



**INTERIM FINANCIAL STATEMENTS**  
BLUMONT AUGEN LIMITED PARTNERSHIP 2007-1

**JUNE 2008**



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**STATEMENT OF NET ASSETS**  
**As at June 30, 2008 and December 31, 2007**  
**Unaudited**

**BLUMONT AUGEN LIMITED PARTNERSHIP 2007-1\*\***

	2008	2007
<b>ASSETS</b>		
Investments at fair value*		
Canadian equities	\$ 8,513,359	\$ 13,288,466
Cash and cash equivalents	16,235	17,596
Interest receivable	-	1,684
Total Assets	<u>8,529,594</u>	<u>13,307,746</u>
<b>LIABILITIES</b>		
Accounts payable:		
Fees and operating expenses	18,462	92,660
Interest payable	6,632	16,810
Loan payable	1,586,460	1,586,460
Total Liabilities	<u>1,611,554</u>	<u>1,695,930</u>
<b>NET ASSETS REPRESENTING PARTNERS' CAPITAL</b>	<u>\$ 6,918,040</u>	<u>\$ 11,611,816</u>
<b>NUMBER OF UNITS OUTSTANDING</b>	<u>1,609,570</u>	<u>1,609,570</u>
<b>NET ASSET VALUE PER UNIT</b>	<u>\$ 4.30</u>	<u>\$ 7.21</u>
* Investments, at cost	<u>\$ 15,837,554</u>	<u>\$ 16,124,754</u>

\*\* The Partnership was formed on August 21, 2007.

On behalf of the BluMont Augen Limited Partnership 2007-1 by BluMont Augen General Partner 2007-1 Inc.

"Paul J. Perrow"

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Paul J. Perrow  
Director

The accompanying notes are an integral part of these financial statements.



**STATEMENT OF CHANGES IN NET ASSETS**  
For the six month period ended June 30, 2008  
Unaudited

	<b>BLUMONT AUGEN LIMITED PARTNERSHIP 2007-1**</b>
Net Assets, Beginning of Period	\$ 11,611,816
Net Decrease in Net Assets from Operations	<u>(4,693,776)</u>
Net Assets, End of Period	<u>\$ 6,918,040</u>

\*\* The Partnership was formed on August 21, 2007 and as a result, comparative information is not available.

The accompanying notes are an integral part of these financial statements.

**STATEMENT OF CASH FLOWS**  
**For the six month period ended June 30, 2008**  
**Unaudited**

**BLUMONT AUGEN LIMITED**  
**PARTNERSHIP 2007-1\*\***

<b>Operating Activities</b>	
Net decrease in net assets from operations	\$ (4,693,776)
Add non-cash items	
Net change in unrealized depreciation of investments	4,487,907
Net realized loss on investment transactions	<u>38,911</u>
	(166,958)
Investments sold	248,289
Net change in non-cash balances relating to operations	<u>(82,692)</u>
Cash used in operating activities	<u>(1,361)</u>
<b>Decrease in cash and cash equivalents</b>	(1,361)
<b>Cash and cash equivalents, beginning of period</b>	<u>17,596</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 16,235</u>

\*\* The Partnership was formed on August 21, 2007 and as a result, comparative information is not available.

## STATEMENT OF INVESTMENTS AND OTHER NET ASSETS

As at June 30, 2008

Unaudited

	Number of Shares	Average Cost	Fair Value	% of Total Net Asset Value
<b>Canadian Equities</b>				
<b>Energy</b>				
Knight Resources Limited	3,250,000	\$ 1,300,000	\$ 861,250	
Rochester Energy Corporation <sup>2</sup>	1,352,000	540,800	324,480	
		1,840,800	1,185,730	17.2
<b>Basic Materials</b>				
American Creek Resources Limited	1,818,181	1,000,000	327,273	
Arianne Resources Inc. Warrants	2,000,000	-	2	
Avalon Ventures Limited	430,000	795,500	774,000	
BNP Resources Inc. 'A'	200,000	300,000	300,000	
Baffinland Iron Mines Corporation	75,500	400,150	231,030	
Bonaventure Enterprises Inc.	2,255,600	1,015,020	327,063	
Bonaventure Enterprises Inc. Warrants	2,255,600	-	2	
Claude Resources Inc.	270,270	500,000	243,243	
D'Arianne Resources Inc.	4,000,000	600,000	300,000	
Diamondex Resources Limited	2,000,000	500,000	330,000	
Donner Metals Limited	400,000	260,000	130,000	
Donner Metals Limited Warrants	200,000	-	-	
GLR Resources Inc.	625,000	500,000	181,250	
Galore Resources Inc.	1,052,632	500,000	263,158	
Galore Resources Inc. Warrants	526,316	-	1	
Knight Resources Limited Warrants	3,250,000	-	3	
Kodiak Exploration Limited	166,700	800,160	426,752	
Laurentian Goldfields Limited	625,000	250,000	250,000	
Moneta Porcupine Mines Inc.	2,775,000	499,500	541,125	
Northern Gold Mining Inc.	333,333	200,000	41,667	
Northern Gold Mining Inc. Warrants	166,666	-	-	
Paragon Minerals Corporation	1,000,000	1,000,000	265,000	
Pitchstone Exploration Limited	246,000	762,600	270,600	
Puma Exploration Inc.	909,090	500,000	345,454	
Rockport Mining Corporation	470,589	400,000	400,001	
Roxgold Inc.	560,000	240,800	100,800	
Roxgold Inc. Warrants	280,000	-	-	
Sage Gold Inc.	800,000	400,000	152,000	
Sage Gold Inc. Warrants	400,000	-	-	
Stratagold Corporation	3,369,565	775,000	454,891	
Sultan Minerals Inc.	2,300,000	805,000	310,500	
Sultan Minerals Inc. Warrants	2,300,000	-	2	
Triex Minerals Corporation	145,000	493,000	121,800	
Tyhee Development Corporation	666,700	500,024	240,012	
		13,996,754	7,327,629	105.9

	Average Cost	Fair Value	% of Total Net Asset Value
<b>Total Positions Including Transaction Costs</b>	\$ 15,837,554	\$ 8,513,359	123.1
Transaction Costs	-	-	-
<b>TOTAL INVESTMENT PORTFOLIO</b>	\$ 15,837,554	8,513,359	123.1
Other Assets Net of Liabilities <sup>1</sup>		(1,595,319)	(23.1)
<b>NET ASSETS REPRESENTING PARTNER'S CAPITAL</b>		\$ 6,918,040	100.0

<sup>1</sup> This amount is comprised of cash and cash equivalents less accounts payable.

<sup>2</sup> Restricted Security

The accompanying notes are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

UNAUDITED

## 1. FORMATION OF THE PARTNERSHIP

BluMont Augen Limited Partnership 2007-1 (the "Partnership") was formed on October 11, 2007 as a limited partnership under the laws of the Province of Ontario. Operations commenced on October 30, 2007 following the Partnership's first closing. The Partnership has a limited life dissolving on June 29, 2009, subject to earlier dissolution on the terms set forth in the partnership agreement. The General Partner of the Partnership is BluMont Augen General Partner 2007-1 Inc. (the "General Partner"), a company incorporated on August 21, 2007 under the Ontario Business Corporations Act. The General Partner is a wholly owned subsidiary of BluMont Capital Inc.

BluMont Capital Corporation has been retained as the portfolio manager (the "Portfolio Manager") to select flow-through shares and other investments in consultation with Augen Capital Corp. The Partnership invests in flow-through shares of resource companies involved in mineral exploration and oil and gas exploration. The Partnership is subject to various risk factors including, but not limited to, the lack of a public market for the units of the Partnership, risks inherent in resource exploration, and adverse fluctuations in the value and possible illiquidity of the flow-through shares and securities, if any, held by the Partnership.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

A summary of the significant accounting policies is summarized below.

### (I) Adoption of New Accounting Policies - Section 3862, Financial Instruments – Disclosure and Section 3863, Financial Instruments – Presentation

On January 1, 2008, the Partnership adopted the requirements of Canadian Institute of Chartered Accountants' (CICA) Handbook Section 3862, "Financial Instruments – Disclosure" and Section 3863, "Financial Instruments – Presentation". These sections replace Section 3861, "Financial Instruments – Disclosure and Presentation" and establish standards regarding the comprehensive disclosure and presentation of risks associated with financial instruments and how those risks are managed. Please refer to Note 3 for specific Partnership disclosure.

Adoption of the new standards does not impact the daily price of the Partnership's securities, nor the calculation of Net Assets.

### (II) Valuation of Investments

Investments are recorded in the accounts at their market value, determined as follows:

The Canadian Institute of Chartered Accountants' (CICA) Handbook Section 3855, "Financial Instruments – Recognition and Measurement" ("Section 3855"), which applies to the interim periods and fiscal years beginning on or after October 1, 2006, requires that the fair value of financial instruments, which are actively traded, be measured based on the bid price for the security. Prior to

that, fair value for GAAP was based on the last traded price for the day, when available.

National Instrument 81-106 ("NI 81-106"), Investment Fund Continuous Disclosure, requires the daily net asset value of an investment fund to be calculated in accordance with GAAP. Notwithstanding the prescribed implementation date of Section 3855, the Canadian Securities Administrators granted interim relief to investment funds from complying with Section 3855 when calculating the daily net asset value for the purpose of processing unitholder transactions. The relief was granted to permit further review of the impact of Section 3855 and is effective until the earlier of September 30, 2008 or the date on which proposed amendments to NI 81-106 come into effect. The net asset value calculated in accordance with Section 3855 is referred to as the Partnership's net asset value for financial reporting ("GAAP Net Asset Value"). A reconciliation between the Partnership's GAAP Net Asset Value and the Partnership's net asset value for purposes other than financial reporting ("Trading Net Asset Value") is given in Note 7.

Section 3855 also requires that transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Partnership be charged to net income in the period. Accordingly, these costs must be expensed and are included in "Transaction Costs" in the Statement of Operations.

Securities listed upon a recognized public stock exchange are valued at their bid prices on the financial statement date. Securities with no bid prices are valued at their closing sale prices. Securities not listed upon a recognized public stock exchange are valued using valuation techniques, on such basis and in such manner established by the Portfolio Manager.

Short-term investments are recorded at fair market value.

The difference between market value and the average cost is shown as the net change in unrealized appreciation (depreciation) of investments.

**(III) Investment Transactions and Income Recognition**

Investment transactions are accounted for as of the trade date. Income and expenses are recorded on an accrual basis. Dividend income is recorded on the ex-dividend date. Interest income is recorded daily as it is earned. Realized gains and losses from security transactions are calculated using the average cost basis.

**(IV) Allocation of Partnership Income or Loss**

These financial statements include only the assets, liabilities, revenues and expenses of the Partnership and do not include the other assets and liabilities including income taxes of the individual partners. The net increase or decrease in net assets from operations of the Partnership is allocated 0.01% to the General Partner with the balance to the Limited Partners in proportion to the number of units held by each of them at the end of each period. The Partnership itself is not a taxable entity, and therefore no provision for income tax is required.

**(V) Use of Estimates**

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amounts of certain assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of certain revenue and expenses during the period. Actual

results could differ from these estimates.

**(VI) Increase (Decrease) in Net Assets from Operations Per Unit**

Increase (decrease) in net assets from operations per unit amount is determined by dividing the net increase (decrease) in net assets from operations by the average number of units outstanding during the period.

**3. FINANCIAL RISK MANAGEMENT**

In the normal course of business, the Partnership is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, other price risk and currency risk) that could result in a reduction in the value of the Partnership's net assets. The value of investments within the Partnership's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions, market and company news related to specific securities within the Partnership.

The investment objectives of the Partnership are to: (a) achieve capital appreciation, and (b) provide certain tax benefits for investors by purchasing flow-through shares of select resource companies identified by the Portfolio Manager and Augen Capital Corp. The Partnership's investment strategy is to invest in flow-through shares of resource companies that are considered to: (i) represent good value in relation to the market prices of the shares of the resource companies; (ii) have experienced and capable senior management; (iii) have a strong exploration program in place; and (iv) offer potential for future growth. Proceeds from the sale of flow-through shares may be invested in other flow-through shares, in equity securities of senior listed issuers, as well as in bonds and debentures issued by senior listed issuers and government issuers or in index-based securities, or may be used to exercise warrants.

The Partnership was fully invested prior to January 1, 2008 in accordance with the following investment policies and restrictions: (a) invested at least 80% of its funds in flow-through shares of resource companies that were listed and posted on the TSX or TSX Venture Exchange, (b) invested at least two-thirds (2/3) of its funds in securities of resource companies whose market capitalization (determined at the time of purchase) was greater than \$25 million, (c) did not: (i) invest greater than 10% of the proceeds in any one resource company; (ii) hold greater than 10% of the issued and outstanding equity securities (determined at the time of purchase) of any resource company in which it invests; or (iii) invest in any securities if the market value of such securities at the time of investment exceeded 10% of the net asset value of the Partnership portfolio (determined at the time of purchase).

**(I) Credit Risk**

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with a partnership.

Where a partnership invests in debt instruments and derivatives, this represents the main concentration of credit risk. The market value of debt instruments and derivatives includes consideration of the credit worthiness of the issuer, and accordingly, represents the maximum credit risk exposure of a partnership.

All transactions executed by the Partnership in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

As of June 30, 2008 the Partnership had no investments in debt instruments and derivatives, and therefore was not subject to credit risk.

**(II) Liquidity Risk**

Liquidity risk is defined as the risk that a partnership may not be able to settle or meet its obligation on time or at a reasonable price.

Liquidity risk is managed by investing the majority of the Partnership's assets in investments that are traded in an active market and can be readily disposed. In accordance with the Partnership's investment guidelines, the Partnership invested more than 80% of its funds in securities listed and posted on the TSX and TSX Venture Exchange.

The Partnership may, from time to time, invest in securities that are not traded in an active market and may be illiquid. In accordance with the Partnership's investment guidelines, the Partnership invested approximately 3.4% of its funds in resource companies whose securities cannot be readily disposed of through market facilities or for which public quotations in common use were not widely available (the Partnership's investment guidelines provide for a maximum investment of 20% of its funds in such securities). Such investments are identified as private and restricted securities in the Partnership's Statement of Investments and Other Net Assets.

Securities purchased by the Partnership may be subject to resale restrictions. During periods when resale restrictions apply, the Partnership may dispose of such securities only pursuant to certain statutory exemptions. No such resale restrictions existed at June 30, 2008.

Until the time of dissolution of the Partnership, the Limited Partners cannot redeem units. There is no market for units of the Partnership and it is unlikely that any public market will develop through which units may be sold. At the time of dissolution, the General Partner intends to transfer the assets of the Partnership to BluMont Augen Resource Strategy Fund Inc. (the "Mutual Fund Rollover Transaction"). However, there is no assurance that the Mutual Fund Rollover Transaction will be implemented and the Limited Partners may receive securities upon dissolution of the Partnership for which there may be an illiquid market or which may be subject to resale restrictions.

**(III) Interest Rate Risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments.

Interest rate risk arises when the Partnership invests in interest-bearing financial instruments. The Partnership is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. There is minimal sensitivity to interest rate fluctuations on any cash and cash equivalents, invested at short-term market interest rates.

As at June 30, 2008, the Partnership held a variable rate interest-bearing loan payable of \$1,586,460. The Partnership's sensitivity to interest rate changes is not significant.

**(IV) Other Price Risk**

Other price risk is the risk that the market value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those

arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument (including the economic effect of tax law changes) or its issuer, or factors affecting similar financial instruments traded in the market.

All investments represent a risk of loss of capital. The Portfolio Manager of the Partnership moderates this risk through a careful selection and diversification of securities and other financial instruments within the limits of the Partnership's investment objectives and strategy. The maximum risk resulting from financial instruments is determined by the market value of the financial instruments. The Partnership's overall market positions are monitored on a daily basis by the Portfolio Manager. Financial instruments held by the Partnership are susceptible to market price risk arising from uncertainties about future prices of the instruments.

The Statement of Investments and Other Net Assets classifies securities by market segment.

The impact on net assets of the Partnership due to a 5 percent change in the fair value of the Partnership's investments, as at June 30, 2008, with all other variables held constant, is included in the following table.

	5% Increase in Fair Value	5% Decrease in Fair Value
Net Assets From Operations	\$425,668	\$(425,668)

**(V) Currency Risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk arises from financial instruments (including cash and cash equivalents) that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Partnership.

As of June 30, 2008, the Partnership did not hold financial instruments denominated in foreign currency, and therefore was not subject to currency risk.

**4. RELATED PARTY TRANSACTIONS**

The Portfolio Manager is entitled to an annual management fee equal to 2% of the Net Asset Value of the Partnership, calculated daily and payable monthly in arrears. Management fees were \$85,572 for the period ended June 30, 2008.

The General Partner will be entitled to an additional distribution of Partnership property (the "Performance Bonus Allocation") on the earlier of (i) the day prior to completion of the transfer of Partnership assets to the BluMont Augen Resource Strategy Fund Inc. and (ii) the day immediately prior to the date of dissolution or termination of the Partnership ("the Performance Bonus Date") in an amount per unit equal to 20% of the amount by which the aggregate of the net asset value per unit and any distributions per unit paid during the period commencing on October 30, 2007 and ending on the Performance Bonus Date (prior to giving effect to this Performance Bonus Allocation) exceeds \$11.20. The Performance Bonus Allocation may be paid in cash or, subject to applicable law, in shares of the BluMont Augen Resource Strategy Fund Inc. at the option of the General Partner.

## 5. LOAN FACILITY

On October 30, 2007, the Partnership entered into a term loan facility (the "Loan Facility") with a Canadian chartered bank. The amount of the Loan Facility is \$1,586,460 and matures on the earlier of April 30, 2009 or the dissolution date of the Partnership. The Loan 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 weighted average interest rate for the period was 5.27%.

The Partnership was in compliance with all financial covenants at June 30, 2008, and throughout the period. During the period, \$35,370 of interest on the Loan Facility was paid by the Partnership.

## 6. TAXES

The federal and Quebec tax shelter identification numbers issued for the Partnership are TSO73205 and QAF-07-01231, respectively, and should be included in any income tax return filed by a Limited Partner. Issuance of the identification number does not in any way confirm the entitlement of an investor to claim any tax benefits associated with the tax shelter.

The tax cost of the flow-through common shares is reduced by the amount of renounced Canadian exploration and development expense allocated to the Partnership. The disposition of flow-through common shares and flow-through convertible warrants could give rise to tax consequences to the partners.

## 7. RECONCILIATION OF GAAP NAV TO TRADING NAV

As at June 30, 2008

Net Asset Value (\$)			Net Asset Value per Unit (\$)		
Trading NAV	Sec. 3855 Adjustment	GAAP NAV	Trading NAV	Sec. 3855 Adjustment	GAAP NAV
\$ 7,053,027	\$ (134,987)	\$ 6,918,040	\$ 4.38	\$ (0.08)	\$ 4.30

## 8. FUTURE ACCOUNTING CHANGE

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, the AcSB confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit oriented Canadian publicly accountable enterprises. The General Partner is currently evaluating the impacts of this change and developing its plan for the Partnership.

## 9. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's financial statements presentation.

## **PARTNERSHIP INFORMATION**

### **MANAGER AND PRINCIPAL DISTRIBUTOR**

BluMont Capital Corporation  
70 University Avenue  
Suite 1200, P.O. Box 16  
Toronto, ON M5J 2M4  
Telephone: (416) 216-3566  
Fax: (416) 360-1102  
Toll Free: 1 (866) 473-7376

### **REGISTRAR**

Citigroup Fund Services Canada, Inc.  
2920 Matheson Blvd. East  
Mississauga, ON L4W 5J4

### **PRIME BROKER**

Caldwell Securities Ltd.  
150 King Street West, Suite 1710  
Toronto, ON M5H 1J9

### **AUDITORS**

PricewaterhouseCoopers LLP  
Suite 3000 Box 82  
Royal Trust Tower TD Centre  
Toronto, ON M5K 1G8

### **LEGAL COUNSEL**

Fasken Martineau DuMoulin LLP  
Barristers & Solicitors  
66 Wellington Street West  
P.O. Box 20  
Toronto, ON M5K 1N6



**BLUMONT**  
CAPITAL

70 University Avenue, Suite 1200 P.O. Box 16 Toronto, ON M5J 2M4 | Tel: 416.216.3566 | 1.866.473.7376 | Fax: 416.360.1102 | [blumontcapital.com](http://blumontcapital.com)

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