

# **FAIRCOURT CSCRF 2008 No. 1 LIMITED PARTNERSHIP**

Financial Statements

**For the period from inception on December 19, 2007 to December 31, 2008**

(Expressed in Canadian dollars)

## **Management's Responsibility for Financial Reporting**

The accompanying financial statements of Faircourt CSCR 2008 No. 1 Limited Partnership (the Partnership) have been prepared by the management of Faircourt CSCR 2008 No. 1 Management Ltd., the General Partner of the Partnership, and approved by the Board of Directors of the General Partner. The General Partner is responsible for the information and representations contained in these financial statements.

The General Partner maintains processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. The significant accounting policies, which management believes are appropriate for the Partnership, are described in note 2 to the financial statements.

The Board of Directors of the General Partner is responsible for reviewing the financial statements, the adequacy of internal controls, the audit process and financial reporting with management and the external auditors. The Board of Directors approves the audited financial statements for publication.

PricewaterhouseCoopers LLP are the external auditors of the Partnership. They are appointed by the General Partner of the Partnership. The external auditors have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their report is set out on the next page.

On behalf of the General Partner of the Partnership,

Mr. Stephen Wilkinson  
CEO

March 31, 2009

## **Auditors' Report**

### **To the Partners of Faircourt CSCRIF 2008 No. 1 Limited Partnership**

We have audited the statements of net assets and investment portfolio of Faircourt CSCRIF 2008 No. 1 Limited Partnership as at December 31, 2008, and the statements of operations, changes in net assets and cash flows for the period from inception on December 19, 2007 to December 31, 2008. 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 management, 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, 2008 and the results of its operations, changes in net assets and cash flows for the period from inception on December 19, 2007 to December 31, 2008 in accordance with Canadian generally accepted accounting principles.

*(signed) PricewaterhouseCoopers LLP*

**Chartered Accountants**  
Vancouver, British Columbia, Canada

**Faircourt CSCRIF 2008 No. 1 Limited Partnership**

Statement of Net Assets

As at December 31, 2008

(Expressed in Canadian Dollars)

	<b>December 31, 2008</b>	
<b>Assets</b>		
Investments at fair value	\$	2,210,202
Cash		85,341
Due from General Partner (note 7 (f))		82,863
	\$	2,378,406
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 7 (e))		66,392
<b>Net Assets</b>	<b>\$</b>	<b>2,312,014</b>
<b>Number of partnership units outstanding (notes 1 and 4)</b>		<b>531,894</b>
<b>Net assets per partnership unit</b>	<b>\$</b>	<b>4.35</b>

*On behalf of the Board of Directors of Faircourt CSCRIF 2008 No. 1 Management Ltd. as General Partner*

"Stephen Wilkinson"

Stephen Wilkinson  
Director

"Charles Taerk"

Charles Taerk  
Director

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

**Faircourt CSCRIF 2008 No. 1 Limited Partnership**

## Statement of Operations

For the period from inception on December 19, 2007 to December 31, 2008

(Expressed in Canadian Dollars)

		<b>From Inception on December 19, 2007 to December 31, 2008</b>
<b>Investment income:</b>		
Interest income	\$	9,153
<b>Expenses:</b>		
Unitholder administration and communication		103,488
General Partner fee (note 3 (a))		39,362
Audit fees		48,528
Legal fees		7,984
Portfolio Advisory fee (note 3 (b))		23,622
Interest expense (note 3 (f))		21,509
		<b>244,493</b>
<b>Net investment loss</b>		<b>(235,340)</b>
<b>Change in unrealized depreciation of investments</b>		<b>(2,093,421)</b>
<b>Decrease in net assets from operations</b>	<b>\$</b>	<b>(2,328,761)</b>
<b>Net investment loss per unit</b>	<b>\$</b>	<b>(0.44)</b>
<b>Change in unrealized depreciation of investments per unit</b>		<b>(3.93)</b>
<b>Decrease in net assets from operations per partnership unit</b>	<b>\$</b>	<b>(4.37)</b>

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

**Faircourt CSCRIF 2008 No. 1 Limited Partnership**

Statement of Changes in Net Assets

For the period from inception on December 19, 2007 to December 31, 2008

(Expressed in Canadian Dollars)

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		<b>From Inception on December 19, 2007 to December 31, 2008</b>
<b>Net assets, beginning of period</b>	<b>\$</b>	<b>-</b>
<b>Decrease in net assets from operations</b>		<b>(2,328,761)</b>
<b>Partners' transactions:</b>		
Proceeds from issuance of partnership units (notes 1 and 4)		<b>5,318,940</b>
Cost of issuance of partnership units (notes 1)		<b>(678,165)</b>
		<b>4,640,775</b>
<b>Net assets, end of period</b>	<b>\$</b>	<b>2,312,014</b>

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

**Faircourt CSCRIF 2008 No. 1 Limited Partnership**

## Statement of Cash Flows

For the period from inception on December 19, 2007 to December 31, 2008

(Expressed in Canadian Dollars)

		<b>From Inception on December 19, 2007 to December 31, 2008</b>
<b>Cash Flows from (used in):</b>		
Operating Activities:		
Decrease in net assets from operations	\$	(2,328,761)
Change in unrealized depreciation of investments		2,093,421
		(235,340)
Purchase of investments		(4,303,623)
Net change in non-cash balances related to operations		(16,471)
		(4,555,434)
<b>Cash Flows from (used in):</b>		
Financing Activities		
Units issued		5,318,940
Issue costs		(678,165)
		4,640,775
<b>Increase in cash during the period</b>		<b>85,341</b>
<b>Cash, beginning of the period</b>		<b>-</b>
<b>Cash, end of the period</b>	<b>\$</b>	<b>85,341</b>
<b>Cash is comprised of:</b>		
Cash	\$	85,341
<b>Supplemental cash flow information</b>		
Cash received during the period from interest	\$	9,153
Cash paid during the period for interest	\$	21,509
<b>Supplemental disclosure with respect to cash flows (note 9)</b>		

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

# Faircourt CSCR 2008 No. 1 Limited Partnership

## Statement of Investments

As at December 31, 2008

(Expressed in Canadian Dollars)

Issuer	# of Common Shares	# of Warrants	Expiry Date of Warrants	Exercise Price of Warrants	Average Cost	Fair Value as at December 31, 2008	% of Portfolio as at December 31,
<b>PUBLICLY-TRADED:</b>							
Fjordland Exploration Inc.	1,334,000				\$ 200,100	\$ 46,690	2.11%
Guardian Exploration Inc.	750,000				262,500	37,500	1.70%
Orestone Mining Corp.	835,000				187,800	20,875	0.94%
Orestone Mining Corp.	-	835,000	16-Jul-09/10	0.35/0.50	62,700	630	0.03%
PanTerra Resource Corp.	857,500				300,123	47,163	2.13%
Rolling Rock Resources Corp.	1,500,000				233,939	67,500	3.05%
Rolling Rock Resources Corp.	-	750,000	17-Jul-09	0.45	6,061	5,132	0.25%
Uranium North Resources Corp.	834,000				250,200	58,380	2.64%
Yankee Hat Minerals Ltd.	1,000,000				150,000	20,000	0.90%
Yukon Gold Corporations, Inc.	2,000,000				300,000	50,000	2.26%
					1,953,423	353,870	16.01%
<b>PUBLICLY-TRADED - RESTRICTED:</b>							
Avalon Ventures Ltd.	700,000	-			350,000	350,000	15.83%
Bitterroot Resources Ltd.	2,000,000	-			240,000	240,000	10.86%
Formation Capital Corp.	1,666,667	-			200,000	200,000	9.05%
Garson Gold Corp.	6,000,000	-			300,000	180,000	8.14%
Houston Lake Mining Inc.	834,000	-			167,120	167,690	7.59%
Houston Lake Mining Inc.	-	417,000	30-Dec-10	0.35	83,080	83,080	3.76%
Primary Petroleum Corp.	3,000,000	-			300,000	120,000	5.43%
Strategic Oil & Gas Ltd.	525,000	-			210,000	152,250	6.89%
					1,850,200	1,493,020	67.55%
<b>PRIVATELY-TRADED:</b>							
1250900 Alberta Ltd.	600,000	-			300,000	163,312	7.39%
Reliable Energy Ltd.	250,000	-			200,000	200,000	9.05%
					500,000	363,312	16.44%
<b>TOTAL</b>					<b>\$ 4,303,623</b>	<b>\$ 2,210,202</b>	<b>100.00%</b>

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

## **Faircourt CSCRF 2008 No. 1 Limited Partnership**

Notes to the Financial Statements

December 31, 2008

(Expressed in Canadian Dollars)

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### **1) FORMATION OF PARTNERSHIP**

Faircourt CSCRF 2008 No. 1 Limited Partnership (the Partnership) was formed as a limited partnership under the Limited Partnerships Act (British Columbia) on December 19, 2007 and commenced active operations on January 1, 2008. The principal purpose of the Partnership is to invest in flow-through shares of resource sector issuers in accordance with the terms of the Limited Partnership Agreement.

The General Partner of the Partnership is Faircourt CSCRF 2008 No. 1 Management Ltd. (the General Partner). Under the Limited Partnership Agreement between the General Partner and each of the limited partners, the General Partner is entitled to a 0.01% beneficial interest in the Partnership.

During the period ended December 31, 2008, the Partnership issued 531,894 units at \$10 per unit for gross proceeds of \$5,318,940 and incurred issue costs of \$678,165 which resulted in available funds of \$4,640,775. At December 31, 2008 the General Partner held no units in the Partnership.

The General Partner may propose to the Limited Partners at a special meeting of the limited partners that will be held no later than March 31, 2010, one or more alternatives to the termination of the Partnership (Liquidity Alternatives). If a Liquidity Alternative is not approved by a majority of the limited partners, the Partnership will be dissolved on or about June 30, 2010, unless this date is extended by extraordinary resolution of the limited partners.

### **2) SIGNIFICANT ACCOUNTING POLICIES**

#### **a. Basis of Presentation**

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). The Canadian dollar is the functional and reporting currency of the Partnership.

#### **b. Use of estimates**

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. These estimates are reviewed periodically by management and, as adjustments become necessary, they are reported in the statement of operations in the period in which they become known. Significant areas involving the use of estimates include determining the estimated fair value of private investments and the fair value of warrants. In calculating estimated fair value, the General Partner makes maximum use of publically available market-based inputs.

## Faircourt CSCRF 2008 No. 1 Limited Partnership

Notes to the Financial Statements

December 31, 2008

(Expressed in Canadian Dollars)

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### 2) SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### c. Allocation of Partnership income or loss

Income or loss is allocated 99.99% to the limited partners and 0.01% to the General Partner. These financial statements include only the assets, liabilities, and operations of the Partnership, and do not include other assets, liabilities, revenues or expenses, including income taxes, of the limited partners.

#### d. Investments

The Partnership's management estimates the fair value of investments based on the criteria outlined below:

##### (i) Publicly-traded investments

(a) Securities that are traded on a recognized securities exchange and for which no sales restrictions apply are recorded at fair values based on the last quoted bid price at the statement of net assets date. If there were no trades at the statement of net assets date, management will estimate the fair value of the investments using a combination of the closing bid price on the last day the security traded, consideration of the time frame in which the investments were last traded, specific financial data and current market factors.

(b) Securities that are traded on a recognized exchange but that are escrowed or otherwise legally restricted as to sale or transfer are recorded at amounts discounted from market value. In determining the discount for such investments, the Partnership considers the nature and length of the restriction, business risk of the investee company, its stage of development, market potential, relative trading volume and price volatility and any other factors that may be relevant to the ongoing and realizable value of the investment.

(c) Warrants of companies whose shares trade on a recognized security exchange are recorded at their estimated fair value using a recognized valuation model.

(d) The amounts at which the Partnership's publicly-traded investments could be disposed of currently may differ from carrying value based on market quotes, as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity.

##### (ii) Privately-held investments

(a) Securities in privately-held companies are valued using valuation techniques established by management, taking into consideration relevant information such as a significant subsequent equity financing by an unrelated, professional investor, or evidence of other value as indicated by the assessment of the financial condition of the investment based on third party financing, operational results, forecasts, and other developments since acquisition.

## Faircourt CSCRF 2008 No. 1 Limited Partnership

Notes to the Financial Statements

December 31, 2008

(Expressed in Canadian Dollars)

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### 2) SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### d. Investments *(continued)*

##### (ii) Privately-held investments *(continued)*

(b) Warrants of privately-held securities are recorded at their estimated fair value using a recognized valuation model, with management making maximum use of publicly available inputs, such as data from comparable companies which are publicly traded with appropriate adjustments to reflect the individual company circumstances and to reflect the fact that they are privately-held.

(c) The resulting values for non-publicly traded investments may differ from values that would be determined had a ready market existed. In addition, the amounts at which the Partnership's privately-held investments could be disposed of currently may differ from the carrying value assigned, and the differences could be material.

#### e. Cash

Cash is comprised of cash and demand deposits with original maturities of three months or less, is held with a Canadian Chartered Bank and with the Partnership's Portfolio Advisor and has been measured at fair value.

#### f. Income and expense recognition

Securities transactions are recorded on a trade date basis. Dividend income is recognized on the ex-dividend date. Realized gains and losses on disposal of investments and unrealized gains and losses in the value of investments are reflected in the statement of operations and calculated on an average cost basis. Upon disposal of an investment, previously recognized unrealized gains and losses are reversed, so as to recognize the full realized gain or loss in the period of disposition. Interest is recorded on an accrual basis. All costs directly attributable to revenue generation are expensed as incurred.

#### g. Increase (decrease) in net assets from operations per partnership unit

The increase (decrease) in net assets from operations per partnership unit in the statements of operations represents the increase (decrease) in net assets from operations for the period, divided by the average number of units outstanding during the period.

#### h. Issuance costs

Expenses related to the offering of partnership units have been accounted for as a reduction of net assets.

## Faircourt CSCRF 2008 No. 1 Limited Partnership

Notes to the Financial Statements

December 31, 2008

(Expressed in Canadian Dollars)

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### 2) SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### i. New Accounting Policies

##### General Standards of Financial Statement Presentation

CICA Handbook Section 1400, *“General Standards of Financial Statement Presentation”* was amended to include requirements to assess and disclose the entity’s ability to continue as a going concern. This new requirement is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. In the General Partner’s opinion, the adoption of this standard had no material impact on the financial statements of the Partnership.

#### j. Recent Accounting Pronouncements

##### International Financial Reporting Standards

The Canadian Accounting Standards Board (“AcSB”) in 2006 published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards (“IFRS”) over a five-year transitional period.

In February 2008 the AcSB announced that 2011 is the changeover date for publicly-accountable enterprises to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Partnership for the year ended December 31, 2010. As the Partnership is expected to be dissolved before December 31, 2010, the Partnership is not expected to have to implement IFRS accounting and disclosure requirements.

### 3) EXPENSES OF PARTNERSHIP

- a. The General Partner is entitled to an annual fee of 1.25% of the Net Asset Value (NAV) of the Partnership as defined.
- b. The Portfolio Advisor, Bolder Investment Partners Ltd, is entitled to an annual fee of 0.75% of the NAV of the Partnership as defined.
- c. On dissolution of the Partnership or implementation of a Liquidity Alternative, the General Partner and the Portfolio Advisor will each be entitled to receive, in addition to the fees described above, an incentive bonus of an amount calculated as 10% of the amount by which:
  - (i) the total Net Asset Value per unit at the relevant time, plus
  - (ii) the aggregate amount per unit of all distributions paid prior to that time, exceeds \$11.20.

As at December 31, 2008 this threshold had not been reached; accordingly, no provision for the incentive bonus has been accrued.

## **Faircourt CSCRF 2008 No. 1 Limited Partnership**

Notes to the Financial Statements

December 31, 2008

(Expressed in Canadian Dollars)

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### **3) EXPENSES OF PARTNERSHIP *(continued)***

- d. The Partnership will pay all costs for the offering of units in the Partnership. However, if the expenses of the offering (exclusive of Agents' Fees) exceed the lesser of 6% of the gross proceeds and \$500,000, the General Partner will be responsible for the excess.
- e. The Partnership will pay all expenses incurred in connection with the operation and administration of the Partnership. If these expenses exceed \$160,000 per annum, the excess will be the responsibility of the General Partner.
- f. During the period, the Partnership had borrowed under a loan arrangement a total of \$678,165. This loan was secured by assignment of guaranteed investment certificate from the Partnership, bore interest at prime + 0.50% per annum and was repayable on demand. The loan was fully repaid as at October 22, 2008 with interest expense totalling \$21,509.
- g. The Partnership incurred no commissions and portfolio transaction costs for its portfolio transactions during the period.

### **4) PARTNERSHIP UNITS**

All Partnership units are of the same class with equal rights and privileges, including equal participation in any distribution made by the Partnership and the right to one vote at any meeting of the limited partners.

### **5) FINANCIAL INSTRUMENTS**

#### **Investment Objective**

The investment objective of the Partnership is to provide its limited partners with a tax assisted investment in a diversified portfolio of flow-through shares of resource issuers, with a view to (i) maximizing the tax benefit of an investment in units and (ii) achieving capital appreciation for its limited partners.

#### **Investment Strategy**

The Partnership's investment strategy entails investing in a diversified portfolio of flow-through shares of resource issuers that will incur, and renounce to the Partnership, Canadian exploration expenses which the Partnership intends to flow through to limited partners. The Partnership's principal strategy is to invest in flow-through shares of junior and intermediate resource issuers that have experienced and capable senior management, well planned exploration programs, and superior potential for future growth, where such flow-through shares can be acquired at attractive prices. The principal business of the resource issuer will be (i) primarily mineral exploration, development and production; and (ii) to a lesser extent, oil and gas exploration, development and production and certain energy production that will incur certain start-up phase costs of renewable energy projects.

## Faircourt CSCRF 2008 No. 1 Limited Partnership

Notes to the Financial Statements

December 31, 2008

(Expressed in Canadian Dollars)

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### 5) FINANCIAL INSTRUMENTS *(continued)*

Management of the investment portfolio may involve the sale of flow-through shares or other securities held by the Partnership and the reinvestment of the net proceeds from any such dispositions in flow-through shares and other shares of resource issuers or in high quality liquid investments.

#### Financial instruments risk management

The Partnership's financial instruments consist of cash, investments, amounts from the General Partner and accounts payable and accrued liabilities. As a result, the Partnership is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The most important risks include market risk, currency risk, interest rate risk, credit risk and liquidity risk.

These risks and related risk management practices employed by the Partnership are discussed below:

#### (i) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. The investments of the Partnership are subject to market fluctuations and the risk inherent in the financial markets. The maximum risk resulting from purchased securities held by the Partnership is limited to the fair value of these investments. The General Partner moderates this risk through careful selection of securities within the investment objective and strategy. The Partnership's investments are concentrated in the Canadian natural resources sector. The Partnership's overall market positions are monitored on a daily basis by management of the General Partner and are reviewed on a quarterly basis by the Board of Directors.

The Partnership's overall exposure is managed by the investment restrictions outlined in the prospectus which states that the Partnership will not purchase more than 9.99% of the issued and outstanding voting securities of any investment. The Partnership's investments as at December 31, 2008 comprise:

		British Columbia		Alberta		Ontario		Total
<b>Public</b>								
Minerals	\$	1,130,827	\$	250,770	\$	50,000	\$	1,431,597
Oil & Gas		152,250		204,663		-		356,913
Other		58,380		-		-		58,380
<b>Private</b>								
Oil & Gas		-		363,312		-		363,312
<b>Total</b>	<b>\$</b>	<b>1,341,457</b>	<b>\$</b>	<b>818,745</b>	<b>\$</b>	<b>50,000</b>	<b>\$</b>	<b>2,210,202</b>

## Faircourt CSCRF 2008 No. 1 Limited Partnership

Notes to the Financial Statements

December 31, 2008

(Expressed in Canadian Dollars)

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### 5) FINANCIAL INSTRUMENTS *(continued)*

#### (i) Market Risk *(continued)*

During the fourth quarter of 2008, global stock markets experienced significant turbulence due to a convergence of adverse credit, liquidity and economic developments. As the Partnership predominantly invests in equity securities, exposure to market risk and returns has been impacted by the general market downturn. The Portfolio Advisor has managed the overall Partnership exposure by adherence to the overall investment restrictions of the Partnership.

At December 31, 2008, the Partnership's market risk is impacted by market prices and the commodity, oil and gas prices. If market prices for the resource sector increased by 10%, assuming all other variables remain constant, this would have increased net assets by \$221,000.

#### (ii) Currency Risk

Currency Risk is the risk that arises from the change in price of one currency against another. The Partnership holds no security that is denominated in a currency other than Canadian dollar. Cash, amounts due from General Partner, and accounts payables and accrued liabilities are all denominated in Canadian funds. Therefore, the Partnership has no exposure to currency risk.

#### (iii) Interest Rate Risk

Interest rate risk is the risk borne by an interest-bearing financial instrument that is attributed to interest rate fluctuations. The Partnership's investments, amounts due from General Partner, accounts payable and accrued liabilities are non-interest bearing. As a result, the Partnership is not subject to a significant amount of risk relative to fluctuations in the prevailing market interest rate levels.

#### (iv) Credit Risk

Credit risk is the risk of loss due to failure of a counterparty to satisfy its obligations. The Partnership's only credit risk concentration is cash held by the Portfolio Advisor. The Partnership limits its exposure to credit losses by investing excess cash in high-credit-quality issuers and maintaining minimum balances with the Portfolio Advisor.

All transactions in listed securities are settled upon delivery using approved brokers. The risk of default is considered minimal, as the delivery of those securities sold is made only when the broker has received payment. Payment is made on purchase and when the security is received by the broker. The trade will fail to consummate if either party fails to meet the obligations.

## **Faircourt CSCRF 2008 No. 1 Limited Partnership**

Notes to the Financial Statements

December 31, 2008

(Expressed in Canadian Dollars)

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### **5) FINANCIAL INSTRUMENTS** *(continued)*

#### *(iv) Credit Risk*

Transactions in private placements are performed by either brokered or non-brokered placements. Brokered placements are indemnified by the brokers and thus the risk of default is considered minimal, as the delivery of those securities sold is made only when the broker has received payment. Payment is made on purchase and when the security is received by the broker. Non-brokered placements may or may not use lawyers to intermediate the transactions and as such the risk of default is higher than that of brokered deals. However, this risk is mitigated by the experience and the review process of each transaction by the Board of Directors and the Portfolio Advisor.

The Portfolio Advisor monitors the Partnership's credit position regularly, and the Board of Directors reviews it on a periodic basis. The Partnership has not identified any past due assets or receivables as at December 31, 2008.

#### *(v) Liquidity Risk*

Liquidity risk is the risk that the Partnership will not be able to generate sufficient cash resources to fulfill its payment obligations. The Partnership invests in securities that are or will be readily tradable in an active market. The Partnership also invests in early stage resource companies which may be publicly listed securities but thinly traded or in privately held companies. The Partnership is able to readily dispose of securities if necessary to fund the Partnership's obligations in the normal course of operations. Under the terms of the Limited Partnership Agreement, there are no redemptions permitted until the dissolution of the Partnership.

### **6) MANAGEMENT OF CAPITAL**

The Partnership's objectives when managing capital (defined as Partnership Equity plus Loan Facility) are:

- a. To ensure that the Partnership maintains the level of working capital necessary to meet the requirements of its operations and loan facility;
- b. To allow the Partnership to respond to changes in economic and/or marketplace conditions by maintaining the Partnership's ability to purchase new investments;
- c. To optimize the limited partners':
  - (i) Income tax deductions through the acquisition of flow-through investments; and
  - (ii) Unit value by capitalizing on investment opportunities;

## **Faircourt CSCRF 2008 No. 1 Limited Partnership**

Notes to the Financial Statements

December 31, 2008

(Expressed in Canadian Dollars)

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### **6) MANAGEMENT OF CAPITAL** *(continued)*

d. To ensure that the obligations to the limited partners for distributions are met.

The Partnership manages its capital and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its underlying assets. The Partnership maintains or adjusts the components of its capital to enable it to meet its objectives by:

- (i) Realizing proceeds from the disposition of its investments;
- (ii) Borrowing funds in the form of advances from related parties;

The Partnership is not subject to any capital requirement imposed by a regulator. It is required to maintain a guaranteed investment certificate as collateral for its loan facility. There were no changes in the Partnership's approach to capital management during the period. The Partnership's management is responsible for the management of capital and monitors the Partnership's requirements on a daily basis.

The Partnership expects that its current capital resources will be sufficient to discharge its liabilities as at December 31, 2008.

The Partnership considers the partnership equity and loans outstanding as part of its capital. The Partnership is not subject to any externally imposed capital requirements.

### **7) RELATED PARTY TRANSACTIONS**

The following transactions occurred with related parties and are recorded at the exchange amount, being the price agreed between the parties:

- a. The General Partner was paid \$39,362 during the period ended December 31, 2008 for management fees;
- b. A private company controlled by two directors of the parent corporation of the General Partner was paid \$50,875 during the period ended December 31, 2008 for accounting and financial service fees and the amount is disclosed in unitholder administration and communication expense;
- c. The parent corporation of the General Partner was reimbursed \$41,039 during the period ended December 31, 2008 for administrative and issuance costs attributable to the Partnership and the amount is disclosed in unitholder administration and communication expense;
- d. The General Partner was reimbursed \$7,800 during the period ended December 31, 2008 for legal fees associated with issuance costs;
- e. The parent corporation of the General Partner, a private company controlled by an officer of the parent corporation of the General Partner and the General Partner were reimbursed \$14,112, \$30,500 and \$68,933 in issuance costs during the period ended December 31, 2008, respectively;

## **Faircourt CSCRIF 2008 No. 1 Limited Partnership**

Notes to the Financial Statements

December 31, 2008

(Expressed in Canadian Dollars)

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### **7) RELATED PARTY TRANSACTIONS *(continued)***

- f. The parent corporation of the General Partner is due a balance as at December 31, 2008 of \$8,385 and the amount is included in accounts payable and accrued liabilities. The balance is unsecured, non-interest bearing and due in the normal course of operations; and
- g. The General Partner owes a balance as at December 31, 2008 of \$82,863. The balance is unsecured, non-interest bearing and due in the normal course of operations.

### **8) INCOME TAXES**

No provision for income taxes has been recorded in the accompanying financial statements as the annual income (loss) of the Partnership is allocated to unitholders, who are responsible for any income taxes applicable thereto.

### **9) SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

There were no significant non-cash financing activities during the period ended December 31, 2008.

### **10) PARTNERSHIP DISTRIBUTION**

During the period ended December 31, 2008, the Partnership made no cash distributions.

### **11) DETERMINATION OF NET ASSET VALUE**

Under the terms of the Limited Partnership Agreement, NAV for transaction purposes is the same as that reported under Canadian GAAP.