



AUDITED FINANCIAL STATEMENTS

BLUMONT X-ALPHA LIMITED PARTNERSHIP I

DECEMBER 2007



BLUMONT
CAPITAL

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MANAGEMENT'S STATEMENT ON FINANCIAL REPORTING

BluMont Capital Corporation (the "Manager"), on behalf of BCC GP No. 1 Limited (the "General Partner") is responsible for the accompanying financial statements and all information in this report. The financial statements have been approved by the Board of Directors of the Manager. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect management's judgment and best estimates.

Management has established systems of internal control that provide assurance that assets are safeguarded from loss or unauthorized use and produce reliable accounting records for the preparation of financial information. The systems of internal controls meet management's responsibilities for the integrity of the financial statements.

The Board of Directors meets with management and the auditors to discuss the Partnership's financial reporting and internal control. The Board of Directors reviews the results of the audits by the auditors and their audit report. The external auditors have unrestricted access to the Board of Directors.

The Manager and General Partner recognize their responsibility to conduct the Partnership's affairs in the best interest of its unitholders.

Respectfully,

"Paul J Perrow"

President and Chief Executive Officer
BluMont Capital Corporation
March 26, 2008

AUDITORS' REPORT

TO THE PARTNERS OF BLUMONT X-ALPHA LIMITED PARTNERSHIP I

We have audited the statement of net assets and investments and other net assets of BluMont X-Alpha Limited Partnership I as at December 31, 2007, and the statements of operations, changes in net assets and cash flows for the period from July 23, 2007 (date of formation) to December 31, 2007. These financial statements are the responsibility of the General Partner. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the General Partner, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the partnership as at December 31, 2007 and the results of its operations, the changes in its net assets and its cash flows for the period from July 23, 2007 (date of formation) to December 31, 2007, in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants
Toronto, Canada
March 26, 2008

STATEMENT OF NET ASSETS

As at December 31, 2007

**BLUMONT X-ALPHA
LIMITED
PARTNERSHIP I****

ASSETS

Investments at market value*

Principal protected note

\$ 3,876,306

Cash and cash equivalents

43,923

Total Assets

3,920,229

LIABILITIES

Accounts payable:

Interest payable (Note 4)

46,108

Due to Portfolio Manager

19,125

65,233

Loan payable

3,135,736

Total Liabilities

3,200,969

NET ASSETS REPRESENTING PARTNERS' CAPITAL

\$ 719,260

* Investments, at cost

\$ 3,995,236

** The Partnership was formed on July 23, 2007.

On behalf of the BluMont X-Alpha Limited Partnership I by BCC GP No. 1 Limited.

"Peter Chodos"

Peter Chodos

Director

"Michael Staresinic"

Michael Staresinic

Director

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

STATEMENT OF OPERATIONS

For the period July 23, 2007 to December 31, 2007

**BLUMONT X-ALPHA
LIMITED
PARTNERSHIP I****

INVESTMENT INCOME	
Interest	\$ <u>3,423</u>
EXPENSES (Note 3)	
Management fees	1,125
Interest expense	<u>46,108</u>
	47,233
Less: Expenses absorbed by the Manager	<u>-</u>
	<u>47,233</u>
NET INVESTMENT LOSS	<u>(43,810)</u>
NET CHANGE IN UNREALIZED DEPRECIATION OF INVESTMENT	<u>(118,930)</u>
DECREASE IN NET ASSETS FROM OPERATIONS OOPERATIONS	\$ <u>(162,740)</u>
DECREASE IN NET ASSETS FROM OPERATIONS PER UNIT	\$ <u>(4.52)</u>

** The Partnership was formed on July 23, 2007.

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

STATEMENT OF CHANGES IN NET ASSETS
For the period July 23, 2007 to December 31, 2007

	BLUMONT X-ALPHA LIMITED PARTNERSHIP I**
Net Assets, Beginning of Period	\$ <u> </u> -
Decrease in Net Assets from Operations	<u> </u> (162,740)
From Capital Unit Transactions:	
Proceeds from issue of units, net of issue costs	<u> </u> 882,000
Net Assets, End of Period	\$ <u> </u> 719,260

** The Partnership was formed on July 23, 2007.

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

STATEMENT OF CASH FLOWS

For the period July 23, 2007 to December 31, 2007

**BLUMONT X-ALPHA
LIMITED
PARTNERSHIP I****

Operating Activities	
Decrease in net assets from operations	\$ (162,740)
Add non-cash items:	
Net change in unrealized depreciation of investments	118,930
	<u>(43,810)</u>
Investments purchased	(3,995,236)
Net change in non-cash balances relating to operations	65,233
Cash used in operating activities	<u>(3,973,813)</u>
Financing Activities	
Proceeds from issue of units, net of issue costs	882,000
Proceeds from loan facility (Note 4)	3,135,736
Cash provided by financing activities	<u>4,017,736</u>
Increase in cash and cash equivalents	43,923
Cash and cash equivalents, beginning of period	<u>-</u>
Cash and cash equivalents, end of period	<u>\$ 43,923</u>

** The Partnership was formed on July 23, 2007.

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

STATEMENT OF INVESTMENTS AND OTHER NET ASSETS

As at December 31, 2007

	Par Value	Average Cost	Fair Value	% of Total Net Asset Value
Canadian				
Principal Protected Note				
Deutsche Bank AG, 4.8689%				
Due September 12, 2012	\$39,952	\$ 3,995,236	\$ 3,876,306	
TOTAL INVESTMENT PORTFOLIO		\$ 3,995,236	3,876,306	539.0
Other Assets Net of Liabilities ¹			(3,157,046)	(439.0)
TOTAL NET ASSETS			\$ 719,260	100.0

¹ This amount is comprised of cash and cash equivalents less accounts payable.

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

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

Audited

1. FORMATION OF THE PARTNERSHIP

BluMont X-Alpha Limited Partnership I (the "Partnership") was formed on July 23, 2007 as a limited partnership under the laws of the Province of Ontario. Operations commenced on September 12, 2007 following the Partnership's first closing which resulted in the issuance of 36,000 partnership units ("Unit" or "Units") at \$25 per unit, for gross proceeds of \$900,000. The Partnership has a limited life dissolving on September 12, 2012, subject to earlier dissolution on the terms set forth in the partnership agreement. The General Partner of the Partnership is BCC GP No.1 Limited (the "General Partner"), a company incorporated on April 19, 2007 under the Ontario Business Corporations Act. The General Partner is a wholly-owned subsidiary of BluMont Capital Inc.

BluMont Capital Corporation, a wholly-owned subsidiary of BluMont Capital Inc., is the portfolio manager (the "Portfolio Manager") of the Partnership.

The day-to-day management, supervision, administration and control of the Partnership are the responsibility of the General Partner. The Partnership made a leveraged investment in the Note disclosed in the Statement of Investments and Other Net Assets (the "Note") issued by Deutsche Bank AG. The return on the Note is linked to the performance of an index (the "Index") designed to replicate the return on a global long-short strategy in which the investor is long eight Deutsche Bank style indices and simultaneously short comparable regional benchmark indices.

The Partnership acquired the Note using a combination of Partnership capital and funds borrowed from Deutsche Bank AG (Note 4).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The significant accounting policies used in the preparation of the financial statements are as follows:

(I) Adoption of Section 3855: Financial Instruments Recognition and Measurement

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

The Canadian Institute of Chartered Accountants' (CICA) Handbook Section 3855, Financial Instruments – Recognition and Measurement, 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.

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 the Statement of Operations. The Partnership incurred \$nil in transaction costs for the period July 23, 2007 to December 31, 2007. The difference between fair value and the average cost is shown as the net change in unrealized depreciation of investment.

As at December 31, 2007 there is no difference in the net asset value computed in accordance with the partnership agreement and that computed in accordance with GAAP as reported in the Statement of Net Assets.

(II) Cash and equivalents, and other monetary balances

The carrying values of cash and equivalents and accounts payable approximate their fair values given the short periods to maturity of the instruments.

(III) Investment

The General Partner, or a person designated by the General Partner, shall determine (or cause to be determined) the net asset value per unit of the Partnership as at the close of business on the last business day of each month (a "Valuation Date").

The net asset value per unit is defined in the partnership agreement but, in summary, is equal to the value at any time of the total net assets of the Partnership, being the difference between the total assets of the Partnership and the total liabilities divided by the total number of Units of the Partnership outstanding at such time. For the foregoing purposes, the value of the Note shall be as calculated and reported by Deutsche Bank AG.

(IV) Revenue recognition

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

(V) 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 increase or decrease 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 limited partner at the end of each period.

(VI) Use of Estimates

These financial statements, prepared in accordance with GAAP, include estimates and assumptions by management that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

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

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

(VIII) National Instrument 81-106

As a Non-Reporting Issuer under National Instrument 81-106 (“NI 81-106”), the Partnership is relying on Part 2.11 of NI 81-106, Filing Exemption for Investment Funds that are Non-Reporting Issuers, for the exemption not to file its financial statements with securities regulators.

3. FEES AND OPERATING EXPENSES

On September 12, 2007, the General Partner was owed a one-time management fee of 2.50% of the gross proceeds of the offering. The management fee is owing to the General Partner as at December 31, 2007 and was subsequently paid on March 20, 2008. The General Partner will be responsible for paying all offering expenses, other than sales commissions, and for paying all ongoing operating expenses of the Partnership. Selling dealers were paid a commission of 2% in respect of Units sold by them.

3% of the net asset value of the Partnership, calculated as at the Maturity Date (as defined in Note 4), will be paid by the Partnership to the General Partner by the third business day following the Maturity Date. The General Partner will pay to dealers of record, as at the Maturity Date, a servicing fee of 3% of the net asset value of the units at the Maturity Date in respect of Units held by the clients of such dealers. As at December 31, 2007, \$21,578 of net assets representing partner’s capital is attributable to the General Partner in respect of this arrangement.

4. LOAN FACILITY AND NOTE

On September 12, 2007, the Partnership entered into a term loan facility with a Canadian chartered bank. For the purpose of investing in the Note, Deutsche Bank AG, agreed to loan (the “Loan”) funds to the Partnership, subject to certain conditions. The Loan is secured by, and recourse limited to, the Note. The Loan matures on September 12, 2012 and bears interest at a 4.8689% with all principal and interest payable at maturity. The principal amount of the Note will equal the principal and accumulated interest on the Loan at September 12, 2012 (the “Maturity Date”).

No interest has been paid by the Partnership during the period ending December 31, 2007, however \$46,108 has been accrued for in the current period.

5. INCOME TAXES

The Partnership itself is not a taxable entity and, therefore, no provision for income taxes is required.

PARTNERSHIP INFORMATION

PORTFOLIO MANAGER AND PRINCIPAL DISTRIBUTOR

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Toronto, ON M5J 2M4
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Toll Free: 1 (866) 473-7376

REGISTRAR AND TRANSFER AGENT

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2920 Matheson Blvd. East
Mississauga, ON L4W 5J4

AUDITORS

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