



INTERIM FINANCIAL STATEMENTS

BLUMONT X-ALPHA LIMITED PARTNERSHIP I

JUNE 2008



BLUMONT
CAPITAL

CONTENTS

Statement of Net Assets	2
Statement of Operations	3
Statement of Changes in Net Assets	4
Statement of Cash Flows	5
Statement of Investments and Other Net Assets	6
Notes to the Financial Statements	7
Partnership Information	12

STATEMENT OF NET ASSETS

As at June 30, 2008 and December 31, 2007

Unaudited

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

	2008	2007
ASSETS		
Investments at market value*		
Principal protected note	\$ 3,808,450	\$ 3,876,306
Cash and cash equivalents	2,604	43,923
Prepaid management fees	20,081	-
Total Assets	<u>3,831,135</u>	<u>3,920,229</u>
LIABILITIES		
Accounts payable:		
Interest payable (Note 4)	123,821	46,108
Due to Portfolio Manager	-	19,125
	<u>123,821</u>	<u>65,233</u>
Loan payable	3,135,736	3,135,736
Total Liabilities	<u>3,259,557</u>	<u>3,200,969</u>
NET ASSETS REPRESENTING PARTNERS' CAPITAL	<u>\$ 571,578</u>	<u>\$ 719,260</u>
* Investments, at cost	<u>\$ 3,995,236</u>	<u>\$ 3,995,236</u>

** 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 six months ended June 30, 2008

Unaudited

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

Interest	\$ <u>406</u>
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EXPENSES (Note 3)

Management fees	2,419
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Bank charges	100
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Interest expense	<u>77,713</u>
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	<u>80,232</u>
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Less: Expenses absorbed by the Manager	<u>-</u>
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	<u>80,232</u>
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NET INVESTMENT LOSS

	<u>(79,826)</u>
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NET CHANGE IN UNREALIZED DEPRECIATION OF INVESTMENT

	<u>(67,856)</u>
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DECREASE IN NET ASSETS FROM OPERATIONS

	\$ <u>(147,682)</u>
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DECREASE IN NET ASSETS FROM OPERATIONS PER UNIT

	\$ <u>(4.10)</u>
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** The Partnership was formed on July 23, 2007 and as a result there is no comparative information.

STATEMENT OF CHANGES IN NET ASSETS
For the six months ended June 30, 2008
Unaudited

	BLUMONT X-ALPHA LIMITED PARTNERSHIP I**
Net Assets, Beginning of Period	\$ 719,260
Decrease in Net Assets from Operations	<u>(147,682)</u>
Net Assets, End of Period	<u>\$ 571,578</u>

** The Partnership was formed on July 23, 2007 and as a result there is no comparative information.

STATEMENT OF CASH FLOWS
For the six months ended June 30, 2008
Unaudited

BLUMONT X-ALPHA LIMITED
PARTNERSHIP I**

Operating Activities

Decrease in net assets from operations	\$	(147,682)
Add non-cash items:		
Net change in unrealized depreciation of investments		<u>67,856</u>
		(79,826)
Net change in non-cash balances relating to operations		<u>38,507</u>
Cash used in operating activities		(41,319)
Cash and cash equivalents, beginning of period		<u>43,923</u>
Cash and cash equivalents, end of period	\$	<u>2,604</u>

** The Partnership was formed on July 23, 2007 and as a result there is no comparative information.

STATEMENT OF INVESTMENTS AND OTHER NET ASSETS

As at June 30, 2008

Unaudited

	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	\$ 3,808,450	
TOTAL INVESTMENT PORTFOLIO		\$ 3,995,236	3,808,450	666.3
Other Assets Net of Liabilities ¹			(3,236,872)	(566.3)
TOTAL NET ASSETS			\$ 571,578	100.0

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

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

Unaudited

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 5).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

A summary of significant accounting policies is summarized below.

(I) Adoption of new accounting policies - Section 3862, Financial Instruments – Disclosure and Section 3863, Financial Instruments – Presentation

On January 1, 2008, the Partnership adopted 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).

Adoption of the new standards does not impact the price of the Partnership's units (a "Unit") for redemption purposes, nor for the calculation of Net Assets.

(II) Valuation of Investments

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 January 1, 2008 to June 30, 2008. The difference between fair value and the average cost is shown as the net change in unrealized depreciation of investment.

As at June 30, 2008 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.

(III) Cash and cash equivalents, and other monetary balances

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

(IV) 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.

(V) Investment Transactions and Income 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.

(VI) 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 Partnership is not subject to income taxes. 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.

(VII) 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.

(VIII) 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.

(IX) 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. FINANCIAL RISK MANAGEMENT

In the normal course of business, the Partnership is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, other price risk and currency risk) that could result in a reduction in the value of the Partnership's net assets. The value of the Index linked to the Partnership's investment 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 Index. The level of risk depends on the Partnership's investment objectives and the type of securities it invests in.

The Partnership's investment objective is to seek superior investment returns through a leveraged investment linked to the Index.

(I) Credit Risk

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

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

The Partnerships' sole investment is in the Note issued by Deutsche Bank AG. The principal amount of the loan from Deutsche Bank AG to the Partnership is secured by the guarantee within the Note that has been purchased on a leveraged basis. As at June 30, 2008, Deutsche Bank AG's credit rating was AA.

Credit ratings are obtained from Standard & Poor's, Moody's and/or Dominion Bond Rating Services. Where one or more rating is obtained for Deutsche Bank AG, the lowest rating has been used.

(II) Liquidity Risk

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

Until the time of dissolution of the Partnership, the limited partners cannot redeem units. There is no market for units of the Partnership and it is unlikely that any public market will develop through which units may be sold.

Similarly, the Partnerships' sole investment in the Note is illiquid until the time of dissolution of the Partnership. A monthly secondary market is being contemplated closer to the maturity of the Partnership.

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

As at June 30, 2008, the Partnership held an investment in the Note of \$3,995,236 with a fair value of \$3,808,450. Each Unit is exposed to 4.44 Notes which matures on September 12, 2012. As such, each \$100 Unit is exposed to government bonds with a maturity value of \$444 and a duration of 4 years and 3 months.

For every 50 basis point move in interest rates, a Unit would expect a corresponding move of approximately 9.43%, or \$1.50 per Unit, resulting in an increase (decrease) in net assets from operations of approximately \$54,000. As there is no secondary market for the Units, there is no interest rate risk. However, if a secondary market is created in the future, interest rate risk may exist at that time.

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

(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 Portfolio Manager of the Partnership moderates this risk through a careful selection and diversification of securities and other financial instruments within the limits of the Partnership's investment objectives and strategy. The maximum risk resulting from financial instruments is determined by the market value of the financial instruments. Financial instruments held by each Partnership are susceptible to market price risk arising from uncertainties about future prices of the instruments.

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

	5% Increase in Fair Value	5% Decrease in Fair Value
Net Assets From Operations	\$266,000	\$(266,000)

(V) Currency Risk

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

All currency risk that resides in the Note is fully hedged back to Canadian Dollars.

4. 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 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 5); 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 June 30, 2008, \$17,147 of net assets representing partner's capital is attributable to the General Partner in respect of this arrangement.

5. 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 June 30, 2008; however \$77,713 has been accrued for in the current period.

6. INCOME TAXES

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

7. FUTURE ACCOUNTING CHANGE

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

PARTNERSHIP INFORMATION

PORTFOLIO MANAGER AND PRINCIPAL DISTRIBUTOR

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