2000 Annual Report

Canada Dominion Resources Limited Partnership III

Highlights

- Canada Dominion Resources Limited Partnership III's public offering of securities closed in August 1999 raising gross proceeds of $20,700,000.
- Net proceeds of the offering were fully invested in flow-through shares of sixteen Canadian resource companies as at December 31, 1999. The tax benefits of these investments have been fully renounced and "flowed-through" to the Limited Partners as of December 31, 1999.
- Portfolio adjusted during 2000 such that it was comprised of twenty-one Canadian resource companies at December 31, 2000, including oil and gas service sector stocks.
- De Beers Canada Mining Inc.'s acquisition of Winspear Resources Ltd. generated an accounting gain of over $1,300,000 and $2,500,000 of cash for reinvestment.
- Net asset value increased by 16% during the year.

Canada Dominion Resources Limited Partnership III

Canada Dominion Resources Limited Partnership III provides an opportunity for Canadian investors to participate in the resource sector while enjoying significant tax benefits. Our public offering which closed in August 1999 raised $20 million from more than 1,100 investors nationwide. Canada Dominion Resources Group currently manages over $140 million in resource assets.

The Partnership's primary business mission is to increase the value of its resource portfolio assets under management and increase value for unitholders.

Our principal objective is to achieve long-term capital appreciation through investment in a professionally managed, diversified portfolio of equity securities of oil and gas and mining companies. One of Canada's most successful resource portfolio managers, Normand E. Lamarche, manages the investments for the Partnership. Our decision to retain Mr. Lamarche and his company Tuscarora Capital Inc. was based on their experience, track record and reputation in the resource sector.

Flow-through shares are common shares of Canadian resource companies issued to finance the exploration and development of resource properties. To encourage investment in the exploration and development programs of Canadian resource companies, the federal government allows exploration and development expenses by these companies to be "flowed-through" to the investor and deducted for tax purposes.

Letter to Limited Partners

I am pleased to present the financial statements for Canada Dominion Resources Limited Partnership III for the period ending December 31, 2000 and to report on our progress.

Investment Objective

Our investment objective is to provide our investors with long-term capital appreciation by investing in a diversified portfolio of companies engaged in exploration and development in the oil and gas and mining sectors. Tuscarora Capital Inc., the Partnership's investment advisor, continues to manage the portfolio with this long-term approach. Currently, the portfolio is focused on the energy sector with a strong weighting to gas producers.

Flow-Through Shares

The initial proceeds of the Partnership were invested exclusively in flow-through shares of Canadian resource companies. This provided significant tax benefits as a result of the Partnership's ability to "flow-through" Canadian Exploration Expenses to Limited Partners.

The Portfolio

During 2000 commodity prices experienced strong reversals with crude oil prices almost tripling from their lows of $10 and natural gas pricing continuing to be very firm. Share prices began to increase through the year but did not match the gains in commodity prices. It appeared that investors were reacting with disbelief to the sustainability of commodity prices and were treating commodity price increases as an aberration. In addition, the investment fervor for anything that implied technology negatively impacted the flow of funds into the resource areas. The impact of the above resulted in the lowest resource sector weightings in TSE history. In spite of the above the companies that the fund invested in performed very well with many experiencing record cash flows and earning results.

The portfolio experienced a number of takeover bids as the consolidation theme in the natural resource sector continued. Particularly gratifying was the appearance of new entrants to the takeover bid process such as royalty trusts and U.S. energy companies. The effect of the above was clearly positive for the portfolio and the value of the portfolio increased as a result.

The portfolio composition has changed as our original investments were converted to cash and we have reinvested in other sectors of the industry such as drilling services, power generation and mining along with a continuing presence in the energy sector.

For regular updates on our portfolio, please visit our website at www.canadadominion.com.

The Outlook

In each and every business cycle, there are familiar elements that repeat themselves time and time again. However, each cycle is unique and the current disconnect between share prices and the business fundamentals of the oil and gas industry will be this cycle's legacy.

As we stated in our report to you last year, predicting business trends and investment strategies is at best a precarious proposition. It is, however, an age-old truth that capital investment seeks a return fundamentally based upon profit. The oil and gas industry is by its very nature cyclical but profitability in the oil and gas industry is here, and based on current supply demand fundamentals, the future has never looked brighter.

Drilling activity has been very strong as oil and gas exploration companies continue their search for more reserves and production. The outlook for 2001 is for a further 10% increase in drilling activity versus 2000 which was already at record levels. Well productivity is declining which partly explains the high activity levels but high returns from strong commodity prices are also a key driver of activity.

Commodity prices would appear to be firm through the year as the ongoing power shortage in the U.S. is driving natural gas demand to even higher levels. The crude oil price is reacting to the general slowdown in economic activity worldwide. It has been buoyed by OPEC's reduction in supply however ultimately it will be driven by natural demand forces.

The Opportunity

What does all this mean? It means investors have the opportunity to invest in a sector where oil and gas companies are enjoying their best business fundamentals in decades. The environment is one of increasing demand and decreasing supply of crude oil and natural gas coupled with reasonable share price ratios to earnings and cash flows.

At the time of writing, oil prices continue to be strong. Natural gas prices are very healthy. Most other resource commodities such as nickel, copper and platinum are at low inventory levels reflecting both declining supplies and a growing perception that the emerging economies are recovering. While stock prices have rebounded from their lows, the existing commodity price environment has turned our investment portfolio into growth companies again. The convergence of the electricity and fuel markets is a very powerful force which is not yet fully understood in the market but is a critical component of the demand function for energy. Share prices in the resource sector continue to be under valued by all historic measures. We continue to expect stock market multiples to expand during the course of 2001 to reflect the growth environment and we are excited about the growth opportunity for our portfolio in the year ahead.

"signed by"

James A. Hutton
President and Chief Executive Officer

May 10, 2001

Opportunity

Experience

Success

Canada Dominion Resources Group

Canada Dominion Resources Group ("CDRG") has raised more than $140 million on behalf of more than 8,000 Canadian retail investors. In addition to Canada Dominion Resources Limited Partnership III, CDRG manages Canada Dominion Resources Limited Partnership IV, V, and VI, other resource sector flow-through limited partnerships, as well as the StrategicNova Canada Dominion Resource Fund Ltd.

CDRG is striving to set new standards in professional portfolio management and investment criteria for Canadian flow-through shares.

CDRG's management team is headed by James A. Hutton, who has over 16 years investment-banking experience, the last 10 years principally involved in structured finance transactions with a focus on the resource sector.

CDRG believes the current market offers investors an excellent opportunity to make high quality flow-through investments. Such investments are made on a tax-advantaged basis and when combined with low price to cash flow multiples in the resource market, the potential exists for a significant return on investment.

CDRG is owned by Hutton Capital Corporation and StrategicNova Inc, a partner of Services Financier CDPQ Inc.

More information about Canada Dominion and its partnerships can be found on our internet website at www.canadadominion.com.

The Investment Advisor

Tuscarora Capital Inc.

Tuscarora Capital Inc has been retained by CDRG to manage the Canada Dominion Resources Limited Partnership III portfolio.

Tuscarora has many years of experience investing in the Canadian oil and gas and mining sectors and has established working relationships with a wide range of resource companies. Tuscarora expects to utilize its extensive contacts in the Canadian resource sector as well as its contacts in the investment dealer and investment management communities to identify investment opportunities consistent with the Partnership's investment strategies and guidelines.

Normand Lamarche is the principal investment strategist for the Partnership, responsible for developing and refining the Partnership's investment strategy, implementing the strategy on a day-to-day basis, and is the Partnership's principal portfolio analyst.

Mr. Lamarche is Chairman of Tuscarora and is the senior portfolio manager of Tuscarora. He has been engaged in the business of providing investment advisory services and portfolio management since 1987. Mr. Lamarche was a portfolio manager with Altamira Management Ltd. from August 1987 to March 1995. From February 1, 1991 to January 31, 1995, Mr. Lamarche was the manager of both the Altamira Resource Fund, a mutual fund with an investment portfolio consisting of oil and gas, mining, pulp and paper, and forestry and related resource business issuers, similar to those expected to comprise the investment portfolio of the Partnership, and the Orbitex Resource Fund. From January 1, 1995 to January 31, 1995 he managed Altamira's AltaFund Investment Corp. and during that period was also responsible for the equity component of the Altamira Balanced Fund. Mr. Lamarche left Altamira in March 1995 for a one-year sabbatical before establishing Tuscarora with Mr. Selke in 1996. Mr. Lamarche holds a Bachelor of Arts degree in economics from Carleton University and is a Chartered Financial Analyst.

Gary Selke is President and Director of Tuscarora Capital Inc. From 1981 until 1996, Mr. Selke was employed by RBC Dominion Securities Inc. and its predecessor firms. During his employ, he served in the investment banking department where he concentrated on public and private financings for three years, debt restructurings for two years, became a member of the firm's equity syndication area for three years, served in the capital markets group for two years, and headed the firm's corporate team in the United States and managed the securitization team. In 1993, Mr. Selke joined the RBC Dominion Securities Institutional Equity Department in the sales area where he concentrated his activities until 1996, serving all types of institutional clientele including mutual funds, pension clientele, life insurance companies, investment counsellors, and high net worth money managers. Mr. Selke formed Tuscarora in 1996 with Mr. Lamarche. Mr. Selke holds a Bachelor of Commerce degree from the University of Toronto and is a Chartered Accountant.

Strength

Performance

Timing

Investment Portfolio

The following companies were held in the portfolio on December 31, 2000. Along with a brief description, we have provided the companies' ticker symbols and exchanges.

Benson Petroleum Ltd. (BEN:TSE)

A junior exploration company. The company explores, acquires, and develops crude oil and natural gas properties in western Canada, primarily Alberta.

Berkley Petroleum Corp. (BKP:TSE)

Berkley explores for, develops and produces petroleum and natural gas in the provinces of Alberta, northeastern British Columbia, the Northwest Territories and southeastern Saskatchewan.

Compton Petroleum Corporation (CMT:TSE)

Compton Petroleum Corporation is an exploration and production company. The company explores for, develops and produces oil and gas in western Canada. Compton's interests include the areas of Shekille, Senex, Deep Basin, Rimbey and Vulcan/Gladys, all in Alberta.

Diaz Resources Ltd. (DZR.A:CDNX)

Diaz Resources Ltd. is an oil and gas company. The company focuses its efforts on natural gas in southern Alberta.

Foran Mining Corp. (FOM:CDNX)

The Company explores and develops copper, zinc and gold deposits in the Flin Flon Greenstone Belt of Manitoba and Saskatchewan.

Hope Bay Gold Corp. (HGC:TSE)

Acquires, explores, and develops mineral properties. The company currently holds interests in properties located in the Nunavut Territory, Quebec and French Guiana. Hope Bay is currently exploring for gold.

Ionic Energy Ltd. (IOI:TSE)

Ionic Energy Inc. explores for, develops and produces oil and gas in western Canada.

Ketch Energy Ltd. (KCH:TSE)

Ketch Energy Ltd. explores and develops natural gas and oil properties in Alberta, British Columbia and Saskatchewan. The company focuses primarily on the exploration and development of natural gas properties.

Kinwest Resources Inc. (Private)

An oil and gas exploration company based in western Canada.

Magin Energy Inc. (MGY:TSE)

Magin Energy Inc. acquires, develops and explores for oil and natural gas in western Canada.

Maxx Petroleum Ltd. (MXP:TSE)

Maxx Petroleum Ltd. explores for oil and gas in western Canada, as well as in Kansas in the United States.

Meota Resources Corp. (MRZ:TSE)

The company explores and develops oil and gas properties throughout the province of Alberta.

Paramount Resources Ltd. (POU:TSE)

The company explores for and develops oil and gas, operating primarily in western Canada.

Peak Energy Services Ltd. (PES:TSE)

Peak Energy Services Ltd. is a diversified energy services company. The company provides oilfield rental equipment and related services to the petroleum industry in western Canada.

Request Seismic Surveys Ltd. (RSH:TSE)

Request Seismic Surveys Ltd. provides access to seismic data information to customers in the oil and gas industry. The company manages the flow of seismic information for sale purposes on behalf of other companies and acts as a broker to facilitate the licensing of seismic information between vendors and purchasers. Request creates, markets, and supervises the acquisition of new seismic data.

Saddle Resources Inc. (SRI:CDNX)

Saddle Resources Inc. explores for and develops oil and natural gas in Alberta.

Thunder Energy Ltd. (THY:TSE)

The company explores for, produces and processes petroleum and natural gas in Western Canada. Thunder Energy Ltd's principal holdings include Matzlwin, Manola and Rosalind properties in Alberta.

Tiomin Resources Inc. (TIO:TSE)

Tiomin Resources Inc. explores for minerals. The company currently owns several titanium-bearing mineral sands deposits in Canada and Kenya. Tiomin, together with a joint venture partner, is also exploring for nickel in Quebec.

Ventus Energy Ltd.(VTU:TSE)

Ventus Energy Ltd. acquires, explores, and develops oil and gas properties. The company is currently producing crude oil, natural gas, and natural gas liquids on its properties located in Alberta.

Wenzel Downhole Tools Ltd. (WZL:TSE)

Wenzel Downhole Tools Ltd. designs, manufactures, rents and sells drilling tools for the oil and gas and underground construction industries. the company has tools operating in most areas of the world where holes are being drilled, including Canada, the United States, Europe, Asia, South America and Australia.

Management's Discussion and Analysis

The Partnership is a Canadian Limited Partnership, and as such all income or losses of the Partnership are allocated to its Unitholders. Canadian Exploration Expenses renounced to the Partnership from its investments in "flow-through" shares of Canadian resource companies are allocated to Unit holders of the Partnership.

Investment Income

Investment income of the Partnership primarily consisted of interest income earned on cash and short term investments held by the Partnership. Nominal interest income was realized during the year as the Partnership was fully invested at the beginning of the year and the cash on hand at the time was utilized during the year to cover operating expenses.

During 1999 the Partnership closed its initial financing late in the fourth quarter, investing such funds in qualifying flow-through share issuers. Again, only a nominal amount of interest income was earned as the net proceeds of the offering were invested shortly after the closing date.

Expenses

Administration expenses increased by 235% from 1999 to 2000 in part because the Partnership completed its initial issue of partnership units on July 15, 1999, and accordingly the results of operations for 1999 are for a period of five and one-half months as compared to a full twelve month operating period in 2000. In addition, the year 2000 expenses reflect approximately $190,000 of costs associated with legal fees as compared to $5,000 in 1999. The increase in costs reflects fees incurred to initiate the rollover of the Partnership into StrategicNova Canada Dominion Resource Fund Ltd. and to commence an action against Merit Energy Ltd., its directors and officers, and the underwriting syndicate associated with Merit's August 1999 prospectus offering.

Similarly, the investment advisor fee and general partner fee increased in large part because of the longer operating period in 2000 as compared to 1999. The actual increase in fees (88%) was less than expected (118%) because the net asset value ("the NAV") of the Partnership on average throughout 2000 was 12% less than the comparable value in 1999.

Realized Gain On Sale Of Investments

The Partnership realized a gain of sale of investments during 2000 in the amount of $1,032,123 (1999 – Nil). All of this gain was recorded as a result of the Partnership tendering its holdings in Winspear Resources Ltd. to a $5.00 per share cash offer from De Beers Canada Mining Inc. offset to a small extent by some accounting losses from the sale of other portfolio holdings.

Net Asset Value

The NAV of the Partnership at December 31, 2000 is 16% greater than corresponding NAV at December 31, 1999 which in turn was approximately 25% less than the net proceeds received from the issuance of Partnership units in 1999. The decrease in the Partnership's NAV during 1999 was attributable to three factors. First, the Partnership's investment ($1.5 million) in Merit Energy Ltd. decreased substantially (89%) by December 31, 1999. Secondly, the Partnership paid premiums to market price to acquire the flow-through shares comprising the initial portfolio. Thirdly, the oil and gas industry sector of the market retreated in value over the fourth quarter of 1999.

The increase in NAV during 2000 was also the result of a number of factors. Primarily the increase occurred because of the strong oil and gas commodity market and correspondingly improved oil and gas equity market. With respect to the Partnership's portfolio, significant market value changes on a year-over-year basis included its investment in Berkley Petroleum Corp. decreasing by $0.49 million; Benson Petroleum Ltd. increasing by $0.34 million; Compton Petroleum Corporation increasing by $0.65 million; and Thunder Energy Inc. increasing by $0.43 million. In addition the Partnership realized an accounting gain of $1.32 million as a result of De Beers Canada Mining Inc.'s takeover of Winspear Resources Ltd. Other changes to the portfolio reflect the high degree of merger and acquisition activity that occurred during 2000 in the oil and gas industry sector as well as normal course portfolio management decisions with regard to modifying the composition of the portfolio.

Investment Activity

During the year 2000 the Partnership's investment activities were greater than expected. The activity level was largely driven by the previously described sale of the Partnership's holdings in Winspear Resources Ltd. resulting in net proceeds to the Partnership of $2,477,000, and subsequent reinvestment of a portion of these proceeds. Accordingly, the Partnership's portfolio at December 31, 2000 includes holdings in companies such as Ionic Energy Ltd., Magin Energy Inc., Meota Resources Corp., Peak Energy Services Ltd., Request Seismic Surveys Ltd., Tiomin Resources Inc. and Wenzel Downhole Tools Ltd. all of which were acquired during the year 2000. The majority of the Partnership's original portfolio was inactive during the year 2000 due to the fact that the investments were subject to hold periods expiring late in the year and the shares of such investments could not be traded until such time. As at December 31, 2000 all such hold period restrictions had expired.

Investment activity during 1999 occurred throughout the last half of the year during which time the Investment Advisor, on behalf of the Partnership, researched potential investments and entered into agreements with select issuers to provide financing in exchange for flow-through shares.

Income Taxes

Aggregate income tax deductions available to Limited Partners to December 31, 2000 were approximately $21.15 per Unit. For fiscal 2000 Limited Partners were required to include as taxable income $1.43 per Unit (1999 – deduction of $22.58). This inclusion arose primarily because of the capital gains incurred on the sale of the Partnership's shares of Winspear Resources Ltd.

Liquidity and Future Trading

There currently is no formal market through which Units of the Partnership may be sold. However, at a special meeting of Unitholders held December 14, 2000, as adjourned until January 3, 2001, the Limited Partners voted to, among other things, cause the assets of the Partnership to roll into StrategicNova Canada Dominion Resource Fund Ltd. in exchange for shares of the mutual fund corporation on a tax deferred basis, and further, to distribute such shares pro-rata to the Limited Partners. Thereafter the Partnership will be dissolved.

The transaction is subject to regulatory approval and is expected to complete on or before May 31, 2001. Subsequent to the completion of the rollover transaction, unitholders may redeem the mutual fund shares at any time at prices determined by the market for such shares.

Auditors' Report

To the Partners of Canada Dominion Resources Limited Partnership III

We have audited the statements of net assets of Canada Dominion Resources Limited Partnership III as at December 31, 2000 and 1999 and the statements of operations, surplus (deficit) and changes in net assets for the year ended December 31, 2000 and the period from inception on April 7, 1999 to December 31, 1999. 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 the General Partner, 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, 2000 and 1999 and the results of its operations and the changes in its net assets for the year ended December 31, 2000 and the period from inception on April 7, 1999 to December 31, 1999 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Montréal, Canada

February 1, 2001

Statements of Net Assets

December 31, 2000 and 1999

	2000	1999
Assets		
Cash and cash equivalents	$ 739,790	$ 410,316
Due from General Partner (note 3)	–	3,788
Investments, at market value (see schedule)	15,696,174	13,647,939
	16,435,964	14,062,043
Liabilities		
Accounts payable and accrued liabilities	97,000	14,707
Due to General Partner (note 3)	113,348	–
	210,348	14,707
Net assets	$ 16,225,616	$ 14,047,336
Partners' Equity		
Issued and fully paid partnership units (note 4)	$ 18,822,596	$ 18,822,596
Unrealized depreciation of investments	(2,892,009)	(4,624,884)
Surplus (deficit)	295,029	(150,376)
	$ 16,225,616	$ 14,047,336
Units outstanding	828,000	828,000
Net asset value per unit	$ 19.60	$ 16.97

See accompanying notes to financial statements.

Approved by the General Partner:

"signed by" "signed by"

James A. Hutton John D. Muir

Director Director

Statements of Operations

Year ended December 31, 2000 and period from inception on April 7, 1999 to December 31, 1999

	2000	1999
Investment income		
Interest and other	$ 71,912	$ 113,453
Expenses		
Administration	370,922	110,739
Investment advisor fee (note 3)	165,432	88,027
General Partner fee (note 3)	122,276	65,063
	658,630	263,829
Net investment loss	(586,718)	(150,376)
Realized gain on sale of investments	1,032,123	-
Income (loss) before change in unrealized depreciation of investments	445,405	(150,376)
Change in unrealized depreciation of investments		
End of period	(2,892,009)	(4,624,884)
Beginning of period	(4,624,884)	-
	1,732,875	(4,624,884)
Income (loss) for the period	$ 2,178,280	$ (4,775,260)
Income (loss) per unit:		
Before change in unrealized depreciation of investments	$ 0.54	$ (0.18)
Change in unrealized depreciation of investments	2.09	(5.59)
Income (loss) per unit	$ 2.63	$ (0.18)

See accompanying notes to financial statements.

Statement of Surplus (Deficit)

Year ended December 31, 2000 and period from inception on April 7, 1999 to December 31, 1999

	2000	1999
Deficit, beginning of period	$ (150,376)	$ –
Income (loss) before change in unrealized depreciation of investments	445,405	(150,376)
Surplus (deficit), end of period	$ 295,029	$ (150,376)

Statements of Changes in Net Assets

Year ended December 31, 2000 and period from inception on April 7, 1999 to December 31, 1999

	2000	1999
Proceeds from sale of investments	$ 4,422,843	$ –
Cost of investments sold	3,390,720	–
Realized gain on sale of investments	1,032,123	–
Net investment loss	(586,718)	(150,376)
Income (loss) before change in unrealized depreciation of investments	445,405	(150,376)
Change in unrealized depreciation of investments	1,732,875	(4,624,884)
	2,178,280	(4,775,260)
Partners' transactions:		
Proceeds from issuance of Partnership units	–	20,700,000
Cost of issuance of Partnership units	–	(1,877,404)
	–	18,822,596
Increase in net assets	2,178,280	14,047,336
Net assets, beginning of period	14,047,336	–
Net assets, end of period	$ 16,225,616	$ 14,047,336

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended December 31, 2000 and period from inception on April 7, 1999 to December 31, 1999

1. Organization of the Limited Partnership

Canada Dominion Resources Limited Partnership III (the "Partnership") was formed as a limited partnership under the laws of the Province of Ontario on April 7, 1999. The principal purpose of the Partnership is to achieve capital appreciation primarily through investment in equity securities (including flow-through shares) of resource issuers.

The General Partner of the Partnership is Canada Dominion Resources III Corporation (the "General Partner") and the investment advisor of the Partnership is Tuscarora Capital Inc. (the "Investment Advisor"). Under the Amended and Restated Limited Partnership Agreement dated June 24, 1999 (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. At December 31, 2000 and 1999, the General Partner held no units in the Partnership.

During the period ended December 31, 1999, the Partnership completed an issue of 828,000 units at $25 per unit for gross proceeds of $20,700,000.

At a special meeting of limited partners held December 14, 2000, as adjourned to January 3, 2001, a resolution was passed approving the transfer of all assets of the Partnership to StrategicNova Canada Dominion Resource Fund Ltd. ("the Fund") on a tax-deferred basis in exchange for Series A preferred shares of the Fund ("the Series A Preferred Shares"). Following this, all of the Series A Preferred Shares will be distributed to the Partners on pro rata basis and the Partnership will be dissolved. The transaction is subject to regulatory review and approval.

2. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and the following is a summary of significant accounting policies followed by the Partnership.

Cash equivalents

Cash equivalents are comprised of highly liquid investments having original terms to maturity of 90 days or less when acquired.

Investments

Investments in publicly traded securities are valued at quoted market value. Investments in private companies are valued at estimated fair value. The difference between market value and average cost, as recorded in the accounts, is described as unrealized appreciation (depreciation) of investments and is included as a separate component of Partners' Equity. The change from year to year is reflected in operations as changes in unrealized appreciation (depreciation) of investments. Average cost is used to determine the gain or loss on investments sold.

Income recognition

The accrual method of recording income and expense is followed, with dividends being recorded on the ex-dividend date.

Unit values

The unit value is calculated as net assets at market value after the General Partner's entitlement divided by the number of units of the Partnership outstanding.

Measurement uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles 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 those estimates.

Allocation of Partnership income and loss

Income and 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 and liabilities, including income taxes of the limited partners.

Notes to Financial Statements

3. Expenses of the Partnership

The General Partner is entitled to an annual fee of 0.85% of the Net Asset Value of the Partnership, as defined, which is calculated and paid monthly in arrears.

The investment advisor is entitled to an annual fee of 1.15% of the Net Asset Value of the Partnership, as defined, which is calculated and paid monthly in arrears.

In respect of each financial year, a performance bonus equal to 20% of the amount by which the Net Asset Value per Unit of the Partnership, as defined, exceeds a threshold increase of 12% will be payable to the General Partner and the investment advisor in proportions of 25% and 75%, respectively. For the period ended December 31, 2000 and 1999 there was no performance bonus payable.

The Partnership is responsible for all costs relating to its administration.

Amounts due to or from General Partner are non-interest bearing and have no specific terms of repayment.

4. Partners' Equity

The authorized capital of the Partnership consists of an unlimited number of 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.

As at December 31, 2000 and 1999 there were 828,000 Partnership units issued and outstanding as follows:

	Number of units	Price per unit	Amount
Issue of Partnership units,			
net of redemptions	828,000	$ 25	$ 20,700,000
Issue costs	-		(1,877,404)
Balance at December 31, 2000 and 1999	828,000		$ 18,822,596

5. Income Taxes

No provision for income taxes has been recorded in the accompanying financial statements as all income (loss) of the Partnership for the period is allocated to unitholders.

6. Financial Instruments

The carrying values of cash and cash equivalents, due from General Partner, accounts payable and accrued liabilities, and due to General Partner approximate their fair values due to the relatively short period to maturity of these instruments.

Schedule of Investments

As at December 31, 2000

Number of Shares	Company	Cost	Market Value
370,000	Benson Petroleum Ltd.	499,525	806,600
125,000	Berkley Petroleum Corp.	$ 1,687,521	$ 1,412,500
475,000	Compton Petroleum Corporation	1,165,263	1,790,750
1,555,555	Diaz Resources Ltd.	700,025	653,333
300,000	Foran Mining Corp	299,700	36,000
1,140,000	Hope Bay Gold Corporation	399,025	399,000
28,800	Ionic Energy Ltd	97,081	113,760
527,616	Ketch Energy Ltd.	2,020,398	2,004,941
428,600	Kinwest Resources Inc	750,075	750,050
75,000	Magin Energy Inc.	234,775	223,500
244,000	Maxx Petroleum Ltd.	1,647,025	1,183,400
75,000	Meota Resources Corp.	281,275	262,500
225,000	Merit Energy Ltd.	1,518,775	2,250
120,000	Paramount Resources Ltd.	2,700,000	2,052,000
100,000	Peak Energy Services Ltd.	251,295	280,000
100,000	Request Seismic Surveys Ltd.	403,025	260,000
143,000	Saddle Resources Inc	150,175	92,950
593,000	Thunder Energy Inc.	1,560,575	1,618,890
175,000	Tiomin Resources Inc.	148,775	131,250
200,000	Ventus Energy Ltd.	1,973,850	1,510,000
62,500	Wenzel Downhole Tools Ltd	100,025	112,500
Total investments		$ 18,588,183	$ 15,696,174

Corporate Information

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