

Financial statements of

**RavenSource Fund**

December 31, 2008 and 2007

# **Ravensource Fund**

December 31, 2008 and 2007

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## Auditors' Report

To the Unitholders of Ravensource Fund

We have audited the statement of investment portfolio of Ravensource Fund (the "Trust") as at December 31, 2008, the statements of net assets as at December 31, 2008 and 2007, and the statements of operations and changes in net assets for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 statement present fairly, in all material respects, the financial position of the Trust as at December 31, 2008 and 2007, and the results of its operations and the changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants  
Licensed Public Accountants  
March 25, 2009



# Ravensource Fund

## Statement of operations

years ended December 31, 2008 and 2007

	2008	2007
	\$	\$
<b>Investment income</b>		
Interest	255,367	158,811
Dividends and income trust distributions	191,127	250,525
Sundry income (Note 7)	133,777	-
	<b>580,271</b>	<b>409,336</b>
<b>Expenses</b>		
Management fees (Note 4a)	78,330	101,997
Incentive fee (Note 4b)	-	133,777
Administrative fees (Note 4c)	42,178	54,921
Investor relations fees (Note 4d)	15,502	14,861
Trust administration and transfer agency fees	25,763	25,498
Audit fees	25,881	37,233
Legal fees	672	15,328
Listing fees	10,666	15,635
Accounting fees	20,248	16,581
Other expenses	1,916	5,941
	<b>221,157</b>	<b>421,772</b>
Net investment income (loss)	<b>359,115</b>	<b>(12,436)</b>
Realized and unrealized gain (loss) on investments		
Transaction costs	(21,127)	(25,895)
Net realized gain on investments, including foreign exchange adjustments	140,724	2,115,108
Net change in unrealized depreciation on investments	(5,806,293)	(1,032,420)
Net (loss) gain on investments	(5,686,696)	1,056,793
<b>(Decrease) increase in net assets from operations</b>	<b>(5,327,581)</b>	<b>1,044,357</b>
<b>Average number of units outstanding during the period</b>	<b>1,430,328</b>	<b>1,530,178</b>
<b>Increase in net assets from operations per unit</b>	<b>(3.72)</b>	<b>0.68</b>

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

# Ravensource Fund

## Statement of net assets

as at December 31, 2008 and 2007

	2008	2007
	\$	\$
<b>Assets</b>		
Cash	1,425,993	942,107
Investments at fair value (Cost: \$10,220,574; 2007 - \$10,645,640)	6,506,014	12,737,371
Interest and dividends receivable	138,472	67,820
	<b>8,070,479</b>	<b>13,747,298</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	42,558	45,722
Incentive, management and administrative fees payable	7,050	145,591
	<b>49,608</b>	<b>191,313</b>
<b>Net assets</b>	<b>8,020,871</b>	<b>13,555,985</b>
<b>Number of units outstanding (Note 6)</b>	<b>1,424,016</b>	<b>1,433,343</b>
<b>Net asset value per unit</b>	<b>5.63</b>	<b>9.46</b>

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

Approved on behalf of the Trust



Investment Manager

Stornoway Portfolio Management Ltd.

# RavenSource Fund

Statement of changes in net assets  
year ended December 31, 2008 and 2007

	2008	2007
	\$	\$
<b>Net assets, beginning of year</b>	<b>13,555,985</b>	14,206,689
(Decrease) increase in net assets from operations	<b>(5,327,581)</b>	1,044,357
Unitholder transactions		
Redemption of units (Note 5c)	<b>(78,532)</b>	(1,439,668)
Distributions (Note 5d)	<b>(129,001)</b>	(255,393)
	<b>(207,532)</b>	(1,695,061)
Decrease in net assets	<b>(5,535,114)</b>	(650,704)
<b>Net assets, end of year</b>	<b>8,020,871</b>	13,555,985

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



# RavenSource Fund

Statement of investment portfolio  
as at December 31, 2008

Number of shares/units	Investments, owned	Average cost	Fair value	% of net assets
		\$	\$	
<b>Canadian equities</b>				
19,999	Aecon Group Inc.	149,998	219,389	2.74
20,000	BCE Inc.	767,591	501,000	6.25
98,500	Cinram International Income Fund	556,796	147,750	1.84
66,500	Data Group Income Fund	447,080	269,325	3.36
170,000	Glacier Media Inc.	446,861	365,500	4.56
21,100	GVIC Communications Corp. Class B Shares	17,091	9,495	0.12
22,500	GVIC Communication Corp. Class C Shares	18,045	9,000	0.11
100,000	HSE Integrated Ltd.	100,500	27,000	0.34
27,900	Indigo Books & Music Inc.	141,639	328,104	4.09
75,000	Livingston Energy Ltd.	97,500	37,500	0.47
33,800	Marsulex Inc.	234,582	266,682	3.32
6,500	McGraw-Hill Ryerson Ltd.	254,405	229,060	2.86
79,000	NEO Material Technologies Inc	173,000	99,540	1.24
15,000	Noranda Income Fund	135,678	61,050	0.76
271,033	Plazacorp Retail Properties Ltd.	325,240	623,376	7.77
36,800	Retrocom Mid-Market REIT	184,215	53,360	0.67
200,000	Sigma Industries Inc.	180,000	3,000	0.04
27,547	Twin Butte Energy Ltd.	64,737	17,906	0.22
231,800	Village Farms Income Fund	548,657	243,390	3.03
71,000	Wave Energy Ltd.	150,000	177,500	2.21
75,000	West Energy Ltd.	170,250	138,750	1.73
1,691,000	Westaim Corporation	426,945	397,385	4.95
45,400	Winpak Ltd.	295,252	335,960	4.19
		<b>5,886,060</b>	<b>4,561,021</b>	<b>56.86</b>
<b>U.S. equities</b>				
14,800	Capital Senior Living Corporation	113,557	52,197	0.65
92,000	Citadel Broadcasting Corporation	368,758	18,026	0.22
24,965	Solutia Inc.	557,938	133,600	1.67
		<b>1,040,253</b>	<b>203,824</b>	<b>2.54</b>

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

# RavenSource Fund

Statement of investment portfolio (continued)  
as at December 31, 2008

Number of shares /nominal value	Investments, owned	Average cost \$	Fair value \$	% of net assets
<b>Canadian Fixed income</b>				
600,000	First Metals Inc. 14% 5 May 2012 (Note 12)	570,750	180,000	2.24
		<b>570,750</b>	<b>180,000</b>	<b>2.24</b>
<b>U.S. Fixed income</b>				
500,000	Crystallex International Corp. 9.375% 23 Dec 2011	402,774	214,305	2.67
1,000,000	Delphi Corp. 6.55% 15 June 2006	732,498	21,431	0.27
300,000	Sea Containers Ltd. 10.5% 15 May 2012	388,845	36,738	0.46
1,400,000	Specialty Food Group 8% 14 Dec 2011	1,219,274	1,285,830	16.03
		<b>2,743,390</b>	<b>1,558,304</b>	<b>19.43</b>
<b>Canadian Warrants</b>				
60,000	First Metal Inc. 31 July 2012 (Note 12)	300	-	-
100,000	Sigma Ventures Inc. 14 March 2012	-	-	-
		<b>300</b>	<b>-</b>	<b>-</b>
<b>U.S. Warrants</b>				
14,623	Solutia Inc 31 December 2013	-	2,865	0.04
		<b>-</b>	<b>2,865</b>	<b>0.04</b>
Total investments owned		<b>10,240,753</b>	<b>6,506,014</b>	<b>81.11</b>
Transaction costs		<b>(20,179)</b>	<b>-</b>	<b>-</b>
Total investments owned		<b>10,220,574</b>	<b>6,506,014</b>	<b>81.11</b>
Other net assets			1,514,857	18.89
<b>Net assets</b>			<b>8,020,871</b>	<b>100.00</b>

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



# RavenSource Fund

## Notes to the financial statements

December 31, 2008 and 2007

### 1. Trust organization and nature of operations

The RavenSource Fund (the "Trust") is a closed-end investment trust which was created under the laws of the Province of Ontario pursuant to a Declaration of Trust, dated April 28, 1997 as amended January 15, 2001 and as further amended and restated as of August 22, 2003 and as of July 1, 2008 (the "Declaration of Trust"). The Trust's units are listed on the Toronto Stock Exchange ("RAV.UN").

Computershare Trust Company of Canada (the "Trustee") acts as trustee for the Trust. At a special meeting of the Trust's unitholders, Stornoway Portfolio Management Inc. ("SPM"), an Ontario corporation, was appointed as the "Investment Manager" of the Trust, effective July 1, 2008. SPM previously provided portfolio management services to Cinnamon Investments Limited, the previous investment manager, who paid for SPM's services from their portfolio management fees. The change in investment manager did not have a significant impact on the basis of fees charged to the Funds.

The Investment Manager provides portfolio management and administrative services to the Trust, subject to the overall supervision of the Trustee. The Investment Manager is authorized to invest and reinvest the Trust's assets and make investment decisions on behalf of the Trust. The Investment Manager and its affiliates own 116,700 (2007 - 22,600) units representing 8.2% (2007 - 1.58%) of the outstanding units as at December 31, 2008.

The capital of the Trust is represented by the net asset value of the Trust, and comprises mainly of investments. As more fully outlined in the Declaration of Trust, the principal investment objective of the Trust is to achieve absolute annual returns, with an emphasis on capital gains, through investment in selected North American securities. The Trust will invest its property primarily in North American high yield and distressed debt securities, and in small capitalization equity securities. The success of the Trust depends on the continued services of the Investment Manager and will be influenced by a number of risk factors including liquidity risk, market risks, investment in options, and leverage from borrowed funds.

### 2. Summary of significant accounting policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The following is a summary of the significant accounting policies followed by the Trust:

#### a) *Valuation of Investments*

The Trust's investments are presented at fair value determined as follows:

- i) Securities listed upon a recognized public stock exchange are valued at their bid prices on the valuation date. In a situation where, in the opinion of the Investment Manager, a market quotation for a security is inaccurate, unreliable or not readily available, the fair value of the security is estimated using valuation techniques generally used in the industry.
- ii) Securities not listed upon a recognized public stock exchange are valued using valuation techniques, which take into account market factors, valuation of similar securities and interest rates.
- iii) Short-term notes, treasury bills, bonds, asset-backed securities and other debt instruments are valued at bid quotations from recognized investment dealers.

#### b) *Investment transactions and income recognition*

Purchases and sales of securities are recorded on a trade date basis. Interest income is recognized on an accrual basis; however no accrual is made on the defaulted bonds. Dividend income (including distributions from income funds) is recognized at the ex-dividend date. Net realized gains (losses) on the sale of investments include net realized gains or losses from foreign currency changes and are based on weighted average cost.



# RavenSource Fund

## Notes to the financial statements

December 31, 2008 and 2007

### 2. Summary of significant accounting policies (continued)

#### c) *Income tax*

The Trust is taxable as a mutual fund trust under the Income Tax Act (Canada) on its income including net realized capital gains in the taxation year, which is not paid or payable to its unitholders as at the end of the taxation year. It is the intention of the Fund to distribute all of its net income and sufficient net realized capital gains so that the Fund will not be subject to income taxes.

#### d) *Foreign currency translation*

Investments and other assets and liabilities that are denominated in foreign currencies are translated into Canadian dollars at the exchange rates on year end date. Purchases and sales of investments and income derived from investments are translated at the exchange rate prevailing on the respective dates of such transactions. The Trust does not separately report the effects of changes in foreign exchange rates from changes in market prices on investments held. Such changes are included in net realized gain or loss from/unrealized appreciation or depreciation of investments.

#### e) *Transaction costs*

Transaction costs are expensed and are included in the Statement of Operations. Transaction costs are incremental costs that are directly attributable to the acquisition, issue, or disposal of an investment, which include fees and commission paid to agents, advisors, brokers, and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

#### f) *Use of estimates*

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets (primarily with respect to less liquid investments) 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 management's best estimates as additional information becomes available in the future.

#### g) *Adoption of new accounting standards*

On January 1, 2008 the Trust adopted three new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"): Handbook Section 1535, *Capital Disclosures* ("Section 1535"); Handbook Section 3862, *Financial Instruments – Disclosures* ("Section 3862"); and Handbook Section 3863, *Financial Instruments – Presentation* ("Section 3863"). These new sections have been applied prospectively.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies, and procedures for managing capital; (ii) quantitative data and qualitative information about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The adoption of Section 1535 did not have a significant impact on the Trust's disclosures as: (i) the Trust's objectives, policies, and procedures relating to equity and investments are described in Notes 1, 5, 6, 10 and the statement of changes in net assets; and (ii) the Trust does not have any externally imposed capital requirements.

Sections 3862 and 3863 replaced Section 3861, *Financial Instruments – Presentation and Disclosure*. Section 3862 has placed increased emphasis on disclosures relating to risks associated with both recognized and unrecognized financial instruments and how the Trust manages these risks. These expanded disclosures are now included in Note 10. Section 3863 carries forward the presentation requirements of Section 3861.



# RavenSource Fund

## Notes to the financial statements

December 31, 2008 and 2007

### 3. Net asset value

Amendments to NI 81-106, effective September 8, 2008, remove the requirement that net asset value, for redemptions and subscriptions, ("Net Asset Value") be calculated in accordance with Canadian GAAP.

Net asset value ("pricing NAV") per unit is computed by dividing the net asset value determined for the purchase and redemption of units in accordance with the Trust's prospectus, by the total number of units outstanding.

In 2007, the pricing NAV per unit of \$9.55 was different from the net assets per unit calculation, which is presented on the Statement of Net Assets ("GAAP net assets"). The difference was due to valuing actively traded securities at bid for GAAP net assets while pricing NAV used closing prices.

From August 31, 2008, the calculation of pricing NAV was changed and it is now consistent with the calculation of GAAP net assets - there is no difference between pricing NAV and GAAP net assets at December 31, 2008.

### 4. Related party transactions

#### a) Management fees

The management fee payable to the Investment Manager is based on the Trust's average weekly net assets at the end of each week and payable on the last business day of each calendar month as follows:

<u>Average Weekly Net Assets</u>	<u>Management Fee</u>
Up to and including \$250 million	0.65% of Net Asset Value plus GST
Between \$250 million and \$500 million	0.60% of Net Asset Value plus GST
\$500 million and more	0.55% of Net Asset Value plus GST

#### b) Incentive fee

An incentive fee will be payable to the Investment Manager in any year, equal to 20% of the amount by which the net asset value per unit at the end of the year, adjusted for contributions, distributions, and redemptions during the year, exceeds the net asset value per unit at the beginning of the year by more than 5%, plus any shortfall from prior year. This fee will be accrued monthly but calculated and paid annually.

#### c) Administrative fees

Subject to the supervision of the Trustee, the Investment Manager agrees to be responsible for and provide certain administrative services to the Trust. The Trust will pay the Investment Manager a fee based on the Trust's average weekly net assets at the end of each week and payable on the last business day of each calendar month as follows:

<u>Average Weekly Net Assets</u>	<u>Administrative Fee</u>
Up to and including \$250 million	0.35% of Net Asset Value plus GST
Between \$250 million and \$500 million	0.30% of Net Asset Value plus GST
\$500 million and more	0.25% of Net Asset Value plus GST

#### d) Investor relations fees

The Investment Manager is paid a monthly investor relations fee for unitholder reporting and other services provided under a service agreement.

#### e) Other related party transactions

Certain senior executives and board members of the Investment Manager and their affiliated entities (excluding the Investment Manager and its affiliates) are unitholders in the Trust. At December 31, 2008, such related parties held 547,994 (2007 - 535,194) units approximately representing 38.48% (2007 - 37.34%) of the units of the Trust. All transactions were conducted on an arm's length basis based on net asset values. The units held by the Investment Manager and its affiliates in the trust are disclosed in note 1.



# RavenSource Fund

## Notes to the financial statements

December 31, 2008 and 2007

### 5. Unitholders' entitlements

The Unitholders' entitlements with respect to the net assets and distribution of income are generally as follows:

*a) Entitlement in respect of net assets*

A pro-rata share of the net assets of the Trust in the proportion that each unitholders' equity bears to the aggregate unitholders' equity.

*b) Tax designations and elections*

The Trustee shall file all tax returns, on behalf of the Trust, required by law.

*c) Redemption of units*

By delivering an Annual Redemption Request to be received by the Trust's registrar and transfer agent on or before the twentieth business day prior to the applicable Annual Redemption Date, being the valuation date following August 31 in any year, subject to compliance with applicable laws and the provisions, unitholders shall be entitled to require the Trust to redeem some or all of their units outstanding at net asset value as of the Annual Redemption Date.

*d) Distributions*

The Trust intends to make semi-annual distributions to unitholders of record as of the last Valuation Date of each of June and December in each calendar year, of such amount per unit as the Trustee, upon consultation with the Investment Manager, may determine. It is anticipated that the annual distribution will be at least equal to the net capital gains plus the net income of the Trust for that year, net of any tax losses brought forward from prior years.

During the year, the Trust made a distribution on June 27, 2008 of \$0.09 cents (2007 - \$0.08 cents) per unit and no distribution was made in December 2008 (2007 - \$0.09 cents), for a total amount of \$129,001 (2007 - \$255,393).

The Trust has cumulative net capital losses of \$21,619,646 (2007 - \$21,695,565) for income tax purposes that may be carried forward and applied to reduce future net capital gains. The Trust has non-capital losses of \$297,660 from 2006 for income tax purposes that may be carried forward up to 20 years to offset future net income and realized capital gains.

### 6. Units of the Trust

The Trust is authorized to issue an unlimited number of redeemable units of beneficial interest, each of which represents an equal, undivided interest in the net assets of the Trust. Each unit entitles the holder to one vote and to participate equally with respect to any and all distributions made by the Trust. The redemption price per unit will be equal to the net asset value per unit calculated on the redemption date.

	2008	2007
<b>Units, beginning of year</b>	<b>1,433,343</b>	1,579,904
Sale of units	-	-
Redemption of units	(9,327)	(146,561)
<b>Units, end of year</b>	<b>1,424,016</b>	1,433,343

### 7. Sundry income

During the year, the previous Investment Manager, Cinnamon Investments Limited, waived the incentive fees payable to them as at December 31, 2007.

# RavenSource Fund

## Notes to the financial statements

December 31, 2008 and 2007

### 8. Expenses

The Investment Manager has the power to incur and make payment out of the Trust property any charges or expenses which, in the opinion the Investment Manager, are necessary or incidental to, or proper for, carrying out any of the purposes of the Declaration of Trust, including without limitation all fees and expenses relating to the management and administration of the Trust. The Trust will be responsible for any income or excise taxes and brokerage commissions on portfolio transactions.

### 9. Indemnification of the Investment Manager

The Trust has indemnified the Investment Manager (and each of its directors and officers) from and against all liabilities and expenses, reasonably incurred by the Investment Manager, other than liabilities and expenses incurred as a result of the Investment Manager's wilful misconduct, bad faith or negligence. There were no claims or expenses against the Investment Manager requiring indemnification during the years ended December 31, 2008 and 2007.

### 10. Financial instruments risk management

Managing the risks of the investment portfolio is a critical element of the investment management process. The Trust's overall risk management process seeks to minimize the potentially adverse effect of risk on its financial performance in a manner that is consistent with the Trust's investment mandate. To accomplish this goal, the Trust utilizes a range of well-established tools and methods to manage the risk of the Trust.

In the normal course of business, the Trust is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk, and other price risk). The value of investments within the Trust portfolio 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 Trust. The level of risk depends on the Trust's investment objectives and the type of securities it invests in.

#### *a) 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 the Trust. Where the Trust 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 Trust.

All transactions executed by the Trust in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold takes place once the broker has received payment, and purchases are paid for once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

As at December 31, 2008, the Trust's credit exposure is primarily to high yield bonds which are unrated (96.65% of the total debt) and the remaining debt portfolio comprising of defaulted bonds.

#### *b) Liquidity risk*

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

The Trust's exposure to liquidity risk primarily relates to annual redemption of units. Other than the high yield and defaulted bonds, the Trust primarily invests in equity securities that are traded in active markets and can be readily disposed of. In addition, the Trust retains sufficient cash to maintain liquidity.



# RavenSource Fund

## Notes to the financial statements

December 31, 2008 and 2007

### 10. Financial instruments risk management (continued)

#### c) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises when the Trust invests in interest-bearing financial instruments. The Trust 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 no sensitivity to interest rate fluctuations on any cash balances.

As the Trust has significant exposure to high yield and defaulted bonds with no exposure to government bonds, its bond investments tend to be affected more by changes in overall economic growth and company-specific fundamentals rather than changes in interest rates. However, high yield bonds do have a degree of interest rate risk which is illustrated in the table below.

As at December 31, 2008, the Trust's exposure to debt instruments by maturity and the impact on its net asset value if the yield curve is shifted in parallel by increase of 25 basis points, holding all other variables constant ("sensitivity"), is as follows:

<b>Maturity date</b>	<b>CAD \$ *</b>
1-3 years	<b>1,328,691</b>
3-5 years	<b>150,000</b>
Sensitivity to 25bps yield change will (decrease) net assets by	<b>(8,062)</b>

\* Excludes cash, defaulted bonds and preferred shares.

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

#### d) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises from financial instruments (including cash and cash equivalents) that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Trust. The Trust may enter into foreign exchange contracts for hedging purposes to reduce its foreign currency exposure, or to establish exposure to foreign currencies. Other currencies to which the Trust had exposure as at December 31, 2008, are as follows:

	<b>CAD \$</b>	<b>% of NAV</b>
United States dollar	<b>1,953,305</b>	<b>24.35</b>

As at December 31, 2008, if the Canadian dollar had strengthened or weakened by 1 percent in relation to all currencies, with all other variables held constant, net assets would have increased or decreased, respectively, by approximately 2.4% (\$19,533). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.



# RavenSource Fund

## Notes to the financial statements December 31, 2008 and 2007

### 10. Financial instruments risk management (continued)

#### *e) 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 Manager of the Trust moderates this risk through a careful selection and diversification of securities and other financial instruments within the limits of the Trust's investment objectives and strategy. The Trust's overall market positions are monitored on a regular basis by the Investment Manager. As at December 31, 2008, 59.45% of the Trust's net assets were invested in securities traded on North American stock exchanges. If security prices on the North American stock exchanges had increased or decreased by 10% as at the period end, with all other factors remaining constant, net assets could possibly have increased or decreased by approximately 10% (\$476,771). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

### 11. Future accounting changes

The Canadian Accounting Standards Board has confirmed its plan for changeover to International Financial Reporting Standards (IFRS) on January 1, 2011. At December 31, 2008 the Investment Manager is developing a changeover plan to meet the timetable for changeover to IFRS. The key objectives of the plan include disclosures of the qualitative impact in the 2008, 2009 and 2010 financial statements, disclosures of the quantitative impact, if any, in the 2010 financial statements and the preparation of the 2011 financial statements in accordance with IFRS. The Investment Manager is still evaluating the impact that the changeover to IFRS will have on the Trust.

### 12. Subsequent event

As at December 31, 2008, the Trust had interest receivable from its holdings of the First Metals bond. No provision was made as the Trust assessed the nonpayment of interest and had reason to expect payment within a 30 day nonpayment grace period. Subsequent to the year-end, upon First Metals Inc. citing an intention to file for bankruptcy on January 8, 2009, the Trust wrote off the associated \$21,000 of interest receivable and reduced the fair value of its bond holdings from \$180,000 to \$90,000.

### 13. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.



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March 31, 2009

Mr. Scott Reid  
President  
Ravensource Fund  
30 St. Clair Avenue West, Suite 901  
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### **Auditors' consent**

To: **Ravensource Fund**

We consent to the use of our audit report dated March 25, 2009 to the unitholders of Ravensource Fund (the "Trust") on the financial statements of the Trust comprising the statements of net assets and of investment portfolio of the Trust as at December 31, 2008 and 2007, and the statements of investment operations, and of changes in net assets for the years then ended to be filed with securities regulatory authorities on SEDAR on March 31, 2009.

We have performed only limited procedures, including enquiries of the Trust's management with respect to events occurring between the date of our audit report and the date of this consent. We have not performed any procedures subsequent to the date of this consent.

This consent is provided to the Trust for use solely in connection with the above filing of these financial statements on the above date. We expressly do not consent to any other use, or to the release (as such term is defined in section 138 of the Securities Act (Ontario) or other applicable securities legislation), by the Trust or any other person, of the audit report. If the audit report is proposed to be used for any other purpose or otherwise released, a further consent in writing is required from us. If a further consent is requested, we will, subject to being retained for that purpose, undertake such additional procedures as are required by professional standards to enable us to determine whether we can furnish the further consent and, if we are able to do so, we will.

Yours very truly,

Chartered Accountants  
Licensed Public Accountants