



INTERIM FINANCIAL STATEMENTS

BLUMONT AUGEN RESOURCE STRATEGY FUND

JUNE 2008



BLUMONT
CAPITAL

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STATEMENT OF NET ASSETS

As at June 30, 2008 and December 31, 2007

Unaudited

BLUMONT AUGEN RESOURCE STRATEGY FUND INC.

	2008	2007
ASSETS		
Investments, at fair value*		
Canadian equities	\$ 5,920,877	\$ 3,551,753
U.S. Equities	<u>757,949</u>	<u>-</u>
	6,678,826	3,551,753
Cash and short-term investments	859,029	745,119
Accrued investment income	7,995	3,600
Due from Limited Partnerships (Note 1)	<u>-</u>	<u>14,181,674</u>
Total Assets	<u>7,545,850</u>	<u>18,482,146</u>
LIABILITIES		
Accounts payable:		
Fees and operating expenses	22,800	52,583
Trailer fees payable	11,632	9,856
Redemptions payable	<u>228,987</u>	<u>269,699</u>
Total Liabilities	<u>263,419</u>	<u>332,138</u>
NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY	<u>\$ 7,282,431</u>	<u>\$ 18,150,008</u>
NUMBER OF SHARES OUTSTANDING		
Class A	365,751	262,265
Class B	-	289,309
Class C	509,234	1,379,621
Class D	<u>161,862</u>	<u>521,000</u>
NET ASSET VALUE PER SHARE		
Class A	\$ 7.02	\$ 7.31
Class B	\$ -	\$ 7.09
Class C	\$ 7.02	\$ 7.46
Class D	<u>\$ 7.02</u>	<u>\$ 7.46</u>
*Investments, at cost	<u>\$ 6,068,237</u>	<u>\$ 4,147,817</u>

Approved by the Board of Directors

"Michael Staresinic"

"David Scobie"

Michael Staresinic
Director

David Scobie
Director

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

STATEMENT OF OPERATIONS

For the six months ended June 30, 2008 and 2007

Unaudited

BLUMONT AUGEN RESOURCE STRATEGY FUND INC.

	2008	2007
INVESTMENT INCOME		
Dividends	\$ 10,952	\$ 1,390
Less: Foreign withholding taxes	111	-
	<u>10,841</u>	<u>1,390</u>
Interest	24,279	80,024
	<u>45,120</u>	<u>81,414</u>
EXPENSES (Notes 5 and 6)		
Management fees	102,881	162,418
Securityholders' reporting costs	63,021	55,167
Audit fees	17,865	17,500
Legal fees	25,156	-
Dealer compensation	11,625	16,085
Interest expense	3,946	1,037
	<u>224,494</u>	<u>252,207</u>
Less: Expenses absorbed by the Manager	59,529	-
	<u>164,965</u>	<u>252,207</u>
NET INVESTMENT LOSS	<u>(119,845)</u>	<u>(170,793)</u>
NET REALIZED GAIN (LOSS) ON INVESTMENT TRANSACTIONS	(764,936)	683,847
TRANSACTION COSTS (Notes 2(II) and 6)	(46,629)	(116,190)
NET CHANGE IN UNREALIZED DEPRECIATION OF INVESTMENTS	<u>(324,057)</u>	<u>(182,087)</u>
NET GAIN (LOSS) ON INVESTMENTS AND TRANSACTION COSTS	<u>(1,135,622)</u>	<u>385,570</u>
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	<u>\$ (1,255,467)</u>	<u>\$ 214,777</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER SHARE		
Class A	\$ (1.02)	\$ 0.33
Class B	\$ -	\$ 0.32
Class C	\$ (1.02)	-
Class D	<u>\$ (1.02)</u>	<u>-</u>

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 and 2007

Unaudited

BLUMONT AUGEN RESOURCE STRATEGY FUND INC.

	2008	2007
Net Assets, Beginning of Period	\$ 18,150,008	\$ 4,575,641
Change in Accounting Policy <i>(Note 2(II))</i>	-	(109,003)
	<u>18,150,008</u>	<u>4,466,638</u>
Net Increase (Decrease) in Net Assets from Operations	<u>(1,255,467)</u>	<u>214,777</u>
From Capital Transactions:		
Acquisition of Net Assets of:		
Augen Limited Partnership 2005 <i>(Note 1)</i>	-	12,702,544
Consideration paid for redemptions of shares	<u>(9,612,110)</u>	<u>(10,640,635)</u>
	<u>(9,612,110)</u>	<u>2,061,909</u>
Net Assets, End of Period	\$ 7,282,431	\$ 6,743,326

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

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
Canadian Equities				
Energy				
Bankers Petroleum Ltd.	60,000	\$ 85,850	\$ 108,600	
Breaker Energy Ltd.	5,000	56,261	62,600	
Bronco Energy Ltd.	2,500	41,761	34,750	
Canadian Natural Resources Ltd.	1,000	104,806	101,010	
Cathedral Energy Services Income Trust	10,000	153,411	154,600	
EnCana Corporation	1,000	91,180	92,750	
Falcon Oil & Gas Ltd.	29,000	33,431	32,770	
Flying A Petroleum Ltd. Warrants	2,000,000	2,140	240	
Galleon Energy Inc.	10,000	181,684	205,900	
Gastem Inc.	26,000	63,998	61,880	
Mahalo Energy Ltd.	20,000	55,200	53,000	
Open Range Energy Corp.	19,900	102,137	158,404	
OPTI Canada Inc.	10,000	237,980	230,600	
Orleans Energy Ltd.	20,000	82,087	104,800	
Paladin Energy Ltd.	20,000	108,750	124,600	
Pason Systems Inc.	6,000	104,091	98,640	
Pearl Exploration and Production Ltd.	50,000	106,818	104,500	
PetroFalcon Corporation	40,000	57,008	70,000	
Phoenix Technology Income Fund	9,000	142,585	177,930	
Solana Resources Ltd.	20,000	59,453	113,000	
Talisman Energy Inc.	12,000	235,070	270,000	
TriStar Oil & Gas Ltd.	10,000	146,992	206,100	
Uranium World Energy Inc. Private Placement ²	1,400,000	260,000	260,000	
		2,512,693	2,826,674	38.8
Materials				
Adroit Resources Inc. Warrants	250,000	-	95	
Andean Resources Ltd.	30,000	46,500	42,000	
Andina Minerals Inc.	40,100	187,287	151,177	
Centamin Egypt Ltd.	60,000	80,684	69,600	
Chariot Resources Ltd.	125,000	130,958	117,500	
Consolidated Thompson Iron Mines Ltd.	11,000	80,284	96,690	
Continental Minerals Corp.	33,500	54,813	31,490	
Detour Gold Corp.	14,000	199,380	343,980	
Donner Metals Ltd. Warrants	1,012,500	9,852	972	
Eastern Platinum Limited	54,800	99,626	149,056	
Erdene Gold Inc.	20,000	23,900	18,000	
First Metals Inc.	24,000	23,441	21,600	
FNX Mining Corp.	1,800	52,295	43,380	
Global Minerals Ltd.	360,000	89,578	39,600	
Goldsource Mines Inc.	5,000	36,375	91,750	
Great Western Minerals Group Ltd. Warrants	800,000	4,192	800	
HudBay Minerals Inc.	5,600	111,598	79,184	
International Millennium Mining Corp. Warrants	312,500	3,244	612	
J-Pacific Gold Inc. Warrants	1,500,000	34,740	585	

	Number of Shares	Average Cost	Fair Value	% of Total Net Asset Value
Materials cont'd				
Labrador Iron Ore Royalty Income Fund	4,400	\$ 203,119	\$ 245,080	
MagIndustries Corp.	46,000	113,572	157,320	
Major Drilling Group International Inc.	1,900	77,933	95,000	
Mercator Minerals Ltd.	8,000	78,303	97,120	
Merrex Gold Inc.	449,000	264,910	179,600	
New Millenium Capital Corp.	18,500	22,385	32,005	
Noront Resources Ltd.	5,000	29,875	14,800	
Northern Freegold Resources Ltd.	50,000	31,500	41,500	
Paragon Mineral Corp. Warrants	200,000	-	480	
Paragon Minerals Corporation	50,000	27,500	13,250	
Pelangio Mines Inc.	47,500	202,546	253,650	
Phoscan Chemical Corp.	29,800	34,058	57,812	
Potash Corporation of Saskatchewan	1,000	192,684	233,450	
Potash One Inc.	16,000	71,798	85,920	
Red Back Mining Inc.	8,000	56,040	68,640	
Redcorp Ventures Ltd. Warrants	455,000	-	5	
Sprott Resource Corp.	5,000	22,050	22,300	
Thompson Creek Metals Company Inc.	10,000	214,240	198,200	
Valgold Resources Ltd. Warrants	865,000	2,540	-	
		2,913,800	3,094,203	42.5
Total Canadian Equities		5,426,493	5,920,877	81.3
U.S. Equities				
Energy				
Equitable Resources Inc.	2,500	169,221	172,175	
Forest Oil Corp.	1,600	102,739	119,104	
		271,960	291,279	4.0
Materials				
Consolidated Energy Inc.	1,000	75,722	112,250	
General Molly Inc.	8,000	73,105	62,960	
Market Vectors-Coal E.T.F.	4,000	170,809	231,480	
Rock-Tenn Co.	2,000	69,903	59,980	
		389,539	466,670	6.4
Total U.S. Equities		661,499	757,949	10.4
Total Positions Including Transaction Costs		6,087,992	6,678,826	91.7
Transaction Costs		19,755	-	-
TOTAL INVESTMENT PORTFOLIO		\$ 6,068,237	6,678,826	91.7
Other Assets Net of Liabilities ¹			603,605	
TOTAL NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY			\$ 7,282,431	100.0

¹ This amount is comprised of cash and short-term investments plus accrued investment income less accounts payable.

² Restricted Security

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

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

Unaudited

1. THE FUND

BluMont Augen Resource Strategy Fund Inc. (the "Fund") is a mutual fund corporation incorporated under the laws of the Province of Ontario on February 20, 2006. The Fund is managed by BluMont Capital Corporation (the "Manager"). Augen Capital Corp. was the Manager until October 11, 2007. On October 11, 2007, the Fund name was changed to BluMont Augen Resource Strategy Fund Inc. (Formerly Augen Resource Strategy Fund Inc.)

The Fund invests in a portfolio consisting primarily of securities of Canadian resource companies whose principal business is resource exploration and development upon liquidation of the resource holdings of the former Partnerships. The portfolio also includes common shares in other senior listed companies and from time to time, may include debt securities issued by either a federal or provincial government or short-term commercial paper issued by a Canadian commercial bank.

Each year, the Manager offers for sale a limited number of units in one or more limited partnerships ("Partnerships"). The objective of the Partnerships is to invest in the flow-through securities of resource companies. Investors in the Partnerships are entitled to claim certain deductions and credits for income tax purposes. On or about January in the second year following its establishment, the Partnership transfers its net assets to the Fund and the Partnership is dissolved (the "Mutual Fund Rollover Transaction"). The Partnership investors receive shares in the Fund in exchange for their Partnership units on a pro-rata basis on the date of the transfer.

The Fund commenced operations in Class A shares on May 1, 2006, at a net asset value of \$10.00, and subsequently issued Class B, Class C and Class D shares upon the transfer of net assets of the following Partnerships:

Closing Date	Partnership	Net Assets Transferred	Issued Shares	Ratio of Shares Received
May 1, 2006	Augen Limited Partnership 2003	\$6,327,084	Class A	8.659
May 1, 2006	Augen Limited Partnership 2004-1	\$10,324,234	Class A	12.470
January 31, 2007	Augen Limited Partnership 2005	\$12,702,544	Class B	13.466
December 31, 2007	Augen Limited Partnership 2006	\$10,294,180	Class C	12.150
December 31, 2007	Augen Limited Partnership 2006-1	\$3,887,494	Class D	14.987

Upon the above transfers, the partnerships were dissolved at which time the net assets were allocated 99.99% to the Limited Partners and 0.01% to the General Partner of the Partnerships.

On January 1, 2008, all Class B shares were consolidated into Class A Shares.

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 Fund adopted Canadian Institute of Chartered Accountants’ (CICA) Handbook Section 3862, “Financial Instruments – Disclosure” and Section 3863, “Financial Instruments – Presentation”. These new 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 Fund disclosure.

Adoption of the new standards does not impact the daily price of the Fund’s securities for subscription and redemption purposes, nor for 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. For financial reporting purposes, effective January 1, 2007, the Fund adopted the amended valuation policy for actively traded securities held by the Fund retroactively without restatement of prior periods. Accordingly, the January 1, 2007 opening net asset value adjustment is disclosed in the Statement of Changes in Net Assets. In addition, a reconciliation as at June 30, 2008 between the Fund’s net asset value for financial reporting (“GAAP NAV”) and the Fund’s net asset value for purposes other than financial reporting, such as purchases and redemptions, (“Trading NAV”) has been provided in Note 7.

Section 3855 also requires that transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund 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. Until December 31, 2006, the Fund’s policy has been to add these expenses to the cost of securities purchased or deduct them from the proceeds of sale. Effective January 1, 2007, the Fund adopted the new accounting policy retroactively, without restatement of prior periods.

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 Manager.

The fair value of purchase warrants is calculated using the Black-Scholes valuation model. The following weighted average assumptions are used when determining fair value using the Black-Scholes valuation model:

Risk free rate:	4.0 - 5.0%
Expected life:	Determined by the terms and conditions of each instrument.
Expected volatility:	Determined by the closing sale price for the company for a historical time interval equal to the expected life of the instrument or the period that the stock has been trading if less than the expected life, adjusted to reflect various factors including non-recurring price volatility, the Exchange hold periods on the instruments, and the liquidity of flow-through shares of Canadian resource companies.
Expected dividend yield:	Determined by the terms and conditions of each investment.

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) Valuation of Fund Shares

The Fund's shares are issued and redeemed at the net asset value per share, which is determined as of the close of Valuation Day. A "Valuation Day" is the last trading day of each month on which the Toronto Stock Exchange is open for business or such other trading day or days as the Manager may determine.

The net asset value per share of the Fund is determined by dividing the total market value of the Fund's net assets by the number of shares outstanding.

For each Fund share sold, the Fund receives an amount equal to the net asset value per share on the date of sale, which is included in shareholders' equity. Shares are redeemable at the option of the shareholders at their net asset value on any Valuation Day. For each share redeemed, the number of issued and outstanding shares is reduced and the equity in the Fund is reduced by the related net asset value on the date of redemption.

(V) Foreign Currency Translation

Assets, including market value of investments and liabilities denominated in foreign currencies, are converted to Canadian dollars at the rates of exchange established on each Valuation Day.

Purchases and sales of investments, dividends and interest income denominated in foreign currencies are converted into Canadian dollars at the rates of exchange prevailing on the respective dates of such transactions.

Realized exchange gains (losses) on investments are included in “Net Realized Gain (Loss) on Investment Transactions” in the Statement of Operations.

Unrealized exchange gains (losses) on investments are included in “Net Change in Unrealized Appreciation (Depreciation) of Investments” in the Statement of Operations.

Realized and unrealized exchange gains (losses) on assets (other than investments), liabilities and investment income denominated in foreign currencies are included in “Exchange Gain (Loss) on Foreign Currencies and Other Net Assets” in the Statement of Operations.

(VI) 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.

(VII) Increase (Decrease) in Net Assets from Operations Per Share

Increase (Decrease) in Net Assets from Operations per Share amount is determined by dividing the Net Increase (Decrease) in Net Assets from Operations by the average number of shares outstanding during the year.

3. FINANCIAL RISK MANAGEMENT

In the normal course of business, the Fund 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 Fund's net assets. The value of investments within the Fund'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 Fund.

The investment objective of the Fund is to provide long-term capital growth by investing primarily in equity securities of senior and emerging Canadian resource companies.

To meet its investment objective, the Fund intends to invest primarily in equity securities of senior and emerging Canadian resource companies. As a result of the Mutual Fund Rollover Transactions, a portion of the portfolio of the Fund, from time to time, will consist of flow-through shares.

When the positions in flow-through shares are sold, the proceeds may be reinvested in equity securities of senior listed issuers as well as bonds and debentures issued by senior listed issuers and securities issued or guaranteed by the Government of Canada or any agency thereof or by the government of any province of Canada or any agency thereof and other money market instruments. It is expected that a majority of the investment portfolio will be comprised primarily of equity securities of senior and emerging Canadian resource issuers. The Fund's assets will be invested in accordance with the investment objective and strategy and in compliance with the investment practices and restrictions adopted by the

Fund. The Fund will not engage in any undertaking other than the investing of its funds. Although the primary type of securities to be held by the Fund will be equity securities of Canadian resource companies, the Fund has no market capitalization or geographical restrictions. For a complete list of investment restrictions, please refer to the offering memorandum dated January 2, 2008.

(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 fund.

Where a fund 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 the fund.

All transactions executed by the Fund 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 Fund had no investments in debt instruments or derivatives, and therefore was not subject to credit risk.

(II) Liquidity Risk

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

The Fund is exposed to monthly cash redemptions of redeemable shares. The shares of the Fund are issued and redeemed monthly at the Fund's Trading NAV per share at the option of the shareholder.

Liquidity risk is managed by investing the majority of the Fund's assets in investments that are traded in an active market and can be readily disposed.

The Fund may, from time to time, invest in securities that are not traded in an active market and may be illiquid. Such investments are identified as private and restricted securities in the Fund's Statement of Investments and Other Net Assets.

The Fund may employ the use of derivatives to moderate certain risk exposures. There is no guarantee that a market will exist for some derivatives and it is possible that the exchanges may impose limits on trading of derivatives.

(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 Fund invests in interest-bearing financial instruments. The Fund 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 Fund's sensitivity to interest rate changes was 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).

All investments represent a risk of loss of capital. The investment advisor of the Fund moderates this risk through a careful selection and diversification of securities and other financial instruments within the limits of the Fund's investment objectives and strategy. The maximum risk resulting from financial instruments is determined by the market value of the financial instruments. The Fund's overall market positions are monitored on a daily basis by the Manager. Financial instruments held by the Fund 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 Fund due to a 1 percent change in benchmark, using historical correlation between the Fund's return as compared to the return of the Fund's benchmark, as at June 30, 2008, with all other variables held constant, is included in the following table. Regression analysis has been utilized to estimate the historical correlation. The analysis uses 25 data points based on the monthly net returns of the Fund.

Benchmark	Impact on NAV
S&P/TSX Total Return Index	\$41,000

The historical correlation may not be representative of the future correlation, and accordingly the impact on net assets could be materially different.

(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 Fund.

Currencies to which the Fund had exposure as at June 30, 2008, are as follows:

Currencies	Financial Instruments	Percentage of NAV
United States Dollar	758,357	10.4%

The amounts in the above table are based on the market value of the Fund's financial instruments (including cash and cash equivalents). Other financial assets (including accrued investment income) and financial liabilities (including accounts payable) that are denominated in foreign currencies do not expose the Fund to significant currency risk.

As at June 30, 2008, if the Canadian dollar had strengthened or weakened by 1 percent in relation to all currencies, with all other variables held constant, net assets would have increased or decreased, respectively, by approximately \$7,600.

In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

4. TAXES

The Fund is a *mutual fund corporation* under the *Income Tax Act (Canada)*. The Fund is subject to tax at the full corporate rate on its taxable income. Dividends received from taxable Canadian corporations are generally not included in the taxable income of the Fund but are subject to a special tax, refundable at a rate of 33 1/3% of taxable dividends distributed by the Fund to its shareholders. The Fund is eligible for a refund calculated on a formula basis when mutual fund shares are redeemed or when capital gains dividends are paid to shareholders. The Fund intends to pay out sufficient net income and net capital gains so that it will not be subject to income taxes. Accordingly, no provision for income taxes has been made in these financial statements.

5. RELATED PARTY TRANSACTIONS

The Manager is responsible for the management of the Fund and is entitled to an annual management fee equal to 2.5% of the net assets of the Fund, calculated monthly in arrears. For the period ending June 30, 2008, management fees were \$102,881 (2007 - \$162,418).

An amount of \$22,800 (2007 - \$81,189) related to management fees and operating expenses remains payable at the end of the period.

The Manager may be entitled to a performance fee ("Performance Fee") payable annually. The Performance Fee is 20% of the amount by which the Class Net Asset Value ("Class NAV") per share exceeds a threshold annualized increase of 12%, calculated on each valuation date based on the cumulative increase in Class NAV per share, excluding the effect of any distributions to shareholders. To the extent that the increase in the Class NAV per Share in any given month does not exceed the 12% annualized threshold, then the amount by which such increase falls below the threshold is carried forward and deducted from the amount of any increase in the Class NAV per share based on which the performance incentive fee is calculated in subsequent months. There were no Performance Fees charged during the period (2007 - \$nil).

The Manager may, on its own accord, pay for certain operating expenses of the Fund in order to maintain the Fund's management expense ratio at a competitive level. These absorptions may be terminated at any time by the Manager, and at the Manager's direction may be continued indefinitely. The absorbed or recovered amounts are shown in the Statement of Operations.

6. FEES AND OPERATING EXPENSES

The Fund is responsible, on a separate basis, for the payment of all fees and expenses including, but not limited to, brokerage commissions on portfolio transactions, all regulatory filing fees, registrar and transfer agent fees, audit, accounting, administration, record keeping and legal fees and expenses, custody and safekeeping charges, all taxes, and all other fees relating to the purchase and sale of the assets of the Fund. There were no soft dollar commissions for the Fund during the period.

The total brokerage commissions paid by the Fund with respect to security transactions for the periods ended June 30, 2008 were \$46,629 (2007 – \$116,190).

7. RECONCILIATION OF TRADING NAV TO GAAP NAV

As at June 30, 2008

	Net Asset Value (\$)			Net Asset Value per Share (\$)		
	Trading NAV	Sec. 3855 Adjustment	GAAP NAV	Trading NAV	Sec. 3855 Adjustment	GAAP NAV
Class A	\$2,580,179	\$(11,279)	\$2,568,900	\$7.05	\$(0.03)	\$7.02
Class B	\$ -	\$(-)	\$ -	\$ -	\$(-)	\$ -
Class C	\$3,592,375	\$(15,704)	\$3,576,672	\$7.05	\$(0.03)	\$7.02
Class D	\$1,141,850	\$(4,991)	\$1,136,859	\$7.05	\$(0.03)	\$7.02

As at June 30, 2007

	Net Asset Value (\$)			Net Asset Value per Share (\$)		
	Trading NAV	Sec. 3855 Adjustment	GAAP NAV	Trading NAV	Sec. 3855 Adjustment	GAAP NAV
Class A	\$2,950,063	\$(55,984)	\$2,894,079	\$11.48	\$(0.22)	\$11.26
Class B	\$3,923,709	\$(74,462)	\$3,849,247	\$11.44	\$(0.21)	\$11.23

8. FILING EXEMPTION

The Fund is a non-reporting issuer under National Instrument 81-106. There is an exemption in Section 2.11 of National Instrument 81-106 for non-reporting issuers from filing their financial statements with the applicable securities commissions. The Fund is relying on this exemption.

9. 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 Manager is currently evaluating the impacts of this change and developing its plan for the Fund.

10. COMPARATIVE FIGURES

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

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