limited partnership units (the “2006 Units”) at \$5.00 per unit in an initial public offering in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario, pursuant to a prospectus dated May 18, 2006 as amended August 17, 2006, and in related private placements (the “2006 Offering”). Prior to December 31, 2006, the 2006 Fund invested a substantially equal amount in a portfolio of flow-through shares of 22 resource issuers, resulting in investors in the 2006 Offering being able to claim income tax deductions and related Federal ITCs in 2006 in a manner similar to those available in 2005 to investors in 49 North’s

¹ The Investment Guidelines have been adopted as policies of the Corporation by the Board and may be supplemented, amended or terminated at any time in the discretion of the Board.

² Generally, for the purposes of 49 North’s Investment Guidelines, a “resource company” or “resource issuer” means any company or other entity that, directly or indirectly, is engaged or intends to engage in mining or exploring for minerals (a “mining issuer” or “mining company”) and/or exploring or drilling for petroleum or natural gas (an “oil and gas issuer” or “oil and gas company”). Resource companies may also be issuers engaged, or that intend to engage, in the generation of electricity or other energy forms through alternative means or the development of projects for alternative energy generation such as “clean-coal” power production, wind power or solar power, or for the production of alternative fuels (“alternative energy companies”). Also, although 49 North primarily invests directly in resource companies, it may also invest indirectly, such as by investing in the securities of other resource based investment funds.

2005 Offering as described above. Saskatchewan Provincial ITCs were not available to investors in the 2006 Fund (or the 2007 Fund) as the Saskatchewan program for such tax credits was discontinued in early 2006.¹

Effective February 8, 2007, the Partnership and 49 North 2006 Resource Fund Inc. (the “2006 GP”), in its capacity as general partner and on behalf of the 2006 Fund, its own corporate capacity, and as agent and attorney for each of the limited partners of the 2006 Fund (the “2006 LPs”), entered into a reorganization agreement pursuant to which, effective February 21, 2007, the parties completed a series of transactions (collectively the “2006 Fund Reorganization Transaction”) by which the 2006 Fund was effectively merged into the Partnership. The transactions included the acquisition by the Partnership, on a tax-deferred, “roll-over” basis, of all of the 1,623,006 outstanding 2006 Units in exchange for issuing to the 2006 LPs a total of 1,598,314 units of the Partnership, as well as the acquisition by the Partnership of all of the assets and the assumption by the Partnership of all of the liabilities of the 2006 Fund (which was then wound-up and dissolved).

Private Placement of Convertible Debenture: The Partnership issued a \$2,000,000 secured convertible debenture (the “Debenture”) on a private placement basis effective June 28, 2007. See also “Results of Operation – Convertible Debenture”. This Debenture was converted into 200,000 preferred shares of 49 North Resource Fund Inc. as part of the Conversion Transaction discussed below.

Conversion Transaction: At a special meeting of the Partnership held December 4, 2007, the limited partners approved an extra-ordinary resolution authorizing the General Partner to undertake a series of transactions (collectively the “Conversion Transaction”) by which, effective January 1, 2008, the Partnership converted from its former limited partnership structure into its current corporate structure and, at the same time, consolidated its outstanding securities on a two for one basis. The Conversion Transaction was carried out pursuant to a reorganization agreement (the “Conversion Agreement”) made as of December 21, 2007 between the Partnership, the General Partner (in its own corporate capacity), 101110207 Saskatchewan Ltd. (AcquisitionCo)², TMM, Mr. Tom MacNeill (in his personal capacity as the holder of all of the outstanding shares of the General Partner) and the holder (the “Debentureholder”) of the \$2,000,000 Debenture described above. The Conversion Transaction included the following steps:

- Step 1: The Debentureholder converted the \$2,000,000 Debenture, in accordance with its terms, into a total of 400,000 Partnership units at a conversion price of \$5.00 per unit;
- Step 2: The Partnership transferred its investment portfolio to AcquisitionCo at its fair-market value in exchange for 1,399,297 common shares and 200,000 preferred shares³ of AcquisitionCo. For income tax purposes this transaction was carried out on a tax-deferred “roll-over” basis pursuant to subsection 85(2) of the Tax Act.
- Step 3: The Partnership was wound-up and dissolved and the shares received in Step 2 were distributed amongst the limited partners and the General Partner in accordance with the terms of the Partnership Agreement (as amended)⁴. This included 1,399,157 common shares distributed to the (former) limited partners of the Partnership;

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

² 101110207 Saskatchewan Ltd. was incorporated under *The Business Corporations Act* (Saskatchewan) on October 30, 2007 for the sole purpose of facilitating the Conversion Transaction.

³ The characteristics of these preferred shares, and rights and obligations of the holders and of the Corporation in respect of these shares, are such that these preferred shares are substantially the economic equivalent of the Debenture. Readers are referred to 49 North’s Annual Information Form for a complete description of the Corporation’s authorized share capital.

⁴ Immediately prior to implementing the step transactions under the Conversion Agreement, the Partnership Agreement was amended to provide that, upon the winding-up and dissolution of the Partnership, the preferred shares issued in Step 2 would be distributed solely to the (former) Debentureholder but the Debentureholder would not otherwise participate in or receive any of the common shares issued in that transaction.

140 common shares distributed to the General Partner; and the 200,000 preferred shares distributed to the former Debentureholder.

➤ Step 4: Mr. Tom MacNeill, as the sole shareholder of the General Partner, transferred all of the outstanding shares in the capital stock of the General Partner to AcquisitionCo.

➤ Step 5: AcquisitionCo and the General Partner were 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.¹ As a result of the amalgamation, the 140 common shares issued to the General Partner in step 3 above were cancelled.

The 2007 Fund Roll-over Transaction: The 2007 Fund was established in January 2007 and filed a prospectus dated July 19, 2007 in all provinces of Canada, other than Quebec. The 2007 Fund raised a total of \$9,327,700 on the sale of 932,770 units at \$10.00 per unit under that prospectus offering (and a small related private placement in Quebec) (the “2007 Offering”) in two closings held August 8 and October 10, 2007. Prior to December 31, 2007, the 2007 Fund invested a substantially equal amount in a portfolio of flow-through shares, resulting in CEE and Federal ITCs being allocated to investors in the 2007 Offering in a manner similar to the CEE and Federal ITCs that were allocated to investors in the 2005 and 2006 Offerings as described above. 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 on a tax deferred basis to, and in exchange for a total of 497,520 common shares in the capital stock of, 49 North; with the number of common shares so issued reflecting the respective tax adjusted net asset values of 49 North and the 2007 Fund as of February 14, 2008. Following this transfer, effective February 15, 2008, the 2007 Fund was wound-up and dissolved and, in connection therewith, these shares were distributed by the 2007 Fund amongst its securityholders resulting in each (former) limited partner of the 2007 Fund receiving 0.533325741 common shares of 49 North for each limited partnership unit of the 2007 Fund they previously held. As a result of the 2007 Fund Roll-over Transaction, the number of 49 North’s outstanding common shares increased to a total of 1,896,677 shares.

Other 49 North Funds: The 2008 Fund was established effective December 11, 2007 and filed a prospectus dated February 12, 2008 in all provinces and territories of Canada for an initial public offering, at \$10 per unit, of a minimum of 300,000 (\$3,000,000) and a maximum of 1,500,000 (\$15,000,000) limited partnership units (the “2008 Offering”). An initial closing of the 2008 Offering was completed on February 28, 2008 with the 2008 Fund receiving gross proceeds of \$5,563,720 on the sale of 556,372 units. The final closing of the 2008 Offering is expected to be held on or prior to May 12, 2008. The 2008 Fund intends to invest the proceeds of the 2008 Offering in flow-through shares prior to December 31, 2008 in a manner similar to the investments made by the 2006 and 2007 Funds as described above. Also, as more particularly described in the 2008 Fund’s prospectus, the 2008 Fund entered into a transfer agreement with 49 North dated February 12, 2008, pursuant to which it is anticipated that the assets of the 2008 Fund will be transferred to, and in exchange for common shares of, 49 North pursuant to a proposed roll-over transaction that is expected to be implemented in February 2009.

Management anticipates that, in the future, at least one new 49 North flow-through fund will be created annually; each of which funds will carry out an initial public offering of flow-through units on terms substantially similar to terms of the respective offerings of the 2006, 2007 and 2008 Funds as described above, and then be merged into 49 North in the year following the respective years in which they complete such offerings. As such, the ongoing creation of new 49 North flow-through funds, the raising of capital through the offering of flow-through units by such funds and the subsequent merger of such flow-through funds into 49 North represents a significant part of 49 North’s expected overall growth strategy.

RISKS

Risks associated with an investment in the common shares of 49 North are discussed in detail in the Annual Information Form which is available on SEDAR at www.sedar.com. and on 49 North’s website at

¹ The articles of amalgamation, as amended, were subsequently restated on January 17, 2007.

www.49northresource.ca. The principal risks associated with 49 North continue to be risks associated with volatility in the market prices and values of its portfolio investments and the liquidity of the market for 49 North's securities. Some changes since the beginning of the 2007 fiscal year that have helped to mitigate some of the risks associated with 49 North include the following:

- At the beginning of 2007, 49 North's portfolio consisted of shares in 22 resource issuers valued at just over \$6,000,000. As a result of the acquisition of the portfolios of the 2006 Fund and 2007 Fund as discussed above and as a result of trading activity, as of February 15, 2008 the portfolio was significantly larger and more diversified with holding in over 50 resource issuers valued at approximately \$30,000,000. Also, some of the flow-through shares in the portfolio were replaced with non flow-through shares.
- The acquisition of the 2006 Fund and 2007 Fund also resulted in the number of outstanding securities increasing from 600,000¹ units at the beginning of 2007 to approximately 1,895,000 common shares as of the date of this report. This expansion of 49 North's shareholder base and exponential growth in its net assets and market capitalization, in conjunction with other activities, may be expected to improve the liquidity and trading volumes of 49 North's shares on the Exchange and reduce the gap between the market price and net asset value of those shares. At the same time, the increased size and national presence of 49 North and other funds in the 49 North Group may be expected to improve access to deal flow and reduce management expense ratios through improved economies of scale.
- The conversion of 49 North from a partnership to a corporate structure eliminates many of the tax risks associated with limited partnerships and simplifies the calculation and allocation of 49 North's income and loss as well as its financial reporting requirements. At the same time, by converting from a partnership to a corporation, restrictions in the Partnership Agreement that had prohibited ownership of units by non-residents were eliminated, thereby opening 49 North to a broader range of potential investors and at the same time facilitating tax effective merger and acquisition transactions between 49 North and other entities including, without limitation, other funds in the 49 North Group. Further, as shareholders of a corporation rather than limited partners in a partnership, investors in 49 North will have a greater ability to influence management through having the right to vote in the election of directors and in respect of certain other fundamental changes that may be proposed by management in the future, as well as having recourse to the so-called "oppression remedies" normally available under corporate legislation but that were not necessarily available under the Partnership Agreement or applicable partnership legislation.

RESULTS OF OPERATION

Investment Performance: During the fiscal year ended December 31, 2007 the Partnership's net assets increased by \$16,775,504 (300%) to \$22,346,015, compared to \$5,570,511 as at December 31, 2006; for basic net assets per unit of \$7.99 based on 2,798,314 units outstanding as at the end of the year (2006 – \$4.64 per unit based on 1,200,000 units) and diluted net assets, after accounting for 400,000 units reserved for issue as of the end of 2007 pursuant to the Debenture discussed below under "Convertible Debenture", of \$7.60 per unit. This very significant increase was attributable to the following factors:

- Net losses from investment operations were \$828,464 (\$0.32 basic per unit) (2006 - \$211,613, \$0.18 per unit); comprised of interest income of \$3,054 (2006 - \$1,023) and expenses of \$831,518 (2006 - \$212,636). Expenses for the year included management fees of \$337,882, interest of \$175,298, selling commissions of \$116,458, buying commissions of \$66,704, independent review committee fees of \$43,700, audit and accounting fees of \$37,179, travel expenses of \$26,873, other professional fees of \$24,773 and bank fees of \$2,651.
- Realized gains on investments in 2007 totaled \$999,401 (2006 - \$682,303) and the Partnership had unrealized appreciation of investments of \$11,876,575 (2006 – unrealized depreciation of \$512,657) as well as incurring an expense of \$1,926,593 in the form of a performance bonus to TMM. The net unrealized appreciation of investments was due primarily to the Partnership's holdings in Athabasca Potash Inc. ("API") which appreciated from \$240,000 (600,000 shares) at December 31, 2006 to \$16,811,535 (2,155,325 shares) at December 31, 2007; at which time, following an initial public offering that was completed December 14, 2007, API's shares closed on the

¹ Adjusted to reflect the one common share for every two units consolidation that was effected January 1, 2008 as part of the Conversion Transaction.

TSX at \$7.80 per share. Since then API's shares have reached as high as \$10.47, but closed March 28, 2008 at \$4.75.

➤ Net assets were also increased \$6,985,073 as a result of the 2006 Fund Reorganization Transaction discussed under "Recent Developments Affecting Capital and Organizational Structure" and by a further \$50,000 as a result of the private placement of a \$2,000,000 secured convertible debenture as discussed below under "Convertible Debenture"; which increases were offset, in part, by reorganization costs of \$283,678 (2006 - \$104,764) and a \$98,810 charge resulting from changes in accounting policy as discussed below under "Other Recent Developments".

Loan Facilities: During the year the Partnership fully repaid a \$500,000 loan that was outstanding at the end of 2006, as well as repaying a second \$850,000 loan that was assumed by the Partnership as part of the 2006 Fund Reorganization Transaction discussed above under "Recent Developments Affecting Capital and Organizational Structure".

As at December 31, 2007 the Partnership was indebted to HSBC Bank Canada in the amount of \$7,788 (2006 - nil) under a line of credit facility which is secured by all of 49 North's assets, including a pledge of all of its portfolio investments. Interest is charged on this facility at prime plus 2% for any amount up to \$200,000 and at 21% for any amount over \$200,000. 49 North also has a margin account with Union Securities Ltd. which bears interest at prime plus 2.5% for all amounts greater than \$25,000, prime plus 3.5% for amounts between \$10,001 and \$25,000, and prime plus 3.75% for all amounts from \$1 to \$10,000. As at December 31, 2007 the Partnership's indebtedness under this margin facility was \$208,092 (2006 - nil).

Convertible Debenture: The Partnership completed the issue and sale of a \$2,000,000 convertible secured debenture (the "Debenture") on a private placement basis on June 28, 2007; which Debenture was subsequently converted into 400,000 units effective January 1, 2008 and then exchanged for 200,000 preferred shares of 49 North Resource Fund Inc. as part of the Conversion Transaction discussed under "Recent Developments Affecting Capital and Organizational Structure". At December 31, 2007 the carrying amount of this Debenture for the purposes of the Partnership's financial statements was \$1,950,000, approximating its fair value as determined by reference to current market conditions, less the equity component which had a fair market value at issue date of \$50,000.

OTHER RECENT DEVELOPMENTS

Change in Accounting Policy: Effective January 1, 2007, 49 North adopted the new accounting standard issued by the Canadian Institute of Chartered Accountants (the "CICA"): Handbook Section 3855, Financial Instruments - Recognition and Measurement. The standard was adopted prospectively pursuant to the respective adoption provisions and therefore there has no effect on prior periods.

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

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

Impact upon adoption of Section 3855: As a result of the adoption of these standards on January 1, 2007, 49 North elected to classify its investments as held-for-trading and they were therefore recorded on the Partnership's balance sheet at fair value, resulting in a \$96,810 decrease on January 1, 2007, with the offset to opening net assets. The decrease to net assets resulted from using the bid prices to determine the fair market value of the investments as at January 1, 2007, whereas closing prices were used to determine the fair market value of the investments as at December 31, 2006.

Reconciliation of GAAP NAV to Published NAV: As a result of the move to using quoted bid prices to determine net asset value in accordance with generally accepted accounting principles ("GAAP NAV"), there may be differences between the 49 North's GAAP NAV as presented in its financial statements and the net asset values that it publishes in other documents such as statements of quarterly portfolio disclosure and/or that are used by 49 North for other purposes such as calculating management fees ("Published NAV"). In particular, the fair value as of a particular date of any security which is listed or traded upon a stock exchange is estimated for the purposes of Published NAV 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. The following table reconciles the Partnership's GAAP NAV to Published NAV as of December 31, 2007.

	Published NAV	GAAP NAV	Difference
Portfolio investments	\$ 26,655,330	\$ 26,156,667	\$ 498,663
Liabilities	3,810,652	3,810,652	-
Net Asset Value	22,844,678	22,346,015	498,663
Units outstanding	2,798,314	2,798,314	-
Net Asset value per Unit	\$ 8.17	\$ 7.99	\$ 0.18

Normal Course Issuer Bid: On July 17, 2007 the Partnership announced that it was commencing a normal course issuer bid to acquire, through the facilities and in accordance with the requirements of the TSXV, over the period July 23, 2007 to not later than July 23, 2008, up to 276,041 of its units (138,020 common shares after giving effect to the Conversion Transaction) representing approximately 9.86% of the outstanding units and 10% of the Partnership's "public float" outstanding as of such date. As at the date of this report, 49 North had purchased a total of 2,000 shares under this normal course issuer bid, all of which shares were purchased in March of 2008 at \$8.00 per share.

Independent Review Committee: On January 12, 2007, 49 North appointed an independent review committee ("IRC") in accordance with National Instrument 81-107 ("NI 81-107"), a regulatory rule that was adopted by provincial and territorial securities regulators in November 2006. The role of the IRC is to oversee certain "conflict of interest matters" that management of 49 North identifies and refers to the IRC. NI 81-107 further mandates that the IRC be composed of at least three independent members and requires that they report, at least annually, to 49 North's securityholders in respect of the IRC's duties. The members of the IRC include: Irene Seiferling (Chair), President, Board Dynamics Consulting, a Saskatoon, Saskatchewan based consulting firm specializing in corporate governance; Gary Meschishnick, senior partner and commercial lawyer with Wallace Meschishnick Clackson Zwada LLC; and Alon Zack, the President and CEO of Primewest Mortgage Investment Corporation.

RELATED PARTY TRANSACTIONS

The General Partner: Prior to 49 North's conversion from a limited partnership to a corporation pursuant to the Conversion Transaction discussed under "Recent Developments Affecting Capital and Organizational Structure", the General Partner was responsible for the management of the Partnership in accordance with the terms and conditions of the Partnership Agreement and was entitled to 0.01% of the net income of the Partnership and to be reimbursed by the Partnership for all expenses reasonably and properly incurred in conducting the Partnership's business and in performing its duties and obligations under the Partnership Agreement.

Management Fees and Performance Bonus: Additionally, pursuant to the Partnership Agreement, the General Partner: (a) was entitled to a quarterly management fee equal to 0.5% of the net asset value of the Partnership calculated as of the last business day of the relevant fiscal quarter; and (b) starting with the Partnership's fiscal year ended December 31, 2006, may be entitled to an annual performance bonus, calculated as of the last business day of the applicable fiscal year, in an amount in respect of each unit that is outstanding as of such day, equal to 20% of the

amount, if any, by which the sum of the Published NAV per unit as of that date, plus all distributions per unit made during that fiscal year, exceeds the greater of \$5.50 and the Published NAV per unit as of the last business day of the preceding fiscal year. The Partnership Agreement also authorized the General Partner to retain an investment manager to manage, or assist in and/or advise the General Partner in the management of, the Partnership's investment portfolio and to negotiate the terms and conditions of such engagement including the fees payable by the Partnership to such investment manager. Pursuant to this authority, the General Partner retained TMM as the Partnership's investment manager. TMM is, and prior to the Conversion Transaction the General Partner was, controlled by the CEO of the General Partner, and all or any of the management fees, and if applicable performance bonus, described above that would otherwise be paid to the General Partner pursuant to the Partnership Agreement may instead be paid to TMM. Pursuant to these arrangements, in 2007 the Partnership incurred management fees of \$337,882 (2006 - \$122,916) and a performance bonus fee of \$1,926,593 (2006 - nil) respectively (inclusive of GST), \$626,882 of which was paid to TMM during the year and \$1,637,593 of which remained outstanding at year end.

These management fees and performance bonus provisions continue on substantially similar terms after 2007 pursuant to provisions of the Portfolio Management Agreement that was entered into between the Corporation and TMM effective January 1, 2008 as a part of the Conversion Transaction.

Interest of Loan Facilities: During the year, \$43,978 (2006 - \$31,267) of interest was paid to the CEO of the General Partner in respect of certain loan facilities discussed herein under "Results of Operation - Loan Facilities".

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.

Additionally, the 2006 Fund Reorganization Transaction may be considered a related party transaction due to the fact that, at the time of that transaction, all of the outstanding shares of the General Partner of the Partnership and the general partner of the 2006 Fund were controlled by the same person. The 2006 Fund Reorganization Transaction was referred to and approved by the independent review committee.

FINANCIAL HIGHLIGHTS

The following charts and tables disclose selected financial highlights of the Partnership and are intended to assist in understanding the Partnership's performance for the year ended December 31, 2007. This information is derived from the Partnership's financial statements.

Net Asset Value per Unit (NAV):

For the period ended December 31	2007	2006	2005¹
Net Asset Value (GAAP), beginning of period	\$ 4.64	\$ 4.76	\$ -
Initial issuance	-	-	5.00
Agent's fees and issuance costs	-	-	(0.47)
Net loss from investment operations	(0.30)	(0.18)	(0.02)
Realized gain on disposition of investments	0.36	0.57	-
Unrealized appreciation (depreciation) of investments	4.24	(0.42)	0.25
Performance bonus	(0.69)	-	-
Prior period accounting change	(0.03)	-	-
Equity portion of convertible debenture	0.02	-	-
Acquisition of 2006 Fund	2.50	-	-
Reorganization costs	(0.10)	(0.09)	-
Balance end of period (GAAP)	\$ 7.99	\$ 4.64	\$ 4.76
Balance end of period (fully diluted)	\$ 7.60	\$ 4.64	\$ 4.76
Per unit adjustment to Published NAV	\$ 0.18	-	-
Balance end of period, Published NAV	\$ 8.17	\$ 4.64	\$ 4.76

1. 25 day period from December 6, 2005 to December 31, 2005.

Ratios and Supplemental Data:

At December 31	2007	2006	2005¹
Net assets	\$ 22,346,015	\$ 5,570,511	\$5,717,242
Number of units outstanding	2,798,314	1,200,000	1,200,000
Management expense ratio (MER) ²	3.30%	3.77%	6.30%
Portfolio turnover rate ³	92.69%	42.53%	0.00%
Trading expense ratio ⁴	0.51%	0.83%	0.00%
Closing GAAP NAV	\$ 7.99	\$ 4.64	NA
Closing Published NAV	\$ 8.17	\$ 4.64	NA
Closing market price	\$ 5.70	\$ 4.00	NA

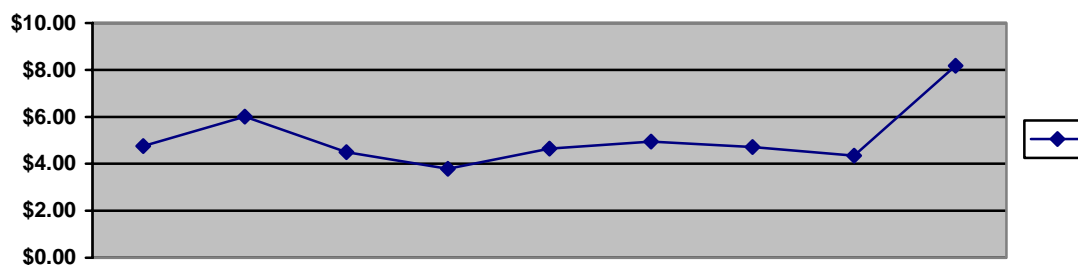
1. Ratios for 2005 are calculated from the initial closing of the Partnership's 2005 Offering on December 6, 2005 to December 31, 2005.
2. MER is based on total expenses (excluding agent's fees and issuance costs and, for 2007, excluding the performance bonus payable to the portfolio manager) for the stated period and is expressed as an annualized percentage of average net assets during the period. MER for 2007 with the performance bonus included was 18.29%.
3. The portfolio turnover rate indicates how actively the portfolio manager manages 49 North's 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 prior to December 31, 2005, the portfolio turnover rate is 0.00% for the period ended December 31, 2005 was 0.00%.
4. The trading expense ratio represents total commissions and other portfolio transactions costs expressed as a percentage an annualized percentage of average net assets during the period.

PAST PERFORMANCE

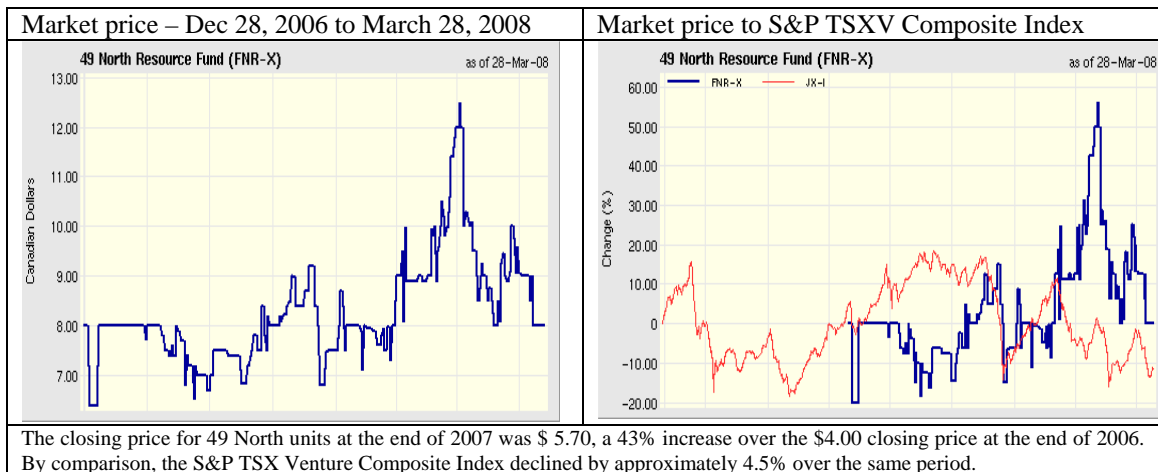
Historic Net Asset Values: The following table and chart indicates the Published NAV on a quarterly basis as at the end of each quarter from December 31, 2005 to December 31, 2007 inclusive. This data is provided for information purposes only. 49 North is a close-end investment fund and investors are not entitled to have their securities redeemed.

	2007¹	2006	2005
1 st quarter, ended March 31	\$ 4.94	\$ 6.01	NA
2 nd quarter, ended June 30	\$ 4.72	\$ 4.49	NA
3 rd quarter, ended Sept. 30	\$ 4.35	\$ 3.79	NA
Year ended December 31	\$ 8.17	\$ 4.64	\$ 4.76

1. GAAP NAV during 2007 was \$4.83 at March 31, \$4.45 at June 30, \$4.36 at September 30 and \$7.99 at December 31, 2007, respectively.

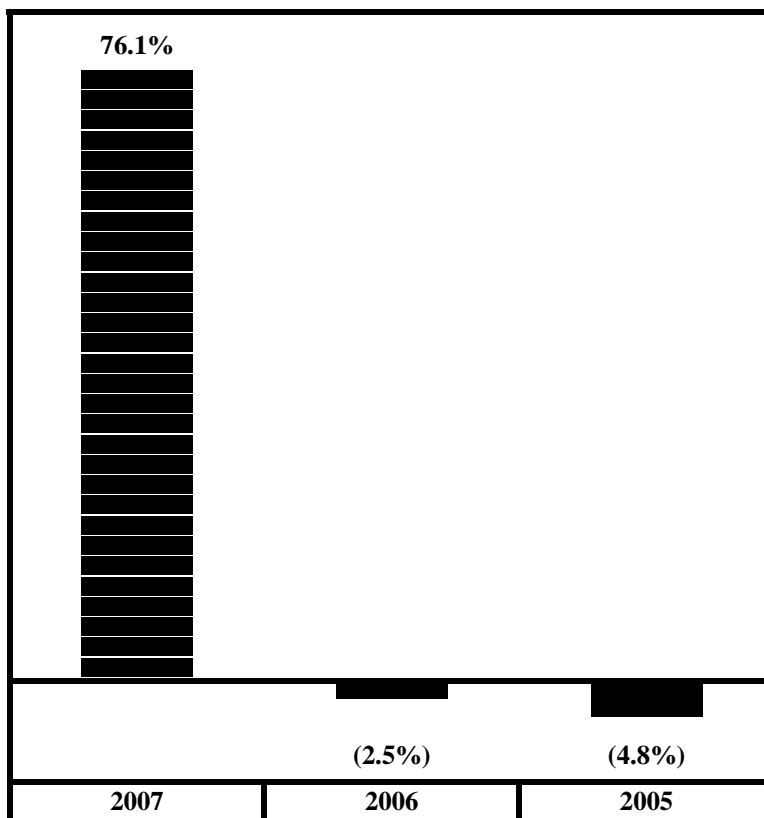


Market Price: The following charts indicate the market price of 49 North's common shares from the inception of trading of the Partnership units on December 28, 2006 to March 28, 2008 (after adjusting for the two for one consolidation and substitutional listing of the Partnership's units for common shares that occurred in January 2008 as part of the Conversion Transaction as discussed under "Recent Developments Affecting Capital and Organizational Structure") and compares the change in market price for 49 North's securities to changes in the S&P TSX Venture Composite Index over the same period.



Year-by Year Returns:

The following chart shows 49 North’s annual return in each year since inception to December 31, 2007. The chart shows how an investment held on the first day of each fiscal year would have changed by the last day of the fiscal year. The annual return is based on the Published NAV at the end of each year, compared to the Published NAV at the beginning of the year, or, for 2005, the initial public offering price of the units.



Annual Compound Returns:

The following table shows 49 North’s annual compound return for the periods indicated, based both on its market price and Published NAV at the end of the 2007 fiscal year compared with the S&P TSX Venture Composite Index (the “Venture Index”).

	1 Year	Since Inception¹
49 North – Published NAV	76.1%	30.7%
49 North – Market Price ²	42.5%	NA
S & P TSX Venture Composite Index	(4.9%)	30.0%

1. The return on Published NAV is based on the \$5.00 issue price of the Partnership's units from the first closing of its initial public offering December 6, 2005. The return on the Venture Index is measured from the last trading day of 2005.

2. Changes in market price are based on the closing price as of the last trading day in each of 2006 and 2007. Changes since inception are not included because the Partnership units did not commence trading until December 28, 2006.

The above returns are calculated on a pre-tax basis. Investors who acquired their units in 49 North's 2005 Offering, or acquired limited partnership units in either the 2006 or the 2007 Offering and then exchanged those units as part of the 2006 Fund Reorganization Transaction or the 2007 Fund Roll-over Transaction would normally have received additional tax benefits from their respective investments.

SUMMARY OF INVESTMENT PORTFOLIO at December 31, 2007

Holdings at Decemer 31, 2007^{1,2}	Symbol	Number of Shares	Fair Value \$	% of Portfolio
Mineral exploration				
Athabasca Potash Inc. (TSX)	API	2,155,325	16,811,535	64.27%
Anglo Minerals Ltd.	ALM	167,900	906,660	3.47%
Red Rock Energy Inc.	RRK	1,968,856	689,100	2.63%
Great Western Minerals Group Ltd.	GWG	1,609,000	579,240	2.21%
Copper Reef Mining Corp. (unlisted)		2,000,000	533,556	2.04%
Great Western Diamonds Corp.	GWD	2,052,000	471,960	1.80%
Claude Resources Inc. (TSX)	CRJ	334,900	452,115	1.73%
Golden Band Resources Inc.	GBN	916,000	412,200	1.58%
Eagle Plains Resources Ltd.	EPL	541,500	297,825	1.14%
Wescan Goldfields Inc.	WGF	1,711,086	376,439	1.44%
Western Potash Corp. (private)	-	500,000	250,000	0.96%
ESO Uranium Corp.	ESO	600,000	234,000	0.89%
Copper Canyon Resources Ltd.	CPY	588,235	223,529	0.85%
Halo Resources Ltd.	HLO	600,000	222,000	0.85%
J-Pacific Gold Inc.	JPN	451,000	211,970	0.81%
Tagish Lake Gold Corp.	TLG	1,423,846	199,338	0.76%
Stikine Gold Corp.	SKY	1,666,667	183,333	0.70%
Soltoro Ltd.	SOL	280,000	173,600	0.66%
Northern Freegold Resources Ltd.	NFR	202,000	147,460	0.56%
Raytec Metals Corp.	RAY	640,000	142,222	0.54%
Other			956,948	3.66%
Oil & Gas				
Ruby Energy Inc. (private)	-	916,996	484,176	1.85%
Southern Pacific Resource Corp.	STP	248,150	394,559	1.51%
Nordic Oil and Gas Ltd.	NOG	291,000	212,430	0.81%
Prairie Hunter Energy Corp. (private)	-	208,333	220,000	0.84%
Ivory Energy Inc.	IV	230,117	147,275	0.56%
Other			223,198	0.85%
GAAP NAV			\$ 26,156,667	100.00%
Published NAV Adjustment			498,663	
Published NAV			\$ 26,655,330	

1. All investee companies are listed on the TSX Venture Exchange unless otherwise noted.

2. The investment portfolio may change due to ongoing portfolio transactions of 49 North. Quarterly updates are available within 60 days of each quarter.