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Dear Partners and Friends:

The Northern Rivers Innovation Fund LP (the Innovation Fund) was down 1.77% in November, and the Northern Rivers Innovation RSP Fund (RSP Fund) was down 2.76%, meaning we are now -7.16% year-to-date and -5.70% year-to-date in the two funds, respectively. The difference in performance between the funds in November is explained by the fact that—although the RSP Fund had more cash going into the month—the RSP Fund also (correspondingly) had a smaller weighting in shorts during a month when the shorts declined dramatically. The returns, as of November 30th, 2007, are presented below:

	Average Annual Returns to November 30, 2007*							
	2007 YTD	1 mo.	3 mo.	6 mo.	1 Yr.	3 Yr.	5 Yr.	Inception**
Northern Rivers Innovation Fund LP	-7.16%	-1.77%	11.53%	-13.07%	10.39%	31.22%	33.08%	28.81%
Northern Rivers Innovation RSP Fund	-5.7%	-2.76%	11.60%	-12.68%	10.19%	31.25%	n/a	20.38%

**Northern Rivers Innovation Fund LP inception date: May 8, 2001.
 Northern Rivers Innovation RSP Fund inception date: March 1, 2004.

In November, the Innovation mandate made some nice wins on shorts and puts, and a number of our stocks hit new highs (either recovery highs, or all-time highs), which went a long way to offsetting declines in other positions. But nonetheless, November was a nasty month. Indeed, I received several e-mails from investors with congratulations on being the “least down” of their fund investments during November. Although there are other kudos I would prefer, the fact that most funds I track were down in the -5% to -20% range during November highlights just how ugly November was. I have been saying for a while that I was expecting a “scary but ultimately successful re-test of the August lows in the North American indices between now and Christmas”. November saw one such re-test, and now—after the Fed gave the markets less than they needed with the 25 basis point cut last week—it looks like we are headed for another. As a result, we have once again boosted our short exposure to high levels after reducing it during the November re-test.

The uncertainty and fear in the general markets is in stark contrast to the remarkably positive developments in a large number of our portfolio stocks

One of the many encouraging things I have noticed recently is that insider buying has continued in a number of our portfolio companies, including more insider buying at Webtech, and new insider buying at Qustream, Aeromechanical, Ipico and Gastem. I will go into a little more detail on each of these situations below, as I try to take a quick run through some of the more positive recent developments in a few of our portfolio holdings:

Gastem and IPICO

These two “farm team” positions are strong contenders for being elevated to “core” status in 2008. Insider buying seen in both companies reinforces my leanings there. In the case of Gastem, about 348,000 shares were purchased by 4 insiders in a recent financing at \$0.70. With respect to IPICO, 15,000 shares were purchased by one insider on the recent financing at \$1.15, and another insider bought 111,382 shares at \$1.50 in the open market. Both Gastem and IPICO have been experiencing company-transforming developments recently, but I will only go into them in detail if they become core positions.

Webtech Wireless

- 1) As part of my rolling due diligence on the core positions, I check the job postings on their web-sites every month or two. I checked Webtech’s site as part of my preparation for their quarterly conference call, and was absolutely ecstatic to find the following posting: “Program Manager, Memphis TN”. Memphis Tennessee happens to be the headquarters for Fedex, and anyone who has been following my letters over the summer knows that Fedex is a key question mark overhanging Webtech’s stock. Frankly, I don’t believe Webtech would be trying to hire a program manager if there wasn’t a program to manage! There was another posting which suggests that there are big things brewing in the UK—I look forward to finding out what they are!
- 2) I mentioned in a prior letter that Webtech’s CEO had bought 115,000 shares of WEW at prices ranging from \$2.55 to \$2.74 in late July. The CFO and a new board member (Clarence Chandran) also bought in and around that time. The *new* buying by Webtech management that was just filed on SEDI was done by Neil Chan, who is Webtech’s Senior VP of Worldwide Sales, on November 2nd. He bought 28,000 shares at \$2.87. You don’t often see that kind of insider buying at small cap Canadian technology companies, particularly not below the CEO level. It is a level of commitment that has been one of the many factors sustaining my belief that my investment hypothesis for WEW will ultimately be proven out.

Neptune

There have been three remarkable validations of my investment hypothesis for Neptune in the last two months. The first two are huge validations of what I and the company have been saying about the value of their efforts in the pharmaceutical arena:

- 1) On October 15th, Neptune announced the appointment of Dr. Steven Nissen to their Scientific Advisory Board. I discussed this in some detail in the October 19th letter, but believe it bears repeating. Dr. Nissen’s credentials: he is the Chairman of the Cleveland Clinic Department of Cardiovascular Medicine, and Immediate Past President of the American College of Cardiologists. He was recently cited on CNBC as being one of the

world's leading experts in cholesterol issues, and I believe it is no coincidence that he was the key whistle-blower on Pfizer's Torcetrapib trials only ten months before joining Neptune's Scientific Advisory Board: I believe he sees in Neptune a whole new approach to the pharmaceutical modulation of HDL and LDL.

- 2) On November 21st, GlaxoSmithKline bought Reliant Pharmaceuticals for US\$1.65billion. The significance of this is that Reliant owns the US and Puerto Rican marketing rights for the only prescription LDL (bad cholesterol) treatment that is derived from fish oil. If big pharma will pay \$1.65billion for a drug which is derived from fish oil, and which only treats LDL, and which can only be sold in the US and Puerto Rico, I believe that Neptune will be able to create significant shareholder value through their efforts to partner with big pharma to develop a prescription drug which has beneficial impact on both HDL *and* LDL levels. (To illustrate: if Neptune is ultimately able to sell itself to big pharma for \$1.65billion as Reliant was, that equates to over \$40/share.) Neptune's krill oil carries Omega-3s and antioxidants on phospholipids, as opposed to on triglycerides as with fish oil (used in Reliant's drug). This is one of the primary reasons why krill oil has many more health benefits than fish oil, and is a major reason that Neptune's product should be worth more than anything derived from fish oil. Dr. Nissen's involvement in the company only strengthens my belief that Neptune will ultimately be able to "pharmaceuticalize" krill oil, and realize significant value, much as Pronova and Reliant have done with fish oil. The level of due diligence that Dr. Nissen did before joining the Advisory Board should give existing and potential investors a rock-solid level of confidence in the science behind Neptune, and investors should expect that his industry contacts and credibility will give a significant boost to Neptune's pharma-related activities over the coming weeks and months.
- 3) On November 29th, Neptune announced a US distribution agreement for a 300mg version of their current nutraceutical product. One of the two analysts covering the company dug up the fact that the initial distribution for the product is to occur across 365 Costco stores in the US starting in January, 2008.

Western Goldfields

On December 13th, Western Goldfields reaffirmed that they are on schedule to begin production in January, and that, in contrast to almost every other new mining project out there, capital costs are in line with prior projections. To me, this reinforces my investment hypothesis that, over the course of the first six months of 2008, WGI will continue on its path to be re-valued from the 0.5x NAV multiple accorded to pre-production companies, toward the 1 to 1.5x NAV multiple accorded gold producers, meaning the stock should reach the \$5 to \$7 range during 2008.

Vendtek

On December 4th, Vendtek launched in Sudan with their UAE-based partner. Remarkably, Sudan is already a larger market for prepaid cellular than Canada. This means Vendtek is now in Canada, the US, the UAE, China and Sudan. Notably, in Vendtek's fiscal year 2007 (ended October 31st, 2007), revenues and cash flows were derived only from Canada and the UAE, while fiscal year 2008 will see *new* and growing revenue and cash flows from the US, China, Sudan, and a number of other countries expected to launch in 2008. As a result of this dramatic growth, Ron Shuttleworth at Jennings Capital is now expecting Vendtek to earn \$0.09/share in FY2008; the four analysts covering Vendtek have 1-year targets ranging from

\$1.85 to \$2.50. Insider buying was seen during the summer, as the CEO picked up shares around \$0.85. A regional deal for large countries such as Saudi Arabia should be a major catalyst for significant upward earnings revisions in early 2008.

Aeromechanical Services

Aeromechanical (AMA on the TSX-v) will require a formal introduction in an upcoming letter sometime in the next few months. Their business model is remarkable: they get *monthly recurring revenue* from equipment installed on aircraft, which are assets with *operating lives of 10 to 30 years*, giving them unprecedented annuity cash flow visibility. This model is as good as or better than Absolute Software in that sense, and AMA should see similarly high multiples accorded to its revenues and cash flows as a result. Once Aeromechanical hits a “critical mass” of installations (for example, once their back log of 681 aircraft is fully installed), I believe their EBITDA margins can approach 40%.

Aeromechanical has seen a number of encouraging developments recently:

- 1) On December 14th, the company announced an initial order from a low-cost European airline for 10 units; there is a reasonable expectation that Aeromechanical will eventually install a unit on each of the airline’s 30+ aircraft.
- 2) On December 17th, a sale of 4 units was announced to “an eastern hemisphere airline that has a growing fleet of Airbus A320 aircraft.”

I mentioned earlier that Aeromechanical had also seen insider buying. In November, CEO Bill Tempany and President Darryl Jacobs exercised warrants to purchase 1,024,237 shares of AMA; of those shares, they kept 520,628. The other 503,609 were purchased by thirty members of Aeromechanical’s staff and senior officers, including the CFO, the VP of Sales and Marketing, the COO, and members of the administrative, technical and sales staff. Confidence like that speaks for itself.

Next closing

The next closing for the Northern Rivers Innovation RSP Fund, the Northern Rivers Conservative Growth Fund LP and the Northern Rivers Global Energy Fund LP is Monday, December 31, 2007. As always, my colleagues and I will make ourselves available for meetings with interested parties. Please contact Robyn Graham, Vice President Sales & Marketing or Jeff Zicherman, Sales Associate for more information or to set up an appointment, or call 416-597-1226 to speak with any one of us concerning the specific funds we manage.

Best regards,



Hugh Cleland, CFA
Portfolio Manager

*Notes: Commissions, trailing commissions, management fees, performance fees and expenses all may be associated with investment funds. Please read the offering memorandum before investing. The average annual returns are the simple rates of return (1 month, 3 month, 6 months, and 1 year) or the historical annual compounded total returns (3 yrs, 5 yrs, and since inception). The annual returns are the historical annual simple returns for the 1-year periods ending December 31st or the simple returns YTD. All returns are net of fees. Rates of return shown do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated.