

# EXEMPLAR

PORTFOLIOS



## AUDITED FINANCIAL STATEMENTS DECEMBER 2010

EXEMPLAR LEADERS FUND



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## **MANAGEMENT'S STATEMENT ON FINANCIAL REPORTING**

BluMont Capital Corporation (the "Manager") 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 of the Manager meets with management and the auditors to discuss the Fund'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 recognizes its responsibility to conduct the Fund's affairs in the best interest of its unitholders.

Respectfully,

"James Wanstall"

Chief Executive Officer  
BluMont Capital Corporation  
March 25, 2011

## **INDEPENDENT AUDITOR'S REPORT**

TO THE UNITHOLDERS OF EXEMPLAR LEADERS FUND (THE "FUND")

We have audited the accompanying financial statements of the Fund, which comprise the statement of investments and other net assets as at December 31, 2010, the statement of net assets as at December 31, 2010 and the statements of operations and changes in net assets for the year then ended, and the related notes including a summary of significant accounting policies.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2010 and the results of its operations and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

### **Other Matters**

The financial statements of the Fund for the year ended December 31, 2009, were audited by another auditor who expressed an unmodified opinion on those statements on March 24, 2010.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

March 27, 2011

**STATEMENT OF NET ASSETS**  
As at December 31,

**EXEMPLAR LEADERS FUND**

	2010	2009
<b>ASSETS</b>		
Long positions at fair value*		
Canadian equities	\$ 17,506,918	\$ 5,701,608
U.S. equities	2,069,524	805,910
Canadian bonds	<u>105,400</u>	<u>-</u>
	19,681,842	6,507,518
Cash and broker deposits	1,965,902	78,419
Accrued investment income	62,502	32,701
Receivable from investment sales	250,008	-
Accounts receivable:		
Subscriptions receivable	<u>-</u>	<u>100</u>
Total Assets	<u>21,960,254</u>	<u>6,618,738</u>
<b>LIABILITIES</b>		
Short positions at fair value**		
Canadian equities	<u>213,700</u>	<u>-</u>
Accounts payable:		
Fees and operating expenses	54,038	37,316
Dividends payable	300	-
Redemptions payable	41,516	-
Distributions payable	-	13,200
Payable for investment purchases	<u>78,300</u>	<u>6,518</u>
Total Liabilities	<u>387,854</u>	<u>57,034</u>
<b>NET ASSETS REPRESENTING UNITHOLDERS' EQUITY<sup>†</sup></b>		
Series A	17,938,790	1,726,778
Series F	3,633,610	3,095,998
Series O	-	1,115,390
Series P	<u>-</u>	<u>623,538</u>
	<u>\$ 21,572,400</u>	<u>\$ 6,561,704</u>

<sup>†</sup>Net assets representing unitholders' equity carried forward to next page

**STATEMENT OF NET ASSETS - CONTINUED**  
**As at December 31,**

**EXEMPLAR LEADERS FUND**

	2010	2009
<b>NET ASSETS REPRESENTING UNITHOLDERS' EQUITY<sup>†</sup></b>		
†Net assets representing unitholders' equity carried forward from previous page		
Series A	17,938,790	1,726,778
Series F	3,633,610	3,095,998
Series O	-	1,115,390
Series P	-	623,538
	<u>\$ 21,572,400</u>	<u>\$ 6,561,704</u>
 <b>NUMBER OF UNITS OUTSTANDING (Note 4)</b>		
Series A	641,742	68,818
Series F	129,977	122,467
Series O	-	40,000
Series P	-	24,650
	<u>                    </u>	<u>                    </u>
 <b>NET ASSETS PER UNIT</b>		
Series A	\$ 27.95	\$ 25.09
Series F	\$ 27.96	\$ 25.28
Series O	\$ -	\$ 27.88
Series P	\$ -	\$ 25.30
	<u>                    </u>	<u>                    </u>
*Long positions, at cost	<u>\$ 18,787,347</u>	<u>\$ 5,953,121</u>
**Proceeds on short positions	<u>\$ 206,864</u>	<u>\$ -</u>

Approved by the Board of Directors of BluMont Capital Corporation

"Veronika Hirsch"

\_\_\_\_\_  
Veronika Hirsch  
Director

"Stephen Johnson"

\_\_\_\_\_  
Stephen Johnson  
Director

**STATEMENT OF OPERATIONS**

Year ended December 31,

**EXEMPLAR LEADERS FUND**

	2010	2009
<b>INVESTMENT INCOME</b>		
Dividends	\$ 207,028	\$ 135,683
Less: Foreign withholding taxes	<u>1,845</u>	<u>-</u>
	205,183	135,683
Interest	<u>1,387</u>	<u>1,792</u>
	<u>206,570</u>	<u>137,475</u>
<b>EXPENSES (Notes 6 and 7)</b>		
Management fees	116,831	78,016
Dividends on investments sold short	300	-
General operating expenses	148,203	103,145
Audit fees	26,000	28,273
Legal fees	96	-
Trustees' fees	244	-
Securityholders' reporting costs	<u>27,080</u>	<u>27,327</u>
	318,754	236,761
Less: Expenses absorbed by the Manager	<u>122,618</u>	<u>118,371</u>
	<u>196,136</u>	<u>118,390</u>
<b>NET INVESTMENT INCOME</b>	<u>10,434</u>	<u>19,085</u>
<b>NET REALIZED GAIN ON INVESTMENT TRANSACTIONS</b>	770,313	72,410
<b>TRANSACTION COSTS (Notes 2(1) and 7)</b>	(27,254)	(19,099)
<b>NET CHANGE IN UNREALIZED APPRECIATION OF INVESTMENTS</b>	1,025,924	1,255,631
<b>EXCHANGE LOSS ON FOREIGN CURRENCIES AND OTHER NET ASSETS</b>	<u>(13,993)</u>	<u>(877)</u>
<b>NET GAIN ON INVESTMENTS AND TRANSACTION COSTS</b>	<u>1,754,990</u>	<u>1,308,065</u>
<b>NET INCREASE IN NET ASSETS FROM OPERATIONS</b>		
Series A	1,090,047	362,745
Series F	555,506	701,222
Series O	54,547	128,584
Series P	<u>65,324</u>	<u>134,599</u>
	\$ 1,765,424	\$ 1,327,150
<b>NET INCREASE IN NET ASSETS FROM OPERATIONS PER UNIT (Note 2(VI))</b>		
Series A	\$ 9.62	\$ 6.43
Series F	\$ 4.80	\$ 6.51
Series O	\$ 1.95	\$ 3.22
Series P	<u>\$ 3.85</u>	<u>\$ 6.61</u>

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

## STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31,

### EXEMPLAR LEADERS FUND

	2010	2009
<b>Net Assets, Beginning of Period</b>		
Series A	\$ 1,726,778	\$ 662,558
Series F	3,095,998	1,279,349
Series O	1,115,390	-
Series P	<u>623,538</u>	<u>228,070</u>
	<u>6,561,704</u>	<u>2,169,977</u>
<b>Net Increase in Net Assets from Operations</b>		
Series A	1,090,047	362,745
Series F	555,506	701,222
Series O	54,547	128,584
Series P	<u>65,324</u>	<u>134,599</u>
	<u>1,765,424</u>	<u>1,327,150</u>
<b>From Capital Unit Transactions: (Note 4)</b>		
Proceeds from issue of units		
Series A	539,640	954,777
Series F	703,097	1,367,265
Series O	428,490	1,000,006
Series P	<u>25,000</u>	<u>260,869</u>
	<u>1,696,227</u>	<u>3,582,917</u>
Units issued upon fund merger (Note 1)		
Series A	16,329,399	-
Series F	<u>-</u>	<u>-</u>
	<u>16,329,399</u>	<u>-</u>
Consideration paid for redemptions of units		
Series A	(1,658,688)	(253,302)
Series F	(720,991)	(251,838)
Series O	(1,598,427)	-
Series P	<u>(713,862)</u>	<u>-</u>
	<u>(4,691,968)</u>	<u>(505,140)</u>
Reinvestment of distributions		
Series A	103,642	-
Series F	302,588	-
Series O	<u>23,964</u>	<u>-</u>
	<u>430,194</u>	<u>-</u>
<b>From Distributions to Unitholders:</b>		
From net income/capital gains		
Series A	(192,028)	-
Series F	(302,588)	-
Series O	<u>(23,964)</u>	<u>(13,200)</u>
	<u>(518,580)</u>	<u>(13,200)</u>
<b>Net Assets, End of Period</b>		
Series A	17,938,790	1,726,778
Series F	3,633,610	3,095,998
Series O	-	1,115,390
Series P	<u>-</u>	<u>623,538</u>
	<u>\$ 21,572,400</u>	<u>\$ 6,561,704</u>

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

**EXEMPLAR LEADERS FUND**  
**STATEMENT OF INVESTMENTS AND OTHER NET ASSETS**  
As at December 31, 2010

	Number of shares	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Asset Value
<b>LONG POSITIONS</b>				
<b>Canadian Equities</b>				
<b>Energy</b>				
Anglo Canadian Oil Corporation	150,000	\$ 40,500	\$ 56,250	
Anglo Canadian Oil Corporation, Warrants, May 16, 2012	75,000	2,789	7,125	
Arcan Resources Limited	18,500	93,425	104,895	
Baytex Energy Trust	6,000	252,000	279,540	
Bellatrix Exploration Limited	36,000	153,000	172,800	
Canadian Spirit Resources Inc.	96,000	144,000	176,640	
Canyon Services Group Inc.	14,000	153,300	151,340	
Chinook Energy Inc.	1	2	2	
Daylight Energy Limited	28,025	272,964	288,658	
Flint Energy Services Limited	9,000	156,860	163,350	
Gasfrac Energy Services Inc.	20,000	180,000	182,600	
Gastem Inc., Warrants, August 17, 2012	100,000	193	-	
Ithaca Energy Inc.	24,500	55,615	65,905	
Kallisto Energy Corporation, Warrants, May 25, 2012	10,000	599	-	
NAL Oil & Gas Trust Units	6,200	76,136	80,228	
Pacific Rubiales Energy Corporation	9,300	294,345	313,596	
Pan-Ocean Energy Corporation Limited	1,300	-	-	
Petrobank Energy and Resources Limited	2,600	60,053	65,650	
Petrominerales Limited	1,596	46,287	52,652	
Phoenix Technology Income Fund	4,400	49,368	58,168	
Rainy River Resources Limited	37,000	423,650	466,940	
Red Maple Limited <sup>2</sup>	240,000	-	-	
Seaview Energy Inc. 'A'	30,000	35,100	35,100	
Surge Energy Inc.	28,000	193,200	203,280	
Tourmaline Oil Corporation	11,200	229,600	243,600	
Xtreme Coil Drilling Corporation	8,000	33,200	36,400	
		2,946,186	3,204,719	14.9
<b>Basic Materials</b>				
Agrium Inc.	3,100	254,200	283,650	
Centamin Egypt Limited	62,500	186,875	171,875	
Colossus Minerals Inc.	9,600	78,624	84,672	
Cymat Technologies Limited, Warrants	100,000	1,114	-	
Detour Gold Corporation	24,000	740,400	698,640	
Dundee Precious Metals Inc., Warrants, Nov 20, 2015	80,500	458,850	516,005	
East Asia Minerals Corporation	10,000	69,500	82,000	
Hunt Mining Corporation	180,000	45,000	60,300	
Hunt Mining Corporation Warrants, Nov 30, 2013	130,000	13,000	-	
Iberian Minerals Corporation	94,000	75,200	71,440	
Ivanhoe Mines Limited	3,700	92,870	84,286	
Ivanhoe Mines Limited Rights	3,700	-	4,958	

	Number of shares	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Asset Value
<b>Basic Materials – Cont'd</b>				
Kirkland Lake Gold Inc.	12,500	\$ 175,458	\$ 198,500	
Kirkland Lake Gold Inc., Warrants, Mar 4, 2011	1,500	5,656	8,820	
Labrador Iron Ore Royalty Corporation Stapled Units	7,200	486,000	484,200	
Major Drilling Group International Inc.	1,000	34,430	41,550	
Miocene Metals Limited, Special Warrant, Oct 31, 2011	10,000	-	-	
Nevada Copper Corporation	5,700	22,230	26,220	
Northern Superior Resources Inc.	51,000	31,110	41,820	
Osisko Mining Corporation	20,000	298,600	289,600	
Romarco Minerals Inc.	66,100	161,284	152,691	
Sandstorm Resources Inc.	82,000	55,760	65,600	
South American Silver Corporation	97,000	173,630	218,250	
Timmins Gold Corporation	50,100	95,190	133,767	
Trelawney Mining and Exploration Inc.	39,800	102,684	115,420	
Ucore Rare Metals Inc., Restricted, April 10, 2011	92,500	37,000	61,975	
Ucore Rare Metals Inc., Warrants, Dec 9, 2012	46,250	-	5,550	
Uni-Select Inc., Subscription Receipt	3,000	78,300	81,060	
Volta Resources Inc.	17,000	39,270	40,630	
Wallbridge Mining Company Limited, Warrants	30,000	12	-	
		3,812,247	4,023,479	18.7

#### Industrials

Aeromechanical Services Limited Units	620,000	155,000	155,001	
Aeromechanical Services Limited, Warrants	160,000	-	-	
Horizon North Logistics Inc.	365,900	987,604	1,064,769	
Jazz Air Income Fund	5,000	26,350	26,000	
Mullen Group Limited	28,400	446,307	480,244	
Neo Material Technologies Inc.	18,000	124,236	140,940	
Rocky Mountain Dealership Inc.	36,700	324,795	326,630	
Shanghai Songrui Forestry <sup>2</sup>	27,500	11,550	-	
Student Transportation Inc.	29,000	169,650	176,320	
Vector Aerospace Corporation	12,000	86,280	112,320	
WestJet Airlines Limited	3,400	45,900	47,702	
		2,377,672	2,529,926	11.7

#### Consumer Discretionary

Easyhome Limited	3,700	31,450	34,262	
Groupe Aeroplan Inc.	11,000	143,220	150,040	
Indigo Books & Music Inc.	6,000	90,000	87,600	
Magna International Inc.	12,800	641,386	664,448	
		906,056	936,350	4.3

#### Consumer Staples

Metro Inc. 'A'	7,000	324,730	316,400	1.5
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	Number of shares	Long- Avg Cost Short: Proceeds	Fair Value	% of Total Net Asset Value
<b>Health Care</b>				
Acasti Pharma Inc. <sup>2</sup>	51,850	\$ 24,370	\$ 24,370	
Immunovaccine Inc.	20,000	16,000	14,800	
Immunovaccine Inc., Warrants, Sep 16, 2013	10,000	507	-	
IMRIS Inc.	16,000	80,000	91,200	
Neptune Technologies & Bioresources Inc.	158,900	339,700	382,949	
Paladin Labs Inc.	7,700	223,300	251,944	
		683,877	765,263	3.5

#### Financials

Alaris Royalty Corporation	61,600	650,158	722,568	
Alaris Royalty Corporation, Warrants, Oct 22, 2011	5,650	19,434	23,900	
CI Financial Corporation	14,900	324,820	334,952	
Canadian Imperial Bank of Commerce	6,000	474,360	469,260	
Canadian Western Bank	15,600	413,556	442,416	
GT Canada Medical Properties Inc. REIT	30,000	60,000	60,000	
GT Canada Medical Properties Inc., Warrants, Dec 24, 2012	15,000	-	-	
National Bank of Canada	1,000	68,580	68,380	
TMX Group Inc.	3,200	112,000	118,208	
		2,122,908	2,239,684	10.4

#### Information Technology

Absolute Software Corporation	11,900	43,115	44,030	
Aeromechanical Services Limited	5,000	1,400	1,250	
Computer Modelling Group Limited	900	21,600	23,283	
Posera-HDX Inc., Warrants, Apr 14, 2012	15,000	130	-	
Redknee Solutions Inc.	119,600	162,657	163,852	
SXC Health Solutions Corporation	3,800	149,872	161,880	
Synchronica PLC	53,740	14,325	20,959	
Synchronica PLC, Warrants, Sept 20, 2013	53,740	749	2,550	
The Descartes Systems Group Inc.	41,900	290,786	293,300	
VendTek Systems Inc.	222,950	101,722	93,639	
WebTech Wireless Inc.	590,950	221,502	245,244	
		1,007,858	1,049,987	4.9

#### Telecommunication Services

BCE Inc.	27,000	939,330	953,910	
MKS Inc.	6,600	88,440	112,200	
Rogers Communications Inc. 'B'	28,000	993,550	966,280	
		2,021,320	2,032,390	9.4

	Number of shares	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Asset Value
<b>Utilities</b>				
Algonquin Power and Utilities Corporation	13,000	\$ 63,050	\$ 65,130	
Fortis Inc.	9,000	286,740	305,190	
Tonbridge Power Inc.	20,000	41,000	38,400	
		390,790	408,720	1.9
<b>Total Canadian Equities - Long</b>		<b>16,593,644</b>	<b>17,506,918</b>	<b>81.2</b>
<b>U.S. Equities</b>				
<b>Consumer Discretionary</b>				
The Coca-Cola Company	3,100	202,870	202,695	
Philip Morris International	11,000	655,964	640,066	
		858,834	842,761	3.9
<b>Health Care</b>				
Gilead Sciences Inc.	28,200	1,057,076	1,015,994	4.7
<b>Industrials</b>				
Norfolk Southern Corporation	1,300	80,635	81,163	
United Parcel Service Inc. 'B'	700	49,313	50,502	
		129,948	131,665	0.6
<b>Information Technology</b>				
Microsoft Corporation	500	12,917	13,868	0.1
<b>Utilities</b>				
National Fuel Gas Company	1,000	63,862	65,236	0.3
<b>Total U.S. Equities - Long</b>		<b>2,122,637</b>	<b>2,069,524</b>	<b>9.6</b>
<b>Canadian Bonds</b>				
Rocky Mountain Dealership 7.00% September 30, 2017	100,000	104,750	105,400	0.5
<b>Total Long Positions Including Transaction Costs</b>		<b>18,821,031</b>	<b>19,681,842</b>	<b>91.2</b>
Transaction costs		(33,684)	-	-
<b>Total Long Positions Before Transaction Costs</b>		<b>18,787,347</b>	<b>19,681,842</b>	<b>91.2</b>
<b>SHORT POSITIONS</b>				
<b>Canadian Equities</b>				
<b>Energy</b>				
Birchcliff Energy Limited	(14,500)	(141,010)	(139,345)	(0.6)

	Number of shares	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Asset Value
<b>Basic Materials</b>				
Centerra Gold Inc.	(1,000)	\$ (18,140)	\$ (19,910)	
Dundee Precious Metals Inc.	(2,500)	(22,720)	(23,550)	
Teck Resources Limited "B"	(500)	(24,620)	(30,895)	
		(65,480)	(74,355)	(0.3)
<b>Total Short Positions Including Transaction Costs</b>		<b>(206,490)</b>	<b>(213,700)</b>	<b>(1.0)</b>
Transaction Costs		(374)	-	-
<b>Total Short Positions Before Transaction Costs</b>		<b>(206,864)</b>	<b>(213,700)</b>	<b>(1.0)</b>
<b>TOTAL INVESTMENT PORTFOLIO</b>		<b>\$ 18,580,483</b>	<b>19,468,142</b>	<b>90.2</b>
Other Assets Net of Liabilities <sup>1</sup>			2,104,258	9.8
<b>TOTAL NET ASSETS REPRESENTING UNITHOLDERS' EQUITY</b>			<b>\$ 21,572,400</b>	<b>100.0</b>

<sup>1</sup>This amount is comprised of cash and broker deposits plus accrued investment income plus receivable from investment sales less accounts payable.

<sup>2</sup> Private and illiquid securities.

**EXEMPLAR LEADERS FUND**  
**SUMMARY OF INVESTMENT PORTFOLIO**  
As at December 31,

SECTOR MIX	% of Total Net Assets		GEOGRAPHIC MIX	% of Total Net Assets	
	2010	2009		2010	2009
<b>Long Positions</b>			<b>Long Positions</b>		
Energy	14.8	24.2	Canada	81.6	86.9
Basic Materials	18.7	5.4	U.S.	9.6	12.3
Industrials	12.3	7.7	Other Assets Net of Liabilities	9.8	0.8
Consumer Discretionary	8.2	4.7			
Consumer Staples	1.5	7.9	<b>Short Positions</b>		
Health Care	8.2	7.9	Canada	(1.0)	-
Financials	10.4	9.7			
Information Technology	5.0	17.4			
Telecommunication Services	9.4	7.7	<b>ASSET MIX</b>	<b>% of Total Net Assets</b>	
Utilities	2.2	6.6		<b>2010</b>	<b>2009</b>
Bonds	0.5	-	<b>Long Positions</b>		
Other Assets Net of Liabilities	9.8	0.8	Canadian Equities	81.1	86.9
			Canadian Bonds	0.5	-
<b>Short Positions</b>			U.S. Equities	9.6	12.3
Energy	(0.6)	-	Other Assets Net of Liabilities	9.8	0.8
Basic Materials	(0.4)	-			
			<b>Short Positions</b>		
			Canadian Equities	(1.0)	-

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**

**1. THE FUND**

**(I) The Fund**

Exemplar Leaders Fund (the "Fund") (formerly Northern Rivers Conservative Growth Fund) is an unincorporated open-ended mutual fund trust created under the laws of the Province of Ontario pursuant to a declaration of trust dated August 27, 2007, as amended from time to time (the "Declaration of Trust").

BluMont Capital Corporation, (the "Manager") is responsible for the management and control of the business and affairs of the Fund on a day-to-day basis. The Manager acts as the manager of other funds.

On February 23, 2010, BluMont Capital Corporation acquired all of the shares of Northern Rivers Capital Management Inc. ("Northern Rivers") which was the manager of the Fund's investment portfolio and the principal distributor of the units. Effective April 1st, 2010, Northern Rivers and BluMont Capital Corporation were amalgamated to form one entity under the continuing entity, BluMont Capital Corporation.

**(II) Fund Merger**

Effective November 26, 2010, BluMont Canadian Fund ("Canadian Fund") was merged with the Northern Rivers Conservative Growth Fund. The fund name was then changed to the Exemplar Leaders Fund. The Manager afforded unitholders of the Canadian Fund the ability to participate in the wind-up of the Canadian Fund by way of an in-kind transfer of their investment to the Fund. The termination of the Canadian Fund did not occur on a tax-deferred basis.

Details relating to the merger are as follows:

Net Assets acquired by the Fund	\$16,329,399
Units issued by the Fund – Series A	611,620
Units issued by the Fund – Series F	-

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are presented in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

A summary of the significant accounting policies is summarized below.

**(I) Valuation of Investments**

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

The fair value of financial instruments which are actively traded, are measured based on the bid price for long positions and ask price for short positions.

A reconciliation as at December 31 between the Fund's net assets per unit for financial reporting ("Net Assets") and the Fund's net asset value for purposes other than financial reporting, such as subscriptions and redemptions, ("Net Asset Value") has been provided in Note 8. The Fund continues to use the last traded price for investments and securities sold short for Net Asset Value valuations.

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund are charged to net increase (decrease) in net assets

from operations in the period. Accordingly, these costs are 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/ask prices on the financial statement date. Securities with no bid/ask 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.

Short-term investments including notes and money market instruments are carried at fair value.

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

When the Fund sells a security short, it will borrow that security from a broker to complete the sale. The Fund will incur a loss as a result of a short sale if the price of the borrowed security increases between the date of the short sale and the date on which the Fund closes out its short position by buying that security. The Fund will realize a gain if that security declines in price between those dates.

The maximum gain that the Fund can realize on a short position is the proceeds received, while the loss that could be realized is unlimited.

There can be no assurance that the Fund will be able to close out a short position at an acceptable time or price. Until the Fund replaces a borrowed security it will maintain a margin account with a broker containing cash and liquid securities.

Short positions are valued based on the cost that would be incurred to close out the position at the last ask price as of every Valuation Day (as defined below).

**(II) 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 and expense is recorded on the ex-dividend date. Interest income and expense is recorded daily as it is earned or accrued. Realized gains and losses from security transactions are calculated using the average cost basis.

**(III) Valuation of Fund Units**

The Fund's units are issued and redeemed at the Net Asset Value per unit, which is determined as of the close of Valuation Day. A "Valuation Day" is any day that 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 unit of the Fund is determined by dividing the total fair value of the Fund's Net Asset Value by the number of units outstanding.

For each Fund unit sold, the Fund receives an amount equal to the Net Asset Value per unit on the date of sale, which is included in unitholders' equity. Units are redeemable at the option of the unitholders at their Net Asset Value on any Valuation Day. For each unit redeemed, the number of issued and outstanding units is reduced and the equity in the Fund is reduced by the related Net Asset Value on the date of redemption.

**(IV) Foreign Currency Translation**

Assets, including fair 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 and expense 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.

**(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 INSTRUMENTS 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 Asset Value. 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 and market and company news related to specific securities within the Fund.

The investment objective of the Fund is to maximize absolute returns on investments through securities selection and asset allocation. The Fund focuses on achieving growth of capital through superior securities selection and pursues a long-term investment program with the aim of generating capital gains. The Fund attempts to reduce volatility through diversifying the portfolio across both economic sectors as well as across market capitalizations (company size and liquidity). The Fund invests primarily in equity and equity-related securities of North American companies. The Fund may also invest in international companies.

To achieve the investment objectives of the Fund, the Manager: (i) makes long term investments of securities of issuers which the Manager believes present the greatest opportunity for capital appreciation; and (ii) manages the portfolio’s sector allocation, increasing and decreasing exposure to different sectors of the market as appropriate.

The Fund’s overall risk management program seeks to minimize the potentially adverse effect of risk on the Fund’s financial performance in a manner consistent with the Fund’s investment objective. The Manager manages the potential effects of these financial risks on

the Fund's performance by employing and overseeing professional and experienced investment advisors that monitor the Fund's investments and market events on a daily basis.

**(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 the Fund invests in debt instruments and derivatives, this represents the main concentration of credit risk. The fair 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 at December 31, 2010 and 2009, the Portfolio invested in debt instruments and/or derivatives with the following credit ratings:

Debt Instruments by Credit Rating	Percentage of Net Assets (%)	
	As at December 31, 2010	As at December 31, 2009
Not Rated	0.5%	-

Credit ratings are obtained from Standard & Poor's, Moody's and/or Dominion Bond Rating Services. Where multiple ratings were obtained for a security, the lowest rating has been used.

**(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 daily cash redemptions of redeemable units. The units of the Fund are issued and redeemed daily at the Fund's Net Asset Value per unit at the option of the unitholder.

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. In accordance with securities regulations, the Fund must maintain at least 90% of assets in liquid investments (i.e. investments that are traded in an active market and can be readily disposed of). In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its Net Asset Value for the purpose of funding redemptions.

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.

The following table outlines cash flows associated with the maturities of the Fund's financial assets and liabilities as of:

**December 31, 2010**

	Less than 1 year (\$)	1 - 3 years (\$)	Beyond 5 years (\$)	No maturity date (\$)
<b>Financial Assets</b>				
Equities - long	-	-	-	19,576,442
Bonds	-	-	105,400	-
Other receivables	312,510	-	-	-
Cash and cash equivalents	1,965,902	-	-	-
<b>Total</b>	<b>2,278,412</b>	<b>-</b>	<b>105,400</b>	<b>19,576,442</b>
<b>Liabilities</b>				
Equities - short	-	-	-	(213,700)
Other liabilities	(174,154)	-	-	-
<b>Total</b>	<b>(174,154)</b>	<b>-</b>	<b>-</b>	<b>(213,700)</b>

**December 31, 2009**

	Less than 1 year (\$)	1 - 3 years (\$)	Beyond 5 years (\$)	No maturity date (\$)
<b>Financial Assets</b>				
Equities - long	-	-	-	6,507,518
Other receivables	32,801	-	-	-
Cash and cash equivalents	78,419	-	-	-
<b>Total</b>	<b>111,220</b>	<b>-</b>	<b>-</b>	<b>6,507,518</b>
<b>Liabilities</b>				
Other liabilities	(57,034)	-	-	-
<b>Total</b>	<b>(57,034)</b>	<b>-</b>	<b>-</b>	<b>-</b>

**(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 December 31, 2010 the Fund held a minimal amount of interest-bearing securities, and therefore its exposure to interest rate risk was not significant. As of December 31, 2009, the Fund did not hold any interest-bearing securities, and therefore was not subject to interest rate risk.

**(IV) Other Price Risk**

Other price risk is the risk that the fair 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 Manager 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, unless the Fund holds short positions in financial instruments, as further described below. 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 Fund has the ability to take short positions. There are risks associated with short selling, namely that the securities will rise in value or not decline enough to cover the Fund's costs, or that market conditions will cause difficulties in the sale or repurchase of the securities.

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

The impact on Net Assets of the Fund due to a 5 percent change in benchmark, using historical correlation between the Fund's return as compared to the return of the Fund's benchmark, as at December 31, 2010 and December 31, 2009, with all other variables held constant, is presented in the following table. Regression analysis has been utilized to estimate the historical correlation. The analysis uses 40 data points (2009 – 28 data points) based on the monthly net returns of the Fund.

Benchmark	Impact on Net Assets	
	December 31, 2010	December 31, 2009
S&P/TSX Total Return Index	\$910,221	\$193,684

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. The Fund may enter into foreign exchange contracts for hedging purposes to reduce its foreign currency exposure, or to establish exposure to foreign currencies.

Currencies to which the Fund had exposure as at December 31, 2010, and December 31, 2009, are as follows:

Currency	December 31, 2010		December 31, 2009	
	Financial Instruments	Percentage of Net Assets	Financial Instruments	Percentage of Net Assets
United States Dollar	\$2,659,085	12.3%	\$889,883	13.6%

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

As at December 31, 2010, if the Canadian dollar had strengthened or weakened by 5 percent in relation to all currencies represented in the portfolio, with all other variables held constant, Net Assets would have increased or decreased, respectively, by approximately \$133,000 (2009 - \$44,494).

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

**(VI) Fair Value Estimation**

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

**Level 1** - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2** - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

**Level 3** - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Manager. The Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses the Fund's financial assets and liabilities within the fair value hierarchy measured at fair value at December 31, 2010 and December 31, 2009.

**December 31, 2010**

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
<b>Assets</b>				
Equity securities - long	19,055,580	496,492	24,370	<b>19,576,442</b>
Bonds	-	105,400	-	<b>105,400</b>
<b>Total Assets</b>	<b>19,055,580</b>	<b>601,892</b>	<b>24,370</b>	<b>19,681,842</b>
<b>Liabilities</b>				
Equity securities - short	(213,700)	-	-	<b>(213,700)</b>

**December 31, 2009**

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
<b>Assets</b>				
Equity securities	6,130,093	233,265	144,160	<b>6,507,518</b>

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The Manager does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. This amount is comprised of a bond, warrants, units and subscription receipts. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As observable prices are not available for these securities, the Manager has used its best judgment to derive the fair value.

The level 3 equity amount consists of several private equity positions. The Manager considers original transaction price, recent transactions in the same or similar instruments and completed third-party transactions in comparable instruments and adjusts the prices as deemed necessary.

The following table presents the movement in level 3 instruments for the year ended December 31, 2010 and 2009 by class of financial instrument.

	Equity Securities (\$)	
	December 31, 2010	December 31, 2009
<b>Opening balance</b>	<b>144,160</b>	<b>64,820</b>
Net purchases and sales	10,370	(5,261)
Net transfers in (out)	(140,432)	111,475
Realized	-	2,100
Unrealized	10,272	(28,974)
<b>Closing balance</b>	<b>24,370</b>	<b>144,160</b>

Net change in unrealized appreciation (depreciation) for level 3 financial instruments held as of December 31, 2010 and December 31, 2009 was \$10,272 and \$(28,974), respectively.

There was no movement between levels during the year.

#### 4. UNIT TRANSACTIONS

Units issued and outstanding represent the capital of the Fund. The Fund is authorized to issue an unlimited number of units. Units of the Fund are issued and redeemed at the then current Net Asset Value per unit at the option of the unitholder. Unitholders are entitled to distributions when declared. Distributions on units of the Fund are reinvested in additional units of the Fund or at the option of the unitholder, paid in cash. The characterization of the distributions is based on management's estimate of the actual income for the year. The Fund has no restrictions or specific capital requirements on the subscription and redemption of units, other than minimum subscription requirements. The Statement of Changes in Net Assets identifies changes in the Fund's capital during the period. The Manager manages the capital of the Fund in accordance with the Fund's investment objectives, including managing its liquidity in order to be able to meet redemptions as discussed in Note 3.

The number of units issued and redeemed at the Net Asset Value is summarized as follows:

	Series A	
	2010	2009
Balance at January 1	<b>68,818</b>	33,576
Units issued for cash	<b>19,207</b>	46,861
Units issued upon fund merger	<b>611,620</b>	-
Units issued on reinvestment of distributions	<b>3,737</b>	-
Units redeemed	<b>(61,640)</b>	(11,619)
Units issued and outstanding at December 31	<b><u>641,742</u></b>	<u>68,818</u>

	<b>Series F</b>	
	<b>2010</b>	2009
Balance at January 1	<b>122,467</b>	64,979
Units issued for cash	<b>24,856</b>	68,554
Units issued on reinvestment of distributions	<b>11,295</b>	-
Units redeemed	<b>(28,641)</b>	(11,066)
Units issued and outstanding at December 31	<b><u>129,977</u></b>	<u>122,467</u>

  

	<b>Series O</b>	
	<b>2010</b>	2009
Balance at January 1	<b>40,000</b>	-
Units issued for cash	<b>15,488</b>	40,000
Units redeemed	<b>(56,345)</b>	-
Units issued on reinvestment of distributions	<b>857</b>	-
Units issued and outstanding at December 31	<b><u>-</u></b>	<u>40,000</u>

  

	<b>Series P</b>	
	<b>2010</b>	2009
Balance at January 1	<b>24,650</b>	11,547
Units issued for cash	<b>973</b>	13,103
Units redeemed	<b>(25,623)</b>	-
Units issued and outstanding at December 31	<b><u>-</u></b>	<u>24,650</u>

## **5. INCOME TAXES**

As at December 31, 2010, the Fund qualified as a mutual fund trust. The Fund is subject to tax under the Income Tax Act (Canada) (the "Act") on all of its taxable income for the year (including net taxable capital gains) and is permitted a deduction in computing taxable income for all amounts which are paid or payable in the year to its unitholders. It is the policy of the Fund, to the extent practicable, to distribute to the unitholders all income of the Fund for the year so that it generally will not pay any Canadian federal income tax under Part I of the Act. Accordingly no provision for income taxes has been made in these financial statements.

As of December 31, 2010, the Fund has no capital or non-capital losses.

## **6. RELATED PARTY TRANSACTIONS**

Under the terms of agreement between the Fund and the Manager, and in return for investment management and administrative services, the Manager receives monthly management fees from the Fund, calculated daily and payable monthly.

Up to November 26, 2010, the management fee rate paid to the Fund's previous manager was 2.50% per year for Series A units, 1.50% per year for Series F units and 1.75% per year for Series P units. Beginning November 27, 2010, the management fee rate was reduced to 1.80% per year for the Series A units. The management fee rate for Series F units remains 1.5% per year.

In addition, the Fund pays the Manager annually an incentive fee, subject to HST (and any other applicable sales taxes), equal to a percentage of the average net asset value of Series A units and Series F units of the Fund. Such percentage will be equal to 20% of the difference by which the return in the net asset value per unit of the applicable Series of the Fund from January 1 to December 31 exceeds the greater of: i) 0% and ii) the percentage return of the S&P/TSX Composite Total Return Index for the same period. If the performance

of a Series of the Fund in any year is less than the performance of the applicable index described above (the “Deficiency”), then no incentive fee will be payable in any subsequent year until the performance of the applicable Series of the applicable Fund, on a cumulative basis calculated from the first of such subsequent years has exceeded the amount of the Deficiency. For the periods ended December 31, 2010 and December 31, 2009, no performance fees were incurred by the Fund.

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 amounts are shown in the Statement of Operations.

## 7. FEES AND OPERATING EXPENSES

The Fund is responsible 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 period ended December 31, 2010 were \$27,254 (2009 - \$19,099).

## 8. RECONCILIATION OF NET ASSET VALUE PER UNIT TO NET ASSETS PER UNIT

As at December 31,

	Per Unit (\$)					
	2010			2009		
	Net Asset Value	Bid/Ask Adjustment	Net Assets	Net Asset Value	Bid/Ask Adjustment	Net Assets
Series A	\$28.06	\$(0.11)	\$27.95	\$25.25	\$(0.16)	\$25.09
Series F	\$28.06	\$(0.10)	\$27.96	\$25.44	\$(0.16)	\$25.28
Series O	-	-	-	\$28.06	\$(0.18)	\$27.88
Series P	-	-	-	\$25.45	\$(0.15)	\$25.30

## 9. FUTURE ACCOUNTING CHANGE

In February 2008, the Canadian Accounting Standards Board (“CASB”) confirmed that International Financial Reporting Standards (“IFRS”) will replace current Canadian standards and interpretations for publicly accountable enterprises, which includes investment funds, effective January 1, 2011. However, the CASB has deferred the mandatory transition date to January 1, 2013 for investment funds in light of delays with the International Accounting Standards Board’s project on investment companies. Therefore, for the Fund, IFRS will apply to semi-annual and annual financial statements for fiscal years beginning on or after January 1, 2013. Management has been monitoring developments in the IFRS conversion program and has identified key issues and the likely impacts resulting from the adoption of IFRS. Management has commenced the process of developing a transition plan, which includes identifying differences between the Funds’ current accounting policies and those it expects to apply under IFRS, as well as impacts to any accounting policy and implementation decisions, internal controls, information systems and training. Based on management’s review of the differences between Canadian GAAP and IFRS, it is not expected that there would be an impact to the Fund’s net asset value or net assets per unit. Management has presently determined that the impact of IFRS to the

financial statements would be limited to additional note disclosures and modifications to presentation including unitholder interests. However, this present determination is subject to change resulting from the issuance of new standards or new interpretations of existing standards.

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