



ALPHANORTH
RESOURCE FUND

**Annual Management Report of Fund
Performance**

December 31, 2017

AlphaNorth Resource Fund

Annual Management Report of Fund Performance

As at December 31, 2017

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements for AlphaNorth Resource Fund (the “Fund”). All references to dollars contained herein are to Canadian dollars. The annual financial statements of the Fund are attached behind this report and you can also get a copy of 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 interim financial report, 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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MANAGEMENT DISCUSSION OF FUND PERFORMANCE

INVESTMENT OBJECTIVES AND STRATEGIES

The Fund seeks to generate strong returns by investing in Canadian resource companies that offer attractive risk-reward characteristics. The Fund invests primarily in junior and intermediate Canadian resource companies, however, up to 25% may be invested in foreign markets. The Fund evaluates industry and company fundamentals to evaluate investment opportunities which offer the most attractive risk-reward.

RISK

The risks associated with investing in the Fund are as described in the prospectus. There were no significant changes during the year which would attribute to material changes in risk level.

RESULTS OF OPERATIONS

The S&P/TSX Total Return Index (the “TSX”) returned 9.1% in 2017. This compares to the S&P 500 Index (the “S&P”) which returned 21.8%. After strong outperformance in 2016, the TSX has underperformed the S&P in 2017. The continued weakness in the resource sectors can be blamed for much of the underperformance by the TSX. It is our view, there will be a sector rotation in the coming quarters into the resource sectors and as a result the TSX will begin to outperform. 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. In 2017, the TSXV returned 11.6%. The large weighting of the resource sectors, particularly precious metals, has had a significant negative impact in 2017. The BMO Small Cap Precious Metals and Energy sectors were notable with negative returns in 2017 returning (9.1%) and (23.1%) respectively. In the U.S., the large technology companies such as Google, Amazon, Facebook and Apple continued to contribute strongly to returns for the S&P. The Fund’s performance in 2017 was (21.2%).

During 2017, Mason Graphite, Golden Predator Mining and Nexgen Energy generated the largest amount of realized gains for the Fund. The Fund’s positions in Diamcor Mining and Auryn Resources Inc contributed negatively to returns in 2017.

RECENT DEVELOPMENTS

Despite the recent strong performance by the Canadian equity indices in 2017, they lagged the majority of the major U.S., European and Asian indices. This underperformance can be largely attributed to the underperformance of the Canadian Energy and Materials sectors. We believe that sector rotation in favour of the resource sectors over the next year will result in superior returns for the Canadian indices.

There are continued signs of underlying strength for the TSXV. Financing activity, volume and value traded have continued to improve increasing by 38%, 15% and 52% respectively in 2017 as compared to 2016.

The macro environment for equities continues to be very favourable. The positive impacts of U.S. corporate tax cuts combined with the strongest earnings growth since 2011 have been notable positives driving U.S. equities. This has contributed to strong returns for the large cap indices in recent months and investors had become complacent prior to the recent correction. An historically high reading of 60% bullishness for the AAI (American Association of Individual Investors) investor poll combined with the recent low level of the volatility index (VIX) were evidence of this complacency. The lack of a meaningful correction in more than two years set the

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broader equity indices up for what was a rapid change in sentiment in February resulting in a correction of approximately 10%. We are not concerned by market action as the environment for equities remains highly favourable given the strong global growth and the low interest rate environment.

We believe that sector rotation in favour of the resource sectors over the next year will result in superior returns for the Canadian indices. The strong macro backdrop and continued positive trend for large cap equities provides the environment for Canadian small cap companies to continue to outperform. The TSX Venture index remains 76% below its all-time high set in 2007. We believe there remains significant runway left in the small cap bull market which began in 2016.

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.

The Manager and an affiliate of the Manager may receive finders fees from issuers in whose securities the Fund invests. During 2017, the Manager and its affiliates were not paid any finders fees. The IRC of the Fund has considered these finders fees and considers that it is fair and reasonable for the Fund for the Manager and the affiliate to receive these finders fees, provided they are disclosed.

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).

The IRC of the Fund considered the above-noted matter regarding the incorrect charge of performance fees and provided its recommendation that the Manager proceed in the manner it did to reimburse the Fund and its applicable shareholders.

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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 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	(1.69)	(1.77)	(0.92)	(0.75)	(4.12)
Realized gains (losses)	4.02	4.01	0.97	0.06	(0.15)
Unrealized gains (losses)	(6.21)	6.05	(2.57)	(6.93)	0.13
Total increase (decrease) from operations	(3.87)	8.30	(2.49)	(7.60)	(4.12)
Net Assets at end of period³	\$11.93	\$15.12	\$4.78	\$5.63	\$ 7.50

- 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	\$158	\$264	\$31	\$3	\$-
Number of shares outstanding ¹	13,208	17,428	6,534	447	66
MER ²	11.72%	22.16%	13.88%	8.58%	9.09%
Portfolio turnover rate ³	95.88%	104.55%	124.61%	162.13%	437.83%
Trading expense ratio ⁴	1.81%	1.61%	1.69%	2.57%	4.50%
Net Asset Value per share ¹	\$11.93	\$15.12	\$4.78	\$5.63	\$7.50

- 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 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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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	(1.34)	(2.17)	(0.90)	(0.74)	(0.63)
Realized gains (losses)	4.06	4.93	1.01	0.55	0.03
Unrealized gains (losses)	(6.72)	7.44	(0.70)	(1.96)	(2.02)
Total increase (decrease) from operations	(3.99)	10.21	(0.55)	(2.13)	(2.60)
Net Assets at end of period³	\$12.60	\$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	\$401	\$2,797	\$1,068	\$144	\$176
Number of shares outstanding ¹	31,816	22,965	20,726	24,517	23,320
MER ²	9.20%	21.79%	12.88%	8.51%	8.26%
Portfolio turnover rate ³	95.88%	104.55%	124.61%	162.13%	437.83%
Trading expense ratio ⁴	1.81%	1.61%	1.69%	2.57%	4.50%
Net Asset Value per share ¹	\$12.60	\$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.

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	(1.18)	(2.29)	(0.94)	(0.81)	(0.74)
Realized gains (losses)	4.05	5.21	0.99	0.79	(0.25)
Unrealized gains (losses)	(5.65)	7.86	(0.75)	(1.38)	(1.51)
Total increase (decrease) from operations	(2.77)	10.79	(0.67)	(1.38)	(2.48)
Net Assets at end of period ³	\$12.36	\$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	\$1,853	\$2,797	\$1,068	\$1,550	\$3,070
Number of shares outstanding ¹	149,917	179,183	223,205	267,938	409,626
MER ²	8.13%	20.49%	13.88%	9.53%	9.09%
Portfolio turnover rate ³	95.88%	104.55%	124.61%	162.13%	437.83%
Trading expense ratio ⁴	1.81%	1.61%	1.69%	2.57%	4.50%
Net Asset Value per share ¹	\$12.36	\$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 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.
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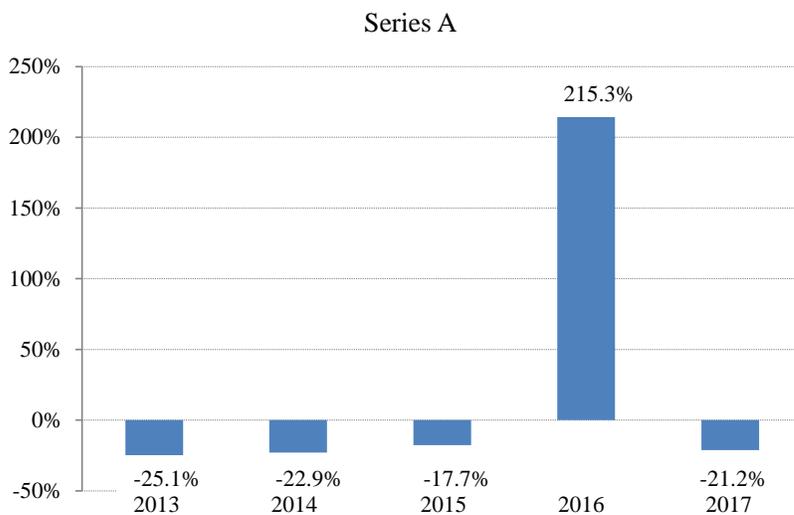
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PAST PERFORMANCE

The indicated rates of return are the historical total returns including changes in Share values and assume reinvestment of all distributions in additional Shares 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

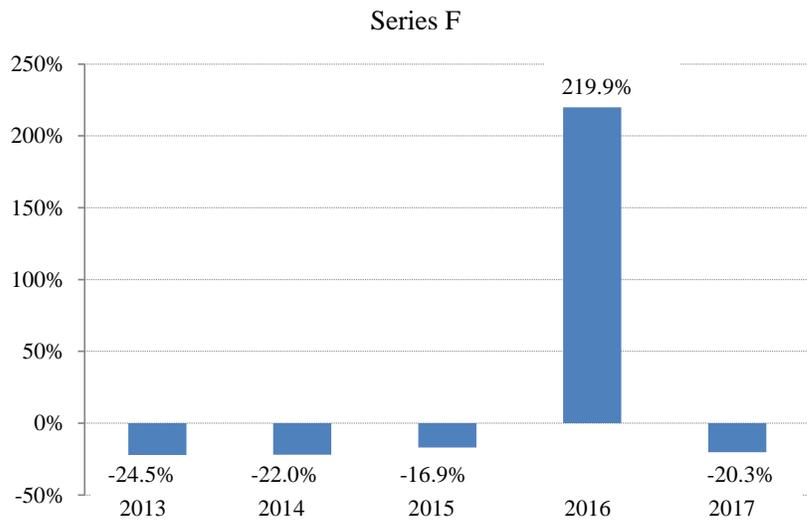
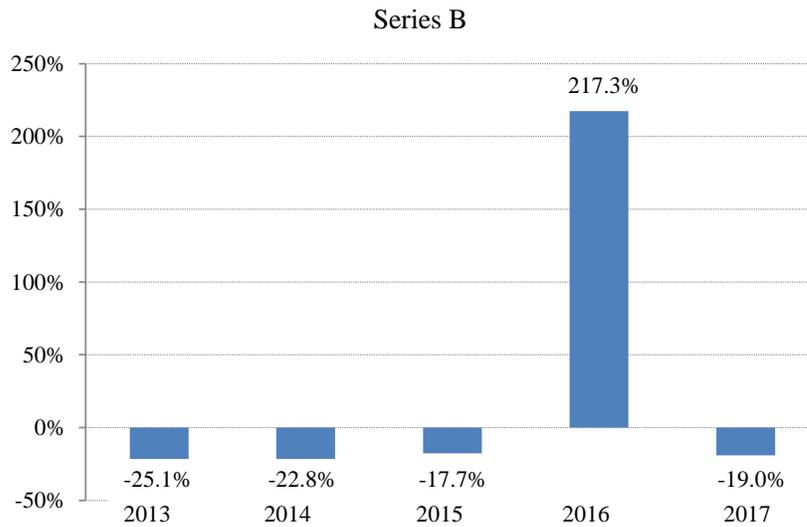
The following chart indicates the non-annualized performance of each Series of the Fund for each of the previous 12-month periods ended December 31. The chart shows, in percentage terms, how much an investment made on the first day of each period would have grown or decreased by the last day of each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



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Annual Compound Returns

The following table illustrates the annual compound total return for Series A, B and F shares of the Fund for the periods shown. The S&P/TSX Small Cap Index (the “TSX Small Cap”) and the TSX-V are capitalization-weighted indices that represents float-adjusted stocks on the indices. Since the Fund does not necessarily invest in the same securities as the TSX Small Cap or TSX-V Indices or in the same proportion, the performance of the Fund is not expected to equal their performance. In addition, the Fund is subject to costs, such as fees and trading expenses that are not borne by the indices.

	1-Year	3-Year	Since Inception*
AlphaNorth Resource Fund - Series A	-21.2%	26.0%	18.1%
AlphaNorth Resource Fund - Series B	-19.0%	26.3%	22.4%
AlphaNorth Resource Fund - Series F	-20.3%	27.5%	24.8%
S&P/TSX Venture Index	11.6%	-6.5%	-25.7%
S&P/TSX Small Cap Index	0.3%	2.6%	13.8%

*Inception of the Fund was February 22, 2013

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SUMMARY OF INVESTMENT PORTFOLIO

The following summary of the Fund's investment portfolio reports the portfolio as at December 31, 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.

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Top Holdings		Portfolio Allocation	
Issuer	% of NAV		% of NAV
LSC Lithium Corp	11.9%	Long Positions	
Blackbird Energy Warrants (Exp. 2019-05-21)	9.7%		
Golden Predator Mining Corp.	9.2%	Energy	26.5%
Global Energy Metals	9.0%	Materials	72.5%
Petroshale Inc.	8.0%	Agriculture	0.0%
Auryn Resources Inc.	7.1%		
Aztec Minerals Corp.	5.5%	Total Long Positions	99.0%
Diamcor Mining Inc.	5.0%		
Birchcliff Energy Ltd.	3.7%		
Enforcer Gold Corp.	3.5%		
Maple Gold Mines Ltd.	3.5%	Total Investment Portfolio	99.0%
Nevada Zinc Corp.	3.3%		
Hannan Metals Ltd.	2.8%	Other net liabilities	1.0%
Canada Coal Inc.	2.7%		
Royal Nickel Corp.	2.6%	Total Net Assets	100.0%
Raging River Exploration Inc.	2.5%		
Copper Mountain Mining Corp., Warrants (Exp.2019-08-09)	2.3%		
Canada Carbon Inc.	2.1%		
Anconia Resources Corp.	2.0%		
Ikkuma Resources Corp.	0.9%		
Sintana Energy Inc.	0.7%		
Maple Gold Mines Ltd., Warrants (Exp.2019-11-15)	0.7%		
Itafos	0.2%		
Aztec Minerals Corp., Warrants (Exp.2019-05-02)	0.1%		

The "Top Holdings" excludes any temporary cash investments.

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AlphaNorth
Asset Management

ALPHANORTH ASSET MANAGEMENT

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