

**BLUMONT AUGEN LIMITED PARTNERSHIP 2007-1**  
**SEMI-ANNUAL MANAGEMENT REPORT OF PARTNERSHIP PERFORMANCE**  
**For the Period Ended June 30, 2008**

This semi-annual Management Report of Partnership Performance contains financial highlights but does not contain either semi-annual or annual financial statements for BluMont Augen Limited Partnership 2007-1 (the "Partnership"). If you have not received a copy of the semi-annual financial statements with the Management Report of Partnership Performance, you may obtain a copy of the semi-annual financial statements or annual financial statements, at no cost, by calling 1-866-473-7376, by writing to us at BluMont Capital Corporation, 70 University Avenue, Suite 1200, P.O. Box 16 Toronto, Ontario M5J 2M4 or by visiting our web site at [www.blumontcapital.com](http://www.blumontcapital.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure relating to the Fund.

**Forward-Looking Information**

This Management Report of Partnership Performance contains forward-looking information and statements relating, but not limited to, anticipated or prospective financial performance and results of operations of the Partnership. Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. For this purpose, any statements that are contained herein that are not statements of historical fact may be deemed to be forward-looking information. Without limiting the foregoing, the words "believes", "anticipates", "plans", "intends", "will", "should", "expects", "projects", and similar expressions are intended to identify forward-looking information.

Although the Partnership believes it has a reasonable basis for making the forecasts or projections included in this Management Report of Partnership Performance, readers are cautioned not to place undue reliance on such forward-looking information. By its nature, the forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific that contributed to the possibility that the predictions, forecasts and other forward-looking statements will not occur. These factors include, but are not limited to, those associated with the performance of the equity securities market, expectations about interest rates and factors incorporated by reference herein as risk factors.

The above list of important factors affecting forward-looking information is not exhaustive, and reference should be made to the other risks discussed in the Partnership's filings with Canadian securities regulatory authorities. The forward looking information is given as of the date of this Management Report of Partnership Performance, and the Partnership undertakes no obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

## **Management Discussion on Performance**

### **Investment Objectives and Strategies**

The Partnership's investment objectives are to achieve capital appreciation through investment in a diversified portfolio of flow-through shares and other securities of select resource companies and to maximize tax benefits for investors by purchasing flow-through shares of resource companies. The Partnership will invest primarily in resource companies that will incur Canadian exploration expense.

The Partnership's investment strategy is to invest in flow-through shares of resource issuers that represent good value in relation to the market price of the resource issuer's shares, have experienced and capable senior management, have a strong exploration program in place, and offer potential for future growth.

### **Investment Risk**

The Partnership is a speculative offering and is exposed to several risk factors that may affect its performance. The overall risk of the Partnership is as described in its prospectus dated October 11, 2007. Since then, the risk factors have not changed. There have been no significant changes for the period ending June 30, 2008, which have had an impact on the overall risk of any investments in the Partnership.

### **Results of Operations**

The Partnership commenced operations subsequent to its closing on October 30, 2007. Consequently, the 2008 semi-annual statements do not reflect a full annual period of operations and have no comparative results. At June 30, 2008 the Partnership's trading Net Asset Value was \$4.38 per unit.

For the year-to-date, June 30, 2008, junior exploration companies have come under increasingly negative pressure impacted by softer uranium and base metal prices; generally disappointing senior company results; a strong Canadian dollar; and the effects of the global credit crunch / financial crisis. Increased volatility in the equity and credit markets caused by growing concerns over the US economy has resulted in investors shifting towards lower risk investments. In fact, risk aversion has become so severe that many junior mining companies are now trading at their 52-week lows relative to the price of gold and relative to levels not seen since 2002. As a result of the change in investor risk tolerance, despite the quality of the underlying assets, the BluMont Augen Limited Partnership 2007-1 has been negatively impacted.

Robust prices for precious and base metals combined with a pull-back in the junior mining sector, has resulted in increasing value and investment opportunities in the sector. The beginning of 2008 witnessed record prices for commodities including oil, gold, copper, iron ore, coking coal and grain. Gold rose to over US\$1,000/oz in March 2008 (vs. the historical average of approximately US\$400/oz) on the back of inflation concerns, a weak US dollar and power shortages at major gold producing mines in South Africa. Copper hit an all-time high of over US\$4/lb in early March 2008 and remains above \$3.50/lb versus the historical average of \$0.80/lb, driven by tight markets and labour disputes at major copper mines. Strong demand from China has resulted in iron ore contract prices increasing over 50%, and a 150% increase in coking coal contract prices for 2008. Nickel prices of approximately US\$8.20/lb and zinc prices of approximately US\$0.80/lb have pulled back from recent high levels due to inventory stocking, but the long-term outlook remains positive for both metals.

Previous underinvestment in exploration activities combined with environmental, political and social barriers to mining development, delays in production and rising industry costs have resulted in limited new large scale development mining projects. With demand for metals projected to remain robust and limited large scale mining projects on the horizon, there remains a need for investment in junior mining companies to find new discoveries to fill this void. The BluMont Augen Limited Partnership 2007-1 is a diversified portfolio of quality junior exploration companies that provides potential for discovery and growth within this sector.

The BluMont Augen Limited Partnership 2007-1 consists of investments in 27 Canadian exploration companies, diversified by both location and commodity. Exploration companies were selected based on management, quality of

exploration portfolio and proven exploration success. The portfolio consists of 13 gold companies, 6 base metals companies, 3 uranium companies, 2 oil & gas companies, a diamond company, an iron-ore company and a rare earth metals exploration company.

### **Loan Facility**

The Partnership entered into a term loan facility ("Facility") in the amount of \$1,586,460, which matures on the earlier of April 30, 2009 or the dissolution date of the Partnership. The Facility is secured by a general security agreement and is subject to certain financial covenants. Interest is calculated at the bank's prime lending rate.

The Partnership was in compliance with all financial covenants as of June 30, 2008, and throughout the period. The Facility is with a Canadian chartered bank and is solely for the purpose of funding a portion of the agents' fees and expenses of the offering.

### **Recent Developments**

The Partnership closed on October 30, 2007 after raising gross capital of \$16,095,700 (\$14,509,240 after issuance costs). The assets of the Partnership were fully invested in December 2007.

During the current period, Augen Capital, the Flow-Through Advisor to the Limited Partnership underwent a change in management and board of directors. The investment process includes consideration by both an investment committee and an advisory board comprised of external independent geologists. Therefore, while these internal issues coincided with the downturn in market and the performance of the Limited Partnership portfolio, there is no relationship between these two events.

### **Adoption of new accounting policies – Financial Instruments Disclosure and Presentation**

On October 1, 2007, the partnership adopted CICA Handbook Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation". The new standard replaced Section 3861, "Financial Instruments – Disclosure and Presentation". The new disclosure standards increased the emphasis on disclosure of risks associated with financial instruments and how those risks are managed. The previous requirements related to presentation of financial instruments have been carried forward unchanged. Adoption of the new standards does not impact the daily price of the partnership's securities for subscription and redemption purposes, nor for the calculation of net assets.

### **Related Party Transactions**

#### **Management Fees**

The General Partner is responsible for the management of the Partnership and is entitled to an annual management fee equal to 2.0% of the net assets of the Partnership, calculated weekly in arrears. The Partnership recorded management fees of \$85,572 plus GST during the period, which remains payable at the end of the period.

In addition to absorbing \$19,187 in Partnership operating expenses during the period, the General Partner has agreed to advance payment for all remaining administrative Partnership costs on behalf of the Partnership. Pending payment or reimbursement by the Partnership, the advances will bear interest at the Prime Rate. The Partnership intends to pay these costs in 2009 using the proceeds of the sale of the portfolio assets of the Partnership. All fees and expenses payable to the flow-through consultant for its services will be borne by the portfolio manager and/or the General Partner and not by the Partnership. The flow-through consultant may also receive fees from certain Resource Companies with which the Partnership enters into share purchase agreements, a portion of which the flow-through consultant will pay to the portfolio manager.

## Financial Highlights

The following tables show selected key financial information about the Partnership and are intended to help you understand the Partnership's financial performance since inception. This information is derived from the Partnership's annual financial statements and is after all expenses have been charged to the Partnership.

### NET ASSET VALUE ("NAV") PER UNIT

For the six month period ended June 30, 2008 and the period October 31, 2007 to December 31, 2007

	2008	2007
Net Asset value, beginning of period <sup>1,2</sup>	\$ 7.21	\$ 10.00
Increase (decrease) from operations:	—	
Total revenue	(0.10)	0.03
Total expenses	(0.03)	(0.07)
Realized gains (losses) for the period		-
Unrealized losses for the period	(2.79)	(1.76)
Total decrease from operations:	(2.92)	(1.80)
Distributions:		
From income (excluding dividends)	-	-
From dividends	-	-
From capital gains	-	-
Return of capital	-	-
Total annual distributions	-	-
Net asset value, end of period <sup>3</sup>	\$ 4.30	\$ 7.21

### RATIOS AND SUPPLEMENTAL DATA

For the six month period ended June 30, 2008 and the period October 31, 2007 to December 31, 2007

Net assets (000s)	\$ 7,053	\$ 11,961
Number of units outstanding	1,609,570	1,609,570
Management expense ratio	3.92%	5.00%
Management expense ratio before waivers or absorptions	4.37%	7.76%
Portfolio turnover rate	-	-
Trading expense ratio	0.17%	-

1. Net asset value is based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net asset value per unit.
2. The Partnership was formed on August 21, 2007 and commenced trading on October 30, 2007.
3. Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period. The management expense ratio is calculated in accordance with Part 15 of National Instrument 81-106.
4. Ratios and supplemental data, where applicable, are computed using the trading net asset value of the Partnership.
5. The Partnership's portfolio turnover rate can indicate how actively the Partnership's investment advisor manages the portfolio of investments. A portfolio turnover rate of 100% is equivalent to the Partnership buying and selling

all of its securities in its portfolio once in the course of the period. The higher a partnership's portfolio turnover rate in a period, the greater the trading costs payable by the Partnership in the period and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of the partnership.

6. 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.
7. The relief granted to investment funds by Canadian securities regulatory authorities from complying on an interim basis with CICA Handbook Section 3855 ("Section 3855") results in a difference between the Trading NAV and the GAAP NAV due to the differences in valuation techniques of certain investments. For investments that are traded in an active market where quoted prices are readily and regularly available, Section 3855 requires bid prices (for investments held) or ask prices (for investments sold short) to be used in the fair valuation of investments, rather than the use of closing sale prices currently used for the purpose of determining Trading NAV. For investments that are not traded in an active market, Section 3855 requires the use of specific valuation techniques, rather than the use of valuation techniques by virtue of general practice in the investment funds industry. The provisions of Section 3855 have been applied retrospectively without restatement of prior periods. Accordingly, the net asset value at the beginning of the current period has been adjusted.

The impact of the adoption of Section 3855 on the net asset value per share of the Fund is as follows:

As at June 30, 2008	Per Unit (\$)
Net asset value (Trading NAV), end of year	4.38
Section 3855 adjustment	(0.08)
Net asset value (GAAP NAV), end of year	4.30

## Past Performance

The performance information does not take into account fees for sales, redemptions, distributions, or other optional charges that would have reduced returns or performance, nor does it take into account any tax benefits realized by investors. The performance data presented here should not be compared to performance data provided in the Partnership's sales and marketing materials, as these publications provide returns on an after-tax basis assuming an investor is an Ontario resident in the highest marginal tax bracket.

## Year-by-Year Returns

The Partnership commenced operation on October 30, 2007. Since the Partnership has not been in operation for a full financial year, a bar chart illustrating year-by-year returns cannot be provided.

## Annual Compound Returns

The Partnership commenced operation on October 30, 2007. Since the Partnership has not been in operation for a full financial year, a table illustrating annual compound returns cannot be provided.

The following table shows the Partnership's performance since the Partnership commenced operation on October 30, 2007:

	BluMont Augen Limited Partnership 2007-1
Performance from inception to June 30, 2008	-56.18%

**About Fund Performance**

Since the Partnership invests in flow-through shares, which are typically issued at a premium to the market price of the common shares due to the tax-saving benefits, attributed to the purchaser, it is not meaningful to analyze or compare the portfolio performance without considering all Canadian tax implications.

The Partnership has focused its portfolio on emerging market capitalization companies engaged in resource exploration in Canada. The Partnership expects to maintain a disciplined, long-term focus on investing in Canadian exploration companies.

## Summary of Investment Portfolio as June 30, 2008

The summary of investment portfolio below includes information regarding the Partnership as a whole. This summary may change due to ongoing portfolio transactions of the Partnership and a quarterly update is available by contacting BluMont Capital, visiting BluMont Capital's website at [www.blumontcapital.com](http://www.blumontcapital.com) or SEDAR's website at [www.sedar.com](http://www.sedar.com).

### Top 25 Holdings

Issuer	Country	Sector		% of Net Assets
Knight Resources Limited	Canada	Energy	Oil & Gas	12.20%
Avalon Ventures Limited	Canada	Materials	Metals & Minerals	11.30%
Moneta Porcupine Mines Inc.	Canada	Materials	Metals & Minerals	7.70%
Stratagold Corporation	Canada	Materials	Gold & Precious Metals	6.70%
Kodiak Exploration Limited	Canada	Materials	Gold & Precious Metals	6.10%
Rockport Mining Corporation	Canada	Materials	Metals & Minerals	5.70%
American Creek Resources Limited	Canada	Materials	Metals & Minerals	5.20%
Bonaventure Enterprises Inc.	Canada	Materials	Gold & Precious Metals	5.00%
Puma Exploration Inc.	Canada	Materials	Metals & Minerals	4.90%
Diamondex Resources Limited	Canada	Materials	Metals & Minerals	4.70%
BNP Resources Inc. 'A'	Canada	Materials	Oil & Gas	4.50%
Rochester Energy Corporation	Canada	Energy	Oil & Gas	4.40%
Sultan Minerals Inc.	Canada	Materials	Metals & Minerals	4.40%
D'Arianne Resources Inc.	Canada	Materials	Metals & Minerals	4.30%
Pitchstone Exploration Limited	Canada	Materials	Metals & Minerals	4.00%
Paragon Minerals Corporation	Canada	Materials	Gold & Precious Metals	3.80%
Galore Resources Inc.	Canada	Materials	Metals & Minerals	3.70%
Laurentian Goldfields Ltd.	Canada	Materials	Metals & Minerals	3.50%
Claude Resources Inc.	Canada	Materials	Gold & Precious Metals	3.50%
Tyhee Development Corporation	Canada	Materials	Gold & Precious Metals	3.40%
Baffinland Iron Mines Corporation	Canada	Materials	Metals & Minerals	3.30%
GLR Resources Inc.	Canada	Materials	Metals & Minerals	2.70%
Sage Gold Inc.	Canada	Materials	Gold & Precious Metals	2.20%
Donner Metals Limited	Canada	Materials	Metals & Minerals	2.00%
Triex Minerals Corporation	Canada	Materials	Metals & Minerals	1.80%
Total				121.0%
Total Transactional Net Asset Value (000)				6,918

### Sector Exposure as at June 30, 2008

Sector	Canadian Exposure	Total Exposure	Number of Positions
Materials	105.92%	105.92%	34
Energy	17.14%	17.14%	2