



AlphaNorth
Asset Management

ALPHANORTH
RESOURCE FUND

**Interim Management Report of Fund
Performance**

June 30, 2017

AlphaNorth Resource Fund

Interim Management Report of Fund Performance

As at June 30, 2017

This interim management report of fund performance contains financial highlights but does not contain either the complete Interim financial report or annual financial statements for AlphaNorth Resource Fund (the “Fund”). All references to dollars contained herein are to Canadian dollars. The interim financial statements of the Fund are attached behind this report and you can also get a copy of the interim financial statements or the annual financial statements at your request, and at no cost, by writing to us at AlphaNorth Resource Fund, c/o AlphaNorth Asset Management, 333 Bay Street, Suite 630, Toronto, Ontario M5H 2R2 or by visiting our website at www.alphanorthasset.com or SEDAR at www.sedar.com.

Shareholders may also contact us using one of these methods to request a copy of the Fund’s proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure relating to the Fund.

A Note on Forward-looking Statements

Certain statements included in this Management Report of Fund Performance constitute forward looking statements, including those identified by the expressions “anticipate”; “believe”; “plan”; “estimate”; “expect”; “may”; “will”; “intend” and similar expressions to the extent they relate to the Fund or AlphaNorth Asset Management (the “Manager”). These forward looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. These risks and uncertainties include, but are not limited to, changes in the global economy, general economic and business conditions, existing governmental regulations, supply, demand and other market factors specific to the resource sector and to the securities of resource companies in which the Fund invests.

Although the Manager believes it has a reasonable basis for making the forecasts or projections included in this Management Report of Fund Performance, readers are cautioned not to place undue reliance on such forward-looking information. By its nature, forward-looking information involves numerous assumptions and inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predictions, forecasts and other forward-looking statements will not occur. These factors include, but are not limited to, those associated with the performance of the equity securities market, expectations about interest rates and factors incorporated by reference herein as risk factors.

The above list of important factors affecting forward-looking information is not exhaustive, and reference should be made to the other risks discussed in the Fund’s filings with Canadian securities regulatory authorities. The forward-looking information is given as of the date of this Management Report of Fund Performance, and the Manager undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise.

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RESULTS OF OPERATIONS

The S&P/TSX Total Return Index (the “TSX”) return for the first half of 2017 was 0.7% ending June 30, 2017. This compares to the S&P 500 Index (the “S&P”) which returned 9.3%. After strong outperformance in 2016, the TSX has underperformed the S&P in 2017. The recent weakness in the resource sectors can be blamed for much of the underperformance by the TSX. It is our view that over the remainder of the 2017 the TSX will outperform as the resource sectors rebound. The S&P/TSX Venture Index (the “TSXV”), a benchmark for small cap equities in Canada, has also consolidated after returning 45.0% in 2016. For the six month period to June 30, 2017 the S&P/TSX Venture Index returned 0.6%. The large weighting of the resource sectors has had a significant negative impact on the Canadian indices in 2017. The TSX Materials and TSX Energy sectors were the only sectors with negative returns over this period returning (1.3%) and (22.1%) respectively. In the U.S., the large technology companies such as Google, Amazon, Facebook and Apple contributed strongly to returns for the S&P. The Fund’s performance for the comparable six month period ended June 30, 2017 was (9.2%).

During the 6 month period ended June 30, 2017, The Fund had net realized gains on the sale of investments of \$960,643 and unrealized depreciation on the value of investments of \$1,034,249. Operating expenses, including transaction costs excluding performance fees totalled \$160,218 during the period, which represents a 22.4% increase over the prior year period.

RECENT DEVELOPMENTS

The Canadian junior markets have languished in recent months as the TSXV declined modestly for the fourth consecutive month to the end of June. Over the past 36 years, the Canadian junior market has experienced a median monthly decline in the months of March, April, May, June and November. If this is any guide the modest selloff to the end of June will shortly subside and the bull market will continue. This recent market performance is not surprising in the context of the strong performance of the TSX Venture index in 2016. It was the best performing broad based equity index worldwide. As a result, a period of consolidation should not be unexpected.

The excitement towards resource equities, as a result of the potential for increased U.S. infrastructure spending, has abated slightly since the U.S. election. We still see a spread between the intrinsic value of some of these juniors and their market caps, and believe that any further clarity on this spending could lift the resource sectors.

There are clear signs of underlying strength for the TSXV. The number of companies listed has been in a downward spiral for the last several years. There were 2,266 listings in August 2012. That number declined every month since that time until the inflection point in March of 2017 after which time the number of companies has increased every month. This is not the only positive underlying trend. Financing activity and value traded have continued to improve increasing by 83% and 96% respectively over the first half of 2017 as compared to 2016.

Though the past few months have been more challenging for resources, the sentiment on the street has become more bullish and we believe that investors are coming back into the space. We are confident that momentum will continue into the fall. While the oil price has rebounded from an almost 52 week low in June, we believe that there remains a better risk/reward trade-off in the precious metals and metals sectors at this time. The Fund’s modest exposure to the energy sector in 2017 has yielded positive results. We will look to add exposure in the coming months when the risk/reward becomes more favourable for energy. While we continue to watch the energy

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space carefully, we remain focused on mining equities for the time being. We continue to see great opportunities in base metals, lithium, cobalt, and junior golds.

We discovered an error in calculation of the performance fee during the first quarter of 2017. This was corrected and the amount of \$63,465 was returned to the Fund. This included an amount for lost opportunity cost. The manager may receive a performance fee if certain performance thresholds are met. Unitholders who redeemed during the period also received reimbursement (subject to materiality limits).

RELATED PARTY TRANSACTIONS

The Manager provides or arranges for the provision of all general management and administrative services required by the Fund in its day-to-day operations, including providing or arranging the provision of investment advice, establishment of brokerage arrangements relating to the purchase and sale of the investment portfolio, and bookkeeping, record-keeping and other administrative services for the Fund. The Manager receives an annual fee, equal to 2% of the net asset value of the Fund, calculated and paid monthly in arrears. The Manager may receive a performance fee if certain performance thresholds are met.

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The following tables show selected key financial information about the fund and are intended to help you understand the fund's financial performance over the past five and a half years.

FINANCIAL HIGHLIGHTS - Series A

Net Assets Attributable to Holders of Redeemable Shares per share ¹

| | 2017 | 2016 | 2015 | 2014 | 2013 ⁵ |
|--|----------------|----------------|---------------|---------------|-------------------|
| Net Assets, beginning of period | \$ 15.12 | \$ 4.78 | \$ 5.63 | \$ 7.50 | \$ 10.00 |
| Fund Transactions | | | | | |
| Increase (decrease) from operations | | | | | |
| Total investment income | 0.01 | 0.01 | 0.03 | 0.02 | 0.02 |
| Total expenses | (4.42) | (1.77) | (0.92) | (0.75) | (4.12) |
| Realized gains (losses) | 4.40 | 4.01 | 0.97 | 0.06 | (0.15) |
| Unrealized gains (losses) | (1.60) | 6.05 | (2.57) | (6.93) | 0.13 |
| Total increase (decrease) from operations | (1.61) | 8.30 | (2.49) | (7.60) | (4.12) |
| Net Assets at end of period³ | \$13.67 | \$15.12 | \$4.78 | \$5.63 | \$ 7.50 |

- 1 This information is derived from the Fund's audited financial statements. National Instrument 81 - 106 - Investment Fund Continuous Disclosure requires that net asset value for transactional purposes ("Net Asset Value"), be calculated based on the fair value of investments using the close or last trade price. The Fund prices warrants for transaction purposes using the intrinsic value. IFRS requires that net assets for financial reporting purposes ("Net Assets") be calculated using a price within the bid-ask spread. The Fund prices warrants for financial reporting purposes using the Black-Scholes model of an investment. Net Assets per share and Net Asset Value per share could be different due to the use of different valuation techniques.
- 2 Net Assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of shares outstanding over the financial period.
- 3 This schedule is not a reconciliation of Net Assets since it does not reflect shareholders' transactions as shown on the Statement of Changes in Net Assets.

| Ratios and Supplemental Data | 2017 | 2016 | 2015 | 2014 | 2013 ⁵ |
|---|-------------|-------------|-------------|-------------|--------------------------|
| Net Asset Value (000's) ¹ | \$133 | \$264 | \$31 | \$3 | \$- |
| Number of shares outstanding ¹ | 9,727 | 17,428 | 6,534 | 447 | 66 |
| MER ratio ² | 52.82% | 22.16% | 13.88% | 8.58% | 9.09% |
| MER ratio (before waivers or absorptions) | 52.82% | 22.16% | 13.88% | 8.58% | 9.09% |
| Portfolio turnover rate ³ | 181.55% | 104.55% | 124.61% | 162.13% | 437.83% |
| Trading expense ratio ⁴ | 1.78% | 1.61% | 1.69% | 2.57% | 4.50% |
| Net Asset Value per share ¹ | \$13.67 | \$15.12 | \$4.78 | \$5.63 | \$7.50 |

- 1 This information is provided as at December 31st for the years shown.
- 2 Management expense ratio ("MER") is based on total expenses for the stated period (excluding brokerage commissions) and is expressed as an annualized percentage of daily average net assets during the period. The MER has been presented after the cost of issuance of shares of the Fund. Issuance costs are one-time costs incurred at inception and the inclusion of interest expense does not consider the additional earnings that have been guaranteed from the investment of the leverage.
- 3 The Fund's portfolio turnover rate indicates how actively the Fund's Manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a portfolio's turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.
- 4 The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.
- 5 The results shown are for the period from inception of the series February 22, 2013 to December 31, 2013.

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FINANCIAL HIGHLIGHTS – SERIES F

Net Assets Attributable to Holders of Redeemable Shares per share ¹

| | 2017 | 2016 | 2015 | 2014 | 2013 ⁵ |
|--|----------------|----------------|---------------|---------------|-------------------|
| Net Assets, beginning of period | \$ 15.80 | \$ 4.92 | \$ 5.74 | \$ 7.55 | \$ 10.00 |
| Fund Transactions | | | | | |
| Increase (decrease) from operations | | | | | |
| Total investment income | 0.01 | 0.01 | 0.03 | 0.02 | 0.02 |
| Total expenses | (1.06) | (2.17) | (0.90) | (0.74) | (0.63) |
| Realized gains (losses) | 4.45 | 4.93 | 1.01 | 0.55 | 0.03 |
| Unrealized gains (losses) | (5.56) | 7.44 | (0.70) | (1.96) | (2.02) |
| Total increase (decrease) from operations | (2.17) | 10.21 | (0.55) | (2.13) | (2.60) |
| Net Assets at end of period³ | \$14.36 | \$15.80 | \$4.92 | \$5.74 | \$ 7.55 |

1 This information is derived from the Fund's audited financial statements. National Instrument 81 - 106 - Investment Fund Continuous Disclosure requires that net asset value for transactional purposes ("Net Asset Value"), be calculated based on the fair value of investments using the close or last trade price. The Fund prices warrants for transaction purposes using the intrinsic value. IFRS requires that net assets for financial reporting purposes ("Net Assets") be calculated using a price within the bid-ask spread. The Fund prices warrants for financial reporting purposes using the Black-Scholes model of an investment. Net Assets per share and Net Asset Value per share could be different due to the use of different valuation techniques.

2 Net Assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of shares outstanding over the financial period.

3 This schedule is not a reconciliation of Net Assets since it does not reflect shareholders' transactions as shown on the Statement of Changes in Net Assets.

Ratios and Supplemental Data

| | 2017 | 2016 | 2015 | 2014 | 2013 ⁵ |
|---|---------|---------|---------|---------|-------------------|
| Net Asset Value (000's) ¹ | \$480 | \$363 | \$1,068 | \$144 | \$176 |
| Number of shares outstanding ¹ | 33,431 | 22,965 | 20,726 | 24,517 | 23,320 |
| MER ratio ² | 11.24% | 21.79% | 12.88% | 8.51% | 8.26% |
| MER ratio (before waivers or absorptions) | 11.24% | 21.79% | 12.88% | 8.51% | 8.26% |
| Portfolio turnover rate ³ | 181.55% | 104.55% | 124.61% | 162.13% | 437.83% |
| Trading expense ratio ⁴ | 1.78% | 1.61% | 1.69% | 2.57% | 4.50% |
| Net Asset Value per share ¹ | \$14.36 | \$15.80 | \$4.92 | \$5.74 | \$7.55 |

1 This information is provided as at December 31st for the years shown.

2 Management expense ratio ("MER") is based on total expenses for the stated period (excluding brokerage commissions) and is expressed as an annualized percentage of daily average net assets during the period. The MER has been presented after the cost of issuance of shares of the Fund. Issuance costs are one-time costs incurred at inception and the inclusion of interest expense does not consider the additional earnings that have been guaranteed from the investment of the leverage.

3 The Fund's portfolio turnover rate indicates how actively the Fund's Manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a portfolio's turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

4 The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

5 The results shown are for the period from inception of the series February 22, 2013 to December 31, 2013.

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FINANCIAL HIGHLIGHTS – SERIES B

Net Assets Attributable to Holders of Redeemable Shares per share ¹

| | 2017 | 2016 | 2015 | 2014 | 2013 ⁵ |
|--|----------------|----------------|---------------|---------------|-------------------|
| Net Assets, beginning of period | \$ 15.61 | \$ 4.79 | \$ 5.64 | \$ 7.49 | \$ 10.00 |
| Fund Transactions | | | | | |
| Increase (decrease) from operations | | | | | |
| Total investment income | 0.01 | 0.01 | 0.03 | 0.02 | 0.02 |
| Total expenses | (0.80) | (2.29) | (0.94) | (0.81) | (0.74) |
| Realized gains (losses) | 4.39 | 5.21 | 0.99 | 0.79 | (0.25) |
| Unrealized gains (losses) | (4.97) | 7.86 | (0.75) | (1.38) | (1.51) |
| Total increase (decrease) from operations | (1.37) | 10.79 | (0.67) | (1.38) | (2.48) |
| Net Assets at end of period ³ | \$14.17 | \$15.61 | \$4.79 | \$5.64 | \$ 7.49 |

- This information is derived from the Fund's audited financial statements. National Instrument 81 - 106 - Investment Fund Continuous Disclosure requires that net asset value for transactional purposes ("Net Asset Value"), be calculated based on the fair value of investments using the close or last trade price. The Fund prices warrants for transaction purposes using the intrinsic value. IFRS requires that net assets for financial reporting purposes ("Net Assets") be calculated using a price within the bid-ask spread. The Fund prices warrants for financial reporting purposes using the Black-Scholes model of an investment. Net Assets per share and Net Asset Value per share could be different due to the use of different valuation techniques.
- Net Assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of shares outstanding over the financial period.
- This schedule is not a reconciliation of Net Assets since it does not reflect shareholders' transactions as shown on the Statement of Changes in Net Assets.

| Ratios and Supplemental Data | 2017 | 2016 | 2015 | 2014 | 2013 ⁵ |
|---|-------------|-------------|-------------|-------------|--------------------------|
| Net Asset Value (000's) ¹ | \$2,275 | \$2,797 | \$1,068 | \$1,550 | \$3,070 |
| Number of shares outstanding ¹ | 160,553 | 179,183 | 223,205 | 267,938 | 409,626 |
| MER ratio ² | 8.07% | 20.49% | 13.88% | 9.53% | 9.09% |
| MER ratio (before waivers or absorptions) | 8.07% | 20.49% | 13.88% | 9.53% | 9.09% |
| Portfolio turnover rate ³ | 181.55% | 104.55% | 124.61% | 162.13% | 437.83% |
| Trading expense ratio ⁴ | 1.78% | 1.61% | 1.69% | 2.57% | 4.50% |
| Net Asset Value per share ¹ | \$14.17 | \$15.61 | \$4.79 | \$5.64 | \$7.49 |

- This information is provided as at December 31st for the years shown.
- Management expense ratio ("MER") is based on total expenses for the stated period (excluding brokerage commissions) and is expressed as an annualized percentage of daily average net assets during the period. The MER has been presented after the cost of issuance of shares of the Fund. Issuance costs are one-time costs incurred at inception and the inclusion of interest expense does not consider the additional earnings that have been guaranteed from the investment of the leverage.
- The Fund's portfolio turnover rate indicates how actively the Fund's Manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a portfolio's turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.
- The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.
- The results shown are for the period from inception of the series February 22, 2013 to December 31, 2013.

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MANAGEMENT AND OTHER FEES

As noted above, the Fund pays an aggregate annual management fee equal to 2% of the net assets attributable to holders or redeemable shares payable to the Manager. In addition to the management fee, the Fund also pays trailer commissions equal to 1% of the net assets attributable to holders or redeemable shares for Series A and B shares. These trailer commissions are paid by the Fund to the dealers.

PERFORMANCE BONUS

The Fund pays a performance fee equal to the excess return per Share over the TSX Small Cap Index (including distributions) multiplied by 20% and by the number of the Shares outstanding at the end of the quarter. There was \$93,634 in performance fees accrued and payable at June 30, 2017.

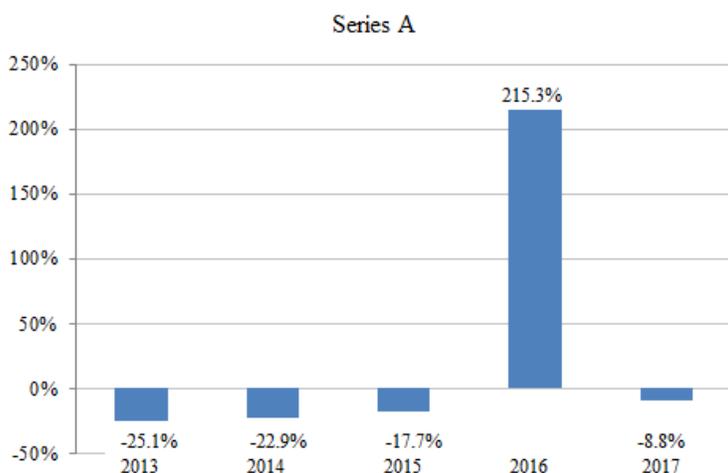
PAST PERFORMANCE

The indicated rates of return are the historical total returns including changes in unit values and assume reinvestment of all distributions in additional units of the relevant Series of the Fund. These returns do not take into account sales, redemption, distribution or optional charges or income taxes payable by any Shareholder that may reduce returns. Please note that past performance is not indicative of future performance. All rates of return are calculated based on the net assets attributable to holders or redeemable shares of the particular Series of the Fund.

YEAR-BY-YEAR RETURNS

The following chart indicates the non-annualized performance of each Series of the Fund for the six months ended June 30, 2017, and each of the previous 12-month periods ended December 31. The chart shows, in percentage terms, how much an investment made on the first day of each period would have grown or decreased by the last day of each period. The results shown for 2013 reflect the period since inception, February 22, 2013 to December 31, 2013.

Series A:

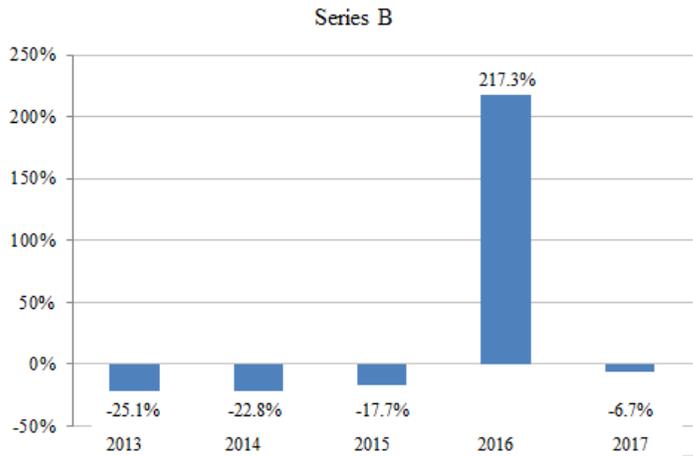


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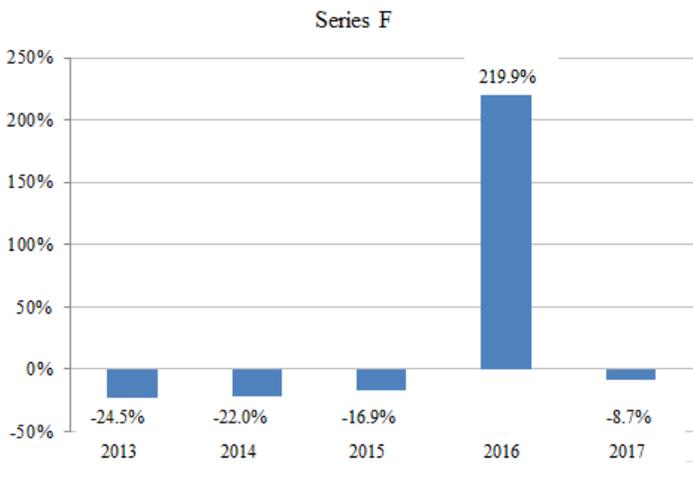
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Series B:



Series F:



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SUMMARY OF INVESTMENT PORTFOLIO

The following summary of the Fund's investment portfolio reports the portfolio as at June 30, 2017, breaks down the entire portfolio into appropriate subgroups, reports the percentage of the aggregate net assets attributable to holders or redeemable shares in each, and discloses the top positions held by the Fund as a percentage of the net assets attributable to holders or redeemable shares of the Fund. The information contained in this section is subject to change due to the ongoing portfolio transactions of the Fund.

As at June 30th, 2017

| Top Holdings | | Portfolio Allocation | |
|--|----------|-----------------------------------|---------------|
| Issuer | % of NAV | | % of NAV |
| LSC Lithium Corp | 13.0% | Long Positions | |
| Golden Predator Mining Corp. | 11.7% | | |
| Auryn Resources Inc. | 8.6% | Energy | 11.7% |
| Blackbird Energy Warrants (Exp. 19/15/21) | 8.2% | Materials | 80.8% |
| Diamcor Mining Inc. | 7.7% | Agriculture | 0.0% |
| Enforcer Gold Corp. | 6.1% | | |
| Aztec Minerals Corp. | 6.1% | Total Long Positions | 92.5% |
| Global Energy Metals | 4.6% | | |
| eCobalt Solutions Inc. | 3.8% | | |
| Lithium Energy Products | 3.8% | | |
| Anconia Resources Corp. | 3.3% | Total Investment Portfolio | 92.5% |
| Canada Carbon Inc. | 3.2% | | |
| Ikkuma Resources Corp. | 3.2% | Cash | 7.5% |
| Aurvista Gold Corp. | 3.1% | Other net liabilities | 0.0% |
| Royal Nickel Corp. | 2.5% | | |
| Canada Coal Inc. | 1.6% | Total Net Assets | 100.0% |
| Sanatana Resources Inc. | 1.1% | | |
| Sintana Energy Inc. | 0.4% | | |
| Canadian Platinum Corp. | 0.3% | | |
| Copper Mountain Mining Corp., Warrants (Exp. 19/08/02) | 0.2% | | |
| Itafos | 0.1% | | |

The "Top Holdings" excludes any temporary cash investments.
At June 30, 2017, there were 21 material positions in the portfolio



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ALPHANORTH ASSET MANAGEMENT

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