



**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2015**

**NOTICE OF NO AUDITOR REVIEW**

The accompanying unaudited condensed consolidated interim financial statements have been prepared by management.

The company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of chartered Accountants for a review of interim financial statements by an entity's auditors.

**49 North Resources Inc.**  
**Consolidated Statement of Financial Position**  
(in thousands of Canadian dollars)  
(See Note 1 – Description of business and going concern)

	March 31 2015	December 31 2014
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,727	\$ 2,696
Equity instruments, at fair value (Note 3)	6,023	5,317
Loans and advances receivable (Note 4)	125	119
Income tax receivable	43	-
Accounts receivable and prepaid expenses	930	3,488
	<b>8,848</b>	<b>11,620</b>
<b>Non-current assets</b>		
Exploration and evaluation assets (Note 5)	9,414	9,293
Property, plant and equipment (Note 6)	3,985	3,919
<b>Total assets</b>	<b>\$ 22,247</b>	<b>\$ 24,832</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 4,521	\$ 6,898
Income taxes payable (Note 11)	-	30
	<b>4,521</b>	<b>6,928</b>
<b>Non-current liabilities</b>		
Convertible debentures (Note 8)	15,787	15,609
Drilling advances & loans payable (Note 9)	2,013	2,013
Decommissioning liabilities (Note 10)	1,007	1,000
Deferred income tax liabilities (Note 11)	-	-
<b>Total liabilities</b>	<b>23,328</b>	<b>25,550</b>
<b>EQUITY (DEFICIENCY)</b>		
Common shares (Note 12)	66,491	66,491
Contributed surplus (Note 12)	4,186	4,117
Equity portion of convertible debentures (Note 8)	1,993	1,993
Deficit	(75,953)	(75,494)
<b>Equity (deficiency) attributable to common shareholders</b>	<b>(3,283)</b>	<b>(2,893)</b>
Non-controlling interests	2,202	2,175
	<b>(1,081)</b>	<b>(718)</b>
<b>Total liabilities and equity (deficiency)</b>	<b>\$ 22,247</b>	<b>\$ 24,832</b>

Commitments (Note 13)

Approved on behalf of the Board

“Tom MacNeill”  
Director

“Norman Betts”  
Director

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

**49 North Resources Inc.****Consolidated Statement of Loss and Comprehensive Loss**

(in thousands of Canadian dollars, except securities and per share amounts)

For the three months ended March 31,	2015	2014
<b><u>Continuing operations</u></b>		
<b>Revenues</b>		
Geological and other consulting	\$ 357	\$ 5,260
Oil and gas sales	94	50
Realized gains (losses) on portfolio investments	110	(280)
Unrealized gains on portfolio investments	574	760
Interest and dividend income	52	659
	<b>1,187</b>	<b>6,449</b>
<b>Expenses</b>		
Amortization and depletion (Note 6)	20	27
Business and investor relations	118	106
Finance	577	555
General and administration	347	524
Management fees (Note 10)	68	50
Oil and gas operations	222	36
Professional fees	115	155
Project costs on geological and other consulting activities	27	4,186
Share based compensation (Note 12)	-	22
Transaction costs	5	8
Wages and benefits	360	497
	<b>1,859</b>	<b>6,166</b>
Loss on capital asset disposal	(7)	-
<b>(Loss) Income before income taxes</b>	<b>(679)</b>	<b>283</b>
Current income tax expense (recovery)	(43)	109
<b>(Loss) Income and comprehensive (loss) income for the period</b>	<b>\$ (636)</b>	<b>\$ 174</b>
(Loss) Income to common shareholders from continuing operations	(459)	49
(Loss) Income to non-controlling interest from continuing operations	(177)	125
<b>Net (loss) income and comprehensive (loss) income</b>	<b>\$ (636)</b>	<b>\$ 174</b>
<b>Basic and diluted (loss) income per share (Note 12)</b>	<b>\$ (0.02)</b>	<b>\$ 0.01</b>
<b>Weighted average number of common shares outstanding</b>	<b>24,592,063</b>	<b>21,053,294</b>

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

**49 North Resources Inc.**  
**Consolidated Statement of Changes in Equity (Deficiency)**  
(in thousands of Canadian dollars)

	Attributable to the common shareholders							Non-controlling interests	Total Equity (Deficiency)
	Common Shares	Share Capital	Contributed Surplus	Equity portion of convertible debentures	Deficit	Total			
<b>Balance, January 1, 2014</b>	<b>21,053</b>	<b>\$ 65,871</b>	<b>\$ 3,123</b>	<b>\$ 1,993</b>	<b>\$ (59,510)</b>	<b>\$ 11,477</b>	<b>\$ 2,397</b>	<b>\$ 13,874</b>	
Changes in non-controlling interests	-	-	33	-	-	33	13	46	
Share based compensation	-	-	21	-	-	21	-	21	
Net income and comprehensive income	-	-	-	-	49	49	125	174	
<b>Balance, March 31, 2014</b>	<b>21,053</b>	<b>\$ 65,871</b>	<b>\$ 3,177</b>	<b>\$ 1,993</b>	<b>\$ (59,461)</b>	<b>\$ 11,580</b>	<b>\$ 2,535</b>	<b>\$ 14,115</b>	
	Common Shares	Share Capital	Contributed Surplus	Equity portion of convertible debentures	Deficit	Total	Non-controlling interests	Total Equity (Deficiency)	
<b>Balance, January 1, 2015</b>	<b>24,592</b>	<b>\$ 66,491</b>	<b>\$ 4,117</b>	<b>\$ 1,993</b>	<b>\$ (75,494)</b>	<b>\$ (2,893)</b>	<b>\$ 2,175</b>	<b>\$ (718)</b>	
Changes in non-controlling interests	-	-	69	-	-	69	204	273	
Net loss and comprehensive loss	-	-	-	-	(459)	(459)	(177)	(636)	
<b>Balance, March 31, 2015</b>	<b>24,592</b>	<b>\$ 66,491</b>	<b>\$ 4,186</b>	<b>\$ 1,993</b>	<b>\$ (75,953)</b>	<b>\$ (3,283)</b>	<b>\$ 2,202</b>	<b>\$ (1,081)</b>	

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

**49 North Resources Inc.**  
**Consolidated Statement of Cash Flows**  
(in thousands of Canadian dollars)

For the three months ended March 31,	2015	2014
<b>Cash flows from Operating Activities</b>		
Net (loss) income	\$ (636)	\$ 174
Items not affecting cash		
Realized loss on disposal of capital assets	7	-
Realized (gains) losses on portfolio investments	(110)	280
Accretion of decommissioning liability	7	-
Amortization and depletion	20	27
Options proceeds in excess of carrying value	4	-
Accretion of convertible debentures	178	154
Share based compensation	-	21
Unrealized gains on portfolio investments	(574)	(760)
Net changes in non-cash working capital items related to operations (Note 20):	102	(1,345)
	<b>(1,002)</b>	<b>(1,449)</b>
<b>Cash flows from Investing Activities</b>		
Purchase of property, plant and equipment	(93)	(2)
Proceeds from disposal of capital assets	2	-
Purchase of investments	(343)	(939)
Proceeds from disposal of investments	317	410
Exploration and development	(121)	(1,680)
Loan repayments	-	2,001
	<b>(238)</b>	<b>(210)</b>
<b>Cash flows from Financing Activities</b>		
Issuance of common shares	271	-
	<b>271</b>	<b>-</b>
<b>Net change in cash during the period</b>	<b>(969)</b>	<b>(1,659)</b>
Cash, beginning of period	2,696	8,224
Cash, end of period	<b>\$ 1,727</b>	<b>\$ 6,565</b>
<b>Non cash transactions:</b>		
Receivable settled by issuance of shares	\$ -	\$ 30
<b>Interest paid in the period</b>	<b>\$ 3</b>	<b>\$ -</b>
<b>Income taxes paid (recovered) in the period</b>	<b>\$ 30</b>	<b>\$ -</b>

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

## **49 North Resources Inc.**

### **Notes to the Condensed Consolidated Financial Statements**

(in thousands of Canadian dollars, except securities and per share amounts)

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#### **1. Description of business and going concern**

##### **Description of business**

49 North Resources Inc. (the "Corporation") is a resource investment, financial, managerial and geological advisory company which, as its principal business, invests in a diversified portfolio of common shares and other securities of resource issuers including, without limitation, resource issuers engaged in mineral or oil and gas exploration and development, with a view to achieving capital appreciation of the portfolio. In addition, the Corporation may take control positions and play a management role in selected resource issuers and/or become directly or indirectly involved in the acquisition, development and commercialization of resource properties through one or more subsidiaries, joint ventures, farm-in or other arrangements that may be established for such purposes.

The Corporation is domiciled in the Province of Saskatchewan, Canada and its office address is at Suite 602 – 224 4<sup>th</sup> Avenue South, Saskatoon, Saskatchewan, Canada, S7K 5M5.

##### **Going concern**

These consolidated financial statements have been prepared on a going concern basis, which assumes the Corporation will be able to realize its assets and discharge its liabilities in the ordinary course of business. To date, the Corporation has incurred accumulated losses totalling \$75,953 and has recognized a \$636 loss in the current period. The Corporation relies on cash flow from actively trading in its investment portfolio to fund corporate operations. The Corporation's continuance as a going concern is dependent upon its ability to generate cash flow from its portfolio of investments. Management is addressing the going concern issue through continued trading activities in our portfolio of investments and general corporate cost cutting measures.

The recoverability of the Corporation's portfolio of investments, including its investments in subsidiaries, is dependent upon continuance as a going concern. Additionally, the recoverability of the accumulated costs shown for mineral properties, oil and gas working interests and capital assets held in certain of its subsidiary companies is dependent upon the existence of economically recoverable reserves, future profitable production and on the respective subsidiary companies ability to obtain the necessary financing to fund their operations. The subsidiary companies rely on debt, equity and joint venture financings as well as cash flow from oil and gas activities to fund their corporate operations, including the exploration and evaluation of their properties.

There can be no certainty as to the ability of the Corporation to obtain sufficient financing to continue its operations including operation of its subsidiaries or for its subsidiary companies to recover their exploration and evaluation assets or to obtain sufficient financing to continue their operations. Accordingly, there is significant uncertainty as to the ability of the Corporation and its subsidiary companies to continue as going concerns.

These financial statements do not reflect any adjustments or other changes that may be required should the Corporation or any of its consolidated subsidiaries be unable to continue as a going concern. Such adjustments could be material.

#### **2. Significant accounting policies**

The significant accounting policies used in the presentation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented.

##### **Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with IFRS 34, Interim Financial Reporting. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Corporation's annual consolidated financial statements as at and for the year ended December 31, 2014.

The consolidated financial statements of the Corporation, which comprise 49 North Resources Inc. and all of its subsidiaries for the three month period ended March 31, 2015 were authorized for issuance by the Corporation's board of directors on May 29, 2015.

**49 North Resources Inc.**

**Notes to the Condensed Consolidated Financial Statements**

(in thousands of Canadian dollars, except securities and per share amounts)

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**2. Significant accounting policies (continued)**

**Basis of preparation**

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments which have been measured at fair value. These financial statements are prepared in Canadian dollars, which is the Corporation's functional currency.

**Basis of consolidation**

The condensed consolidated interim financial statements comprise the financial statements of the Corporation as at March 31, 2015 and its consolidated subsidiaries. Control is achieved when the Corporation is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Corporation controls an investee if, and only if, the Corporation has all of the following:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The Corporation reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Corporation obtains control over the subsidiary and ceases when the Corporation loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Corporation gains control until the date the Corporation ceases to control the subsidiary.

See Note 10 for listing of the Corporation's subsidiaries.

**Future accounting pronouncements**

The following are new and revised accounting pronouncements that have been issued but are not yet effective:

*IFRS 9 Financial Instruments*

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized costs and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income. This standard is effective of annual periods beginning on or after January 1, 2018.

**49 North Resources Inc.****Notes to the Condensed Consolidated Financial Statements**

(in thousands of Canadian dollars, except securities and per share amounts)

**3. Equity investments**

As at March 31, 2015 and December 31, 2014, the Corporation's investments consist of equity interests in companies in the following industries:

	<b>March 31, 2015</b>		<b>December 31, 2014</b>	
	<b>Cost</b>	<b>FMV</b>	<b>Cost</b>	<b>FMV</b>
Base and Precious Metals	\$ 14,747	\$ 2,306	\$ 14,722	\$ 1,914
Coal	2,073	73	5,961	229
Diamonds	425	308	282	173
Oil & Gas	7,961	1,071	4,076	954
Other	3,469	2,032	3,525	1,853
Uranium	1,073	233	1,049	194
	<b>\$ 29,748</b>	<b>\$ 6,023</b>	<b>\$ 29,615</b>	<b>\$ 5,317</b>

The equity investments consist of investment in common shares of corporations of which 66.47% are listed on the TSX-V, 24.29% of the fair value are private, 4.26% are listed on the Canadian Stock Exchange ("CSE") and 4.98% are listed on the TSX as of March 31, 2015.

As in prior years, an analysis of fair value was prepared for the private investments held in the portfolio. The analysis used comparable entities public corporation stock prices, observable index comparisons, transaction prices for same or similar instruments and information from brokers and other analysis. Based on this review, management has recorded a \$nil (2014 - \$653) unrealized loss on certain private Corporation investments.

**4. Loans and advances receivable**

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
Unrelated corporations	\$ 125	\$ 118
Unrelated individual	-	1
	<b>\$ 125</b>	<b>\$ 119</b>

The loans to unrelated corporations bear no interest and are due on demand.



**49 North Resources Inc.****Notes to the Condensed Consolidated Financial Statements**

(in thousands of Canadian dollars, except securities and per share amounts)

**5. Exploration and evaluation assets**

	British Columbia	Quebec	Yukon	Saskatchewan oil & gas	Manitoba	Total
<b>Balance, January 1, 2014</b>	\$ 6,400	\$ 2,253	\$ 208	\$ 11,293	\$ -	\$ 20,154
Acquisition of subsidiaries	286	198	-	3,339	-	3,823
Less exchange of Wingdam interest	-	-	-	48	-	48
Exploration	-	(47)	-	(9,263)	-	(9,310)
Net results of sample sales	-	-	-	(5,417)	-	(5,417)
Impairment	-	-	(5)	-	-	(5)
<b>Balance, December 31, 2014</b>	\$ 6,686	\$ 2,404	\$ 203	\$ -	\$ -	\$ 9,293
Exploration	97	24	-	-	-	121
Disposal	-	-	-	-	-	-
<b>Balance, March 31, 2015</b>	\$ 6,783	\$ 2,428	\$ 203	\$ -	\$ -	\$ 9,414

**British Columbia properties***Wingdam Property*

The Corporation, through its 64% ownership of OMM, owns a 100% undivided interest in certain mineral rights located in the province of British Columbia, subject to a 1% net smelter royalty (“NSR”). The Corporation has the ability to acquire the rights to the NSR from the holder at any time with a cash payment of \$1,000. After the completion of the extraction of a bulk sample, the Wingdam project was put into a care and maintenance mode in August of 2012. During the care and maintenance period, the Corporation is required to carry out a program of site monitoring and maintenance prescribed in permits issued by agencies governing mining in the Province of British Columbia.

The Corporation previously owned a direct interest in the Wingdam project in addition to the indirect interest owned through its equity investment in CVG. As a result of the OMM transaction discussed in Note 3 and the estimated fair value of Wingdam project established by management, all carrying amounts relating to the Wingdam project have been recognized now as part of exploration and evaluation asset and were written down in fiscal 2013 to an estimated value of \$6,400. In fiscal 2014 no impairment was required, as work continues on the property, with near term plans to significantly advance development work at Wingdam. Accordingly an amount of \$Nil (2013 - \$3,055) was recorded as impairment relating to the Wingdam project.

In conjunction with completing the transaction with OMM, as is described in Note 3, all previous working interest and royalty agreements held by the Corporation were eliminated.

**49 North Resources Inc.****Notes to the Condensed Consolidated Financial Statements**

(in thousands of Canadian dollars, except securities and per share amounts)

**5. Exploration and evaluation assets (continued)****Quebec properties**

The Corporation, through its 36% ownership of its subsidiary Gespeg, holds an interest in certain mineral rights related to copper, molybdenum, industrial metals and quarry product properties in the Gaspé region of the Province of Quebec. Gespeg is committed to conduct exploration work representing capital expenditures in the amount of \$2,000 over the next four years.

In conjunction with the review for impairment at year-end, the Corporation made the decision not to continue with exploration on certain of its Quebec properties and allowed them to lapse subsequent to year end. As such, an impairment loss of \$47 (2013 - \$1,651) was recorded on the property, representing the full carrying value of these specific properties. Gespeg remains committed to completing further exploration work on the remaining properties. As such, no further impairment was deemed necessary as at December 31, 2014.

**Yukon Properties***Kiwi Project*

The Corporation, through its 64% ownership of OMM, owns a 100% interest in the Kiwi Project in the Yukon Territory. In 2013, OMM completed an option agreement with HFX Holding Corp, ("HFX"), whereby HFX can acquire a 100% interest in the Kiwi project by making \$320 in cash payments and issuing 800,000 common shares to OMM over six years. OMM will retain a 2% NSR on the project, which may be reduced to 1% upon payment of \$1,000 in cash. Payments under the option agreement are as follows:

Cash payments	Share payments	Due date
\$30	50,000	July 12, 2013 (received)
\$ -	100,000	July 12, 2014 (received)
\$40	100,000	July 12, 2015
\$50	150,000	July 12, 2016
\$50	150,000	July 12, 2017
\$75	250,000	July 12, 2018
\$75	-	July 12, 2019
\$320	800,000	Total

The carrying value of the Kiwi project at March 31, 2015 is \$203.

**Saskatchewan oil & gas**

The Corporation, through its subsidiary Allstar Energy Limited ("Allstar"), controls approximately 23,092 acres of land with 100% of the rights to explore for, and develop petroleum and natural gas.

During the year ended December 31, 2014, an impairment test was carried out on the Corporation's oil & gas assets, which it treats as a single CGU resulting in a \$9,263 (2013 - \$Nil) impairment expense recognized in net loss. Subsequent to the initial impairment recorded on the exploration and evaluation assets, the remainder of the oil and gas assets were transferred to property, plant and equipment in accordance with the Corporation's significant accounting policy.

**49 North Resources Inc.****Notes to the Condensed Consolidated Financial Statements**

(in thousands of Canadian dollars, except securities and per share amounts)

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**5. Exploration and evaluation assets** (continued)**Saskatchewan oil & gas** (continued)

For the purpose of impairment testing, the recoverable amounts of E&E were determined using internal estimates of the fair value of undeveloped land based on land sales and industry activity in the area using comparable market transactions. The recoverable amount was estimated as the fair value less costs to dispose using the inputs described below:

- Before tax value from oil and natural gas proved plus probable reserves estimated by the Corporation's independent qualified reserves evaluator, discounted at 10%;
- Forecast commodity prices, as outlined in the table below; and
- Internal estimates of the fair value of undeveloped land using land sales and comparable market transactions in the area.

The following projected prices for oil and natural gas were used for asset impairment tests, based on the expected prices for Western Canadian Select oil used by the Corporation's independent reserves evaluator less a 10% discount:

<u>Year</u>	<u>Oil Price</u>
2015	\$ 74.07
2016	\$ 75.51
2017	\$ 76.23
2018	\$ 77.31
2019	\$ 78.39

Impairment tests were carried out on the carrying amount of the CGU's exploration and evaluation assets comparing these to the recoverable amounts of those assets. The fair value of exploration and evaluation assets was calculated using level 3 inputs on the fair value hierarchy. The result of the analysis was a \$9,263 impairment of the exploration and evaluation assets. This impairment is recorded in net loss and may be reversed in future periods if there is significant indication that an impairment loss recognized in prior periods no longer exists or may have decreased, but only to the extent of what the carrying amount would have been had no impairment been recognized.

A 5% increase in the assumed discount rate of 10% would result in an additional impairment of \$488 (2013 - \$Nil), whereas a 5% decrease in discount rate would result in a \$611 (2013 - \$Nil) decrease to the impairment. Similarly, a 5% increase in expected oil price would result in an \$21 (2013 - \$Nil) decrease to the impairment, whereas a 5% decrease in expected oil price would result in an \$21 (2013 - \$Nil) increase to the impairment.

**Manitoba properties**

In fiscal 2010, the Corporation applied for and was granted coal permits with the Government of Manitoba and has initiated an airborne analysis of these possible permit locations.

On April 27, 2010, the Corporation and Westcore Energy Inc. ("Westcore") entered into a binding agreement for the sale of an interest in the permits. Under the agreement, Westcore initially acquired a 50% interest in the property covered by the permits, together with all rights attaching to them with the ability to increase this interest to as much as 80%. The consideration payable to the Corporation under the agreement consisted of the issuance of an aggregate of 1,000,000 common shares in the capital of Westcore, together with an unsecured demand promissory note in the amount of \$257, which was subsequently paid. Under the agreement, Westcore was to operate all exploration and drilling activities in respect of the property and bear responsibility for all exploration expenditures and related costs until such time as a bankable feasibility study was completed.

**49 North Resources Inc.****Notes to the Condensed Consolidated Financial Statements**

(in thousands of Canadian dollars, except securities and per share amounts)

**5. Exploration and evaluation assets** (continued)**Manitoba properties** (continued)

Westcore was obliged to expend not less than \$500 on exploration expenses in respect of the properties during its 2010 – 2011 exploration program and would earn additional interest in this property based upon the following: (a) provided that Westcore incurred and paid exploration expenditures in excess of \$1,000 on or before December 31, 2012 (met), Westcore will earn a further 10% interest in the property; and (b) provided that Westcore completed a bankable feasibility study in respect of the property on or before December 31, 2013, Westcore would earn a further 20% interest in the property. As Westcore has met the 2012 exploration requirement, it now holds a 60% interest in the property.

In conjunction with the review for impairment at year-end, the Corporation made the decision not to continue with exploration on the Manitoba properties. As such, an impairment loss of \$162 was recorded on the property, representing the full carrying value of the Manitoba properties.

**6. Property, plant and equipment**

	<b>Total</b>	<b>Oil &amp; gas interests</b>	<b>Other Corporate Assets</b>
<b>Cost:</b>			
Balance at January 1, 2014	\$ 1,242	\$ 350	\$ 892
Additions	40	-	40
Dispositions	(5)	-	(5)
Reclass from exploration and evaluation	5,417	5,417	-
Write down of carrying amount	(2,117)	(2,117)	-
Balance at December 31, 2013	4,577	3,650	927
Additions	93	93	-
Dispositions	(48)	-	(48)
<b>Balance at March 31, 2015</b>	<b>4,622</b>	<b>3,743</b>	<b>879</b>
<b>Accumulated depletion and amortization:</b>			
Balance at January 1, 2014	555	-	555
Depletion/amortization expense	106	-	106
Dispositions	(3)	-	(3)
Balance at December 31, 2014	658	-	658
Depletion/amortization expense	20	-	20
Dispositions	(41)	-	(41)
<b>Balance at March 31, 2015</b>	<b>637</b>	<b>-</b>	<b>637</b>
<b>Total balance at December 31, 2014</b>	<b>\$ 3,919</b>	<b>\$ 3,650</b>	<b>\$ 269</b>
<b>Total balance at March 31, 2015</b>	<b>\$ 3,985</b>	<b>\$ 3,743</b>	<b>\$ 242</b>

The Corporation, through a working interest agreement with a private Saskatchewan oil and gas Corporation, has a 50% working interest in two oil and gas wells in Southeast Saskatchewan.

**49 North Resources Inc.****Notes to the Condensed Consolidated Financial Statements**

(in thousands of Canadian dollars, except securities and per share amounts)

**6. Property, plant and equipment** (continued)**Petroleum properties**

As at December 31, 2014 the Corporation determined that certain impairment indicators were present in regards to the oil and gas assets held by Allstar that were previously transferred from E&E assets (Note 5). Accordingly, the Corporation wrote down the value of these assets in the amount of \$2,117. This impairment is recorded in net loss and may be reversed in future periods if there is significant indication that an impairment loss recognized in prior periods no longer exists or may have decreased, but only to the extent of what the carrying amount would have been had no impairment been recognized

**7. Corporation Information and Related party transactions***Information and subsidiaries*

The consolidated financial statements of the Corporation include:

Name of subsidiary	Principal activities and country of incorporation	% of Equity	
		2015	2014
Allstar Energy Limited	Canadian incorporated oil and gas exploration Corporation	100%	100%
Omineca Mining and Metals Ltd.	Canadian incorporated gold exploration Corporation	64.3%	69.6%
Gespeg Copper Resources Inc.	Canadian incorporated copper exploration Corporation	36.2%	36.2%
North Rim Exploration Ltd.	Canadian incorporated geological consulting Corporation	50%	50%
Vicarage Capital Limited. *	United Kingdom incorporated investment banking and consulting Corporation	50%	50%

\* Proportionally accounts for its share of Vicarage in the consolidated statements.

The Corporation's common share voting percentage of Gespeg Copper Resources Inc, decreased below 50%, which is one element of determining control, during the year ended December 31, 2014. Despite the decrease of voting control below this threshold, the Corporation continues to consolidate the subsidiary for the following reasons; common directors, common management, and combined with common management and directors voting control can be exercised.

Compensation of key executive personnel

	March 31, 2015	March 31, 2014
Management fees to TMM Portfolio Management Inc. ("TMM")	\$ 62	\$ 44
Salaries to officers	50	47
Share based compensation to directors and officers	-	21
	\$ 112	\$ 112

## 49 North Resources Inc.

### Notes to the Condensed Consolidated Financial Statements

(in thousands of Canadian dollars, except securities and per share amounts)

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#### 7. Corporation Information and Related party transactions (continued)

TMM is responsible for the management of the Corporation's investment portfolio in accordance with the terms of a portfolio management agreement made January 1, 2008 (the "Management Agreement") and is to be reimbursed by the Corporation for all expenses reasonably and properly incurred in conducting the Corporation's business and in performing its duties and obligations under the Management Agreement. Additionally, pursuant to the Management Agreement, TMM: (a) is entitled to a quarterly management fee equal to 0.5% of the net asset value of the Corporation calculated as of the last business day of the relevant fiscal quarter; and (b) starting with the Corporation's fiscal year ended December 31, 2008, an annual performance bonus, calculated as of the last business day of the applicable fiscal year, in an amount in respect of each common share that is outstanding as of such day, equal to 20% of the amount, if any, by which the sum of the net asset value per common share as of that date, plus all dividends per common share during that fiscal year, exceeds the greater of \$16.34 and the net asset value per common share as of the last business day of the preceding fiscal year. Effective April 1, 2013, TMM agreed to temporarily fix the management fee at \$10 per month until February 1, 2014, post February 1, 2014 the management fee was \$17 per month, on November 1, 2014 the fixed fee was increased to \$20 per month, and will remain at this level until such time as management and the board of directors deem it appropriate to return to the original compensation plan as documented in the Management Agreement.

#### Related party transactions

During the period ended March 31, 2015 reimbursements of \$nil (2014 - \$nil) were incurred or accrued to 1381613 Alberta Ltd., a corporation controlled by the Chief Executive Officer of the Corporation. As at March 31, 2015, the Corporation had a \$nil payable (2014 - \$nil payable) to TMM.

During the period, OMM paid \$nil (2014 - \$8) of legal fees to a law firm of which one of its directors is a partner.

These transactions were recorded at fair value.

#### 8. Convertible debentures

a) On June 6, 2013 the Corporation received debenture holder approval to restructure the terms of the debentures originally issued on June 29, 2011 and July 11, 2011. The revised debentures have a 4 year term, maturing June 29, 2017 and bear interest from the date of issuance at 9% per annum (previously 8%) which, unless the debentures are earlier converted or redeemed in accordance with their terms, interest will be paid on June 29 in each of 2014, 2015, 2016 and on maturity. The interest on the debentures otherwise payable on June 29, 2013 was capitalized to the principal of the revised debenture.

The revised debentures are convertible, at the option of the respective holders, at any time or from time to time prior to 5:00 p.m. (Toronto time) on June 29, 2017, into fully paid, non-assessable common shares of the Corporation at a conversion price of \$1.50 per common share (previously \$4.50 per share).

Subject to certain conditions precedent, the Corporation may redeem the debentures prior to maturity at a redemption price equal to their principal amount plus interest accruing to but otherwise unpaid to the date preceding the redemption date.

The restructured debentures were accounted for as an extinguishment for accounting purposes, which resulted in a gain on modification of \$24. The original debentures were derecognized and new debentures were re-measured at their fair value on the date of the modification with an effective interest rate of 15%. The fair value of \$10,288 was estimated using discounted future cash flows, and the difference between the fair value and the principal amount was allocated to the conversion feature in the amount of \$2,127. The carrying value of the debenture as at March 31, 2015 was \$11,083 (2014 - \$10,962).

## **49 North Resources Inc.**

### **Notes to the Condensed Consolidated Financial Statements**

(in thousands of Canadian dollars, except securities and per share amounts)

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#### **8. Convertible debentures (continued)**

On March 26, 2015, the Corporation announced its intention to pursue a restructuring of the 2017 Debenture. Under the proposal, the 2017 Debenture would be settled in its entirety for a combination of common shares, preferred shares and an interest in a new senior secured convertible debenture. A debenture holder vote on the proposed restructuring is expected in May of 2015.

b) On June 6, 2013 the Corporation received debenture holder approval to restructure the terms of the debentures originally issued on September 23, 2010 and October 13, 2010. The revised debenture has a 3 year term, maturing on September 23, 2016 and bear interest from the date of issuance at 9% per annum which, unless the debentures are earlier converted or redeemed in accordance with their terms, interest will be paid on September 23, 2014, 2015 and on maturity. Interest otherwise payable on September 23, 2013 will be capitalized to the principal of the revised debenture.

The revised debentures are convertible, at the option of the respective holders, at any time or from time to time prior to 5:00 p.m. (Toronto time) on September 23, 2016, into fully paid, non-assessable common shares of the Corporation at a conversion price of \$1.50 per share.

Subject to certain conditions precedent, the Corporation may redeem the debentures prior to maturity at a redemption price equal to their principal amount plus interest accruing to but otherwise unpaid to the date preceding the redemption date.

The restructured debentures were accounted for as an extinguishment for accounting purposes and resulted in a gain on modification equal of \$305. The original debentures were derecognized and new debentures were re-measured at their fair value on the date of the modification with an effective interest rate of 15%. The fair value of \$4,384 was estimated using discounted future cash flows, and the difference between the fair value and the principal amount was allocated to the conversion feature in the amount of \$696. The carrying value of the debenture as at March 31, 2015 was \$4,704 (2013 - \$4,438).

In conjunction with the debenture restructure, the Corporation now has a covenant that it will not incur any long-term debt that gives priority over the debentures. There are no financial or reporting covenants associated with the debentures.

During the year ended December 31, 2014, the Corporation made application to have both series of its convertible debentures listed on the TSX-V. This application was accepted and the debentures commenced trading on April 3, 2014 under the ticker symbols FNR.DB.A and FNR.DB.B respectively.

#### **9. Drilling advances & loans payable**

Loans payable include various loans that bear interest at a range of 0% - 8% and have no specific terms of repayment. Loans which are unsecured and demand in nature are classified as a non-current liability. During the year ended December 31, 2014, the Corporation extinguished \$nil (2013 - \$1,041) of the loans payable.

On February 12, 2014, the Corporation, through its subsidiary Allstar, announced that it had entered into a binding letter of intent (the "LOI") with Canada Zhong An Energy Investment Ltd. ("Zhong An"). Under the terms of the LOI, Zhong An has made a \$2,000 non-refundable drilling deposit that was to be used in drilling two (2) new wells in the Riverside field. These wells have been drilled and completed.

Upon completion of the two well program, Zhong An had the right to finance an additional \$10,000 (the "Additional Financing") to drill up to an additional 12 wells at Riverside to earn a 60% interest in all of Allstar's oil and gas properties. During the year ended December 31, 2014, Zhong An formally notified the Corporation that they would not be proceeding with the Additional Financing. Pursuant to the LOI, the original \$2,000 drilling deposit is to be converted, at the election of Zhong An, into either a 60% working interest in the two wells drilled or a 10% equity interest in Allstar.

**49 North Resources Inc.****Notes to the Condensed Consolidated Financial Statements**

(in thousands of Canadian dollars, except securities and per share amounts)

**9. Drilling advances & loans payable (continued)**

Conversion will be satisfied through completion of a definitive agreement, which will be subject to the negotiation and satisfaction of a number of conditions, including but not limited to, each of the Corporation and Zhong An being satisfied with the results of their respective due diligence investigations and any required regulatory approvals. As at December 31, 2014 and subsequent thereto, the Corporation was awaiting Zhong An's decision in regards to the conversion of its deposit.

**10. Decommissioning liabilities**

	<b>March 31,</b>	<b>December 31,</b>
	<b>2015</b>	<b>2014</b>
<b>Balance, beginning of period</b>	<b>\$ 1,000</b>	<b>\$ 936</b>
Additions	-	34
Accretion expense	7	30
<b>Balance, end of period</b>	<b>\$ 1,007</b>	<b>\$ 1,000</b>

The total of the decommissioning liabilities are estimated based on the Corporation's net ownership interest in all the wells and facilities, the estimated costs to reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred in future periods. Management of the Corporation has estimated that based on their net ownership interest, the total undiscounted cash flows required to settle the obligations will be \$958. The obligations have been discounted using a risk free rate of 3% and an inflation rate of 2% per year. Most of these obligations are not expected to be paid until approximately 15 years in the future and will be funded from general Corporation resources at that time.

**11. Deferred income taxes**

As of December 31, 2014 the Corporation has approximately the following tax pools available as a deduction from future income at the prescribed tax rates. These tax pools are subject to confirmation by income tax authorities:

	<b>2015</b>	<b>2014</b>
Non-capital losses carried forward	\$ 15,406	\$ 15,406
Capital losses carried forward	2,860	2,860
Property plant and equipment	3,937	3,937
Share issue costs	65	65
Investments	24,265	24,265
Cumulative Canadian exploration and development expenses	5,755	5,755
	<b>\$ 52,288</b>	<b>\$ 52,288</b>

As of December 31, 2014 the non-capital losses of \$15,406 (2013 - \$13,484) available to carry forward to reduce future years' taxable income with expiration ranging from 2027 to 2034.



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**12. Common shares and contributed surplus**

On October 29, 2014, the Corporation completed a non-brokered rights offering whereby one right was issued for each common share outstanding. Four rights and \$0.30 entitled the holder to receive one unit. 3,538,769 units were issued, for gross proceeds of \$1,062. Each unit was comprised of one common share of the Corporation and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share of the Corporation at an exercise price of \$0.30 per warrant share for a period of 24 months. In connection with the financing the Corporation incurred share issue costs of \$69

During the year ended December 31, 2014, Gespeg completed a series of private placement financings whereby it issued a total of 17,120,000 units at \$0.05 per unit for gross proceeds of \$856. The Corporation participated in one of the financings, acquiring 500,000 units for proceeds of \$25.

**Stock option plan**

The directors of the Corporation have adopted, and the shareholders have approved a stock option plan (the "2008 Option Plan"), pursuant to which the directors may from time to time grant options for up to 10% of its issued and outstanding shares, the options vest immediately upon issuance. The purpose of the 2008 Option Plan is to attract, retain and motivate directors, employees and consultants of the Corporation and its subsidiaries and to advance the interests of the Corporation by providing such persons with the opportunity, through stock options, to acquire an equity interest in the Corporation.

A summary of the status of the 2008 stock option plan and changes during the year is presented below.

	<b>March 31, 2015</b>		<b>December 31, 2014</b>	
	<b>Options</b>	<b>Price</b>	<b>Options</b>	<b>Price</b>
<b>Exercisable, beginning of period</b>	1,750,000	\$ 0.35	1,810,000	\$ 1.09
Options forfeited	-	-	(60,000)	0.50
Options forfeited	-	-	(75,000)	0.30
Options granted	-	-	75,000	0.35
<b>Exercisable, end of period</b>	<b>1,750,000</b>	<b>\$ 0.35</b>	<b>1,750,000</b>	<b>\$ 0.35</b>

As at March 31, 2015, the weighted average remaining life of exercisable stock options is 7.25 years (2014 – 7.46 years)

On July 9, 2014, 635,000 related Corporation employee and consultant options were modified. The exercise prices of some options were reduced to \$0.50, with no change in the expiry date. The incremental fair value of the modification, using the Black-Scholes option pricing model, was calculated to be \$60 and is included in share-based payment expense and contributed surplus. 395,000 options were owned by Officers or Directors, with a \$37 incremental fair value of the modification.

During the first quarter of 2014, the board of directors of the Corporation approved the grant of 75,000 stock options pursuant to the 2008 Option Plan to a director of the Corporation. The options are exercisable at \$0.35 per share, vest immediately and, if not exercised, expire February 21, 2024, subject to earlier expiration in accordance with the 2008 Option Plan and applicable policies of the TSX-V.

The value of options issued during the first quarter of 2014, using the Black-Scholes option-pricing model, was \$21 which was allocated to the share-based compensation expense with a corresponding increase in contributed surplus. Assumptions used in the pricing model for the year are as follows: risk-free interest rate of 2.86%, expected life of options 10 years, annualized volatility 95.94% and dividend rate of nil.

**49 North Resources Inc.****Notes to the Condensed Consolidated Financial Statements**

(in thousands of Canadian dollars, except securities and per share amounts)

**12. Common shares and contributed surplus (continued)****Stock option plan** (continued)

During the third quarter of 2013, the board of directors of the Corporation approved the grant of 1,175,000 stock options pursuant to the 2008 Option Plan. 900,000 of the options were granted to directors and executive officers with the balance granted to employees and consultants. The options are exercisable at \$0.30 per share, vest immediately and, if not exercised, expire July 12, 2023, subject to earlier expiration in accordance with the 2008 Option Plan and applicable policies of the TSX-V.

The value of options issued during the third quarter of 2013, using the Black-Scholes option pricing model, was \$305 which was allocated to the share-based compensation expense with a corresponding increase in contributed surplus. Assumptions used in the pricing model for the year are as follows: risk-free interest rate of 2.19%, expected life of options 10 years, annualized volatility 90.99% and dividend rate of nil.

During 2013, the Corporation's consolidated subsidiary OMM, under its own stock option plan, issued 5,155,000 options to be settled in OMM shares. \$270 was recorded as share based compensation for options granted during the year. OMM valued the options issued using the Black-Scholes option pricing model with assumptions relevant to OMM.

During 2013, the Corporation's consolidated subsidiary Gespeg, under its own stock option plan, issued 2,700,000 options to be settled in Gespeg shares. \$170 was recorded as share-based compensation for the options granted during the year. Gespeg valued the options issued using the Black-Scholes option pricing model with assumptions relevant to Gespeg.

**Warrants**

A summary of the outstanding warrants is as follows:

	<b>March 31, 2015</b>		<b>December 31, 2014</b>	
	<b>Warrants</b>	<b>Price</b>	<b>Warrants</b>	<b>Price</b>
<b>Exercisable, beginning of period</b>	3,538,769	\$ 0.30	-	\$ -
Warrants granted	-	-	3,538,769	0.30
<b>Exercisable, end of period</b>	<b>3,538,769</b>	<b>\$ 0.30</b>	<b>3,538,769</b>	<b>\$ 0.30</b>

On October 29, 2014, the Corporation issued 3,538,769 share purchase warrants as part of a financing completed. Each warrant entitles the the holder to purchase one common share of the Corporation at a price of \$0.30 for a period of 24 months and vest immediately. In accordance with the Corporation's accounting policy in regards to unit bifurcation, the Corporation calculated the relative fair value of these warrants at \$373. Assumptions used in the Black-Scholes option pricing model were as follows: dividend yield 0%, expected volatility of 102.35%, and a risk free interest rate of 1.05%. These warrants expire on October 29, 2015.

**49 North Resources Inc.****Notes to the Condensed Consolidated Financial Statements**

(in thousands of Canadian dollars, except securities and per share amounts)

**12. Common shares and contributed surplus (continued)****Contributed surplus**

A summary of the contributed surplus activity is as follows:

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
<b>Balance, beginning of period</b>	\$ 4,117	\$ 3,123
Fair value of stock options granted	-	82
Share based payments	-	5
Warrants issued	-	373
Change in ownership of subsidiary	69	534
<b>Balance, end of period</b>	<b>\$ 4,186</b>	<b>\$ 4,117</b>

During the period a consolidated subsidiary completed a financing of which the Corporation and its associates did not participate in, effectively reducing the Corporation and its associate's ownership percentage in the subsidiary. The change in ownership of subsidiary adjustment above reflects the net book value of the ownership dilution.

**EPS and diluted EPS**

Basic EPS is calculated by dividing the net profit for the year by the weighted average number of common shares outstanding during the year.

The basic and diluted EPS is the same as the conversion of the convertible debentures (Note 9) or the exercise of stock options would not have a dilutive effect on earnings.

	<b>March 31, 2015</b>	<b>March 31, 2014</b>
Net (loss) income attributable to common shareholders	(459)	49
Weighted average number of common shares	24,592	21,053
Basic and diluted (loss) earnings per common share	(0.02)	\$ 0.01

**Shareholder rights plan**

The directors of the Corporation have approved a shareholder rights plan ("Rights Plan"). In the event a bid to acquire control of the Corporation is made, the Rights Plan is designed to give the directors of the Corporation time to consider alternatives to allow shareholders to receive full and fair value for their shares. In the event that a bid, other than a permitted bid, is made, shareholders become entitled to exercise rights to acquire common shares of the Corporation at a significant discount to the market price.

## **49 North Resources Inc.**

### **Notes to the Condensed Consolidated Financial Statements**

(in thousands of Canadian dollars, except securities and per share amounts)

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#### **13. Commitments**

The Corporation, through its subsidiary Gespeg, is committed to conduct exploration work representing capital expenditures in the amount of \$2,025 in total over the next four years.

The Corporation, through its subsidiary North Rim, has operating lease commitments related to equipment and office space of \$192 in total over the next year.

Although the Corporation has taken steps to verify title to the properties on which it is conducting exploration and development activities and in which it has an interest, in accordance with industry standards for the current stage of exploration and development of such properties, these procedures do not guarantee the Corporation's title. Property title may be subject to Government licensing requirements or regulations, unregistered prior agreements, unregistered claims and non-compliance with regulatory and environmental requirements.

#### **14. Capital management**

The Corporation's objectives when managing capital are:

- (a) to ensure that the Corporation maintains the level of capital necessary to meet the requirements of its brokers and bank;
- (b) to allow the Corporation to respond to changes in economic and/or marketplace conditions by maintaining the Corporation's ability to purchase new investments;
- (c) to provide sustained growth and value by increasing equity; and,
- (d) to maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Corporation manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its underlying assets. The Corporation maintains or adjusts its capital level to enable it to meet its objectives by:

- (a) realizing proceeds from the disposition of its investments;
- (b) creating cash flow from its oil & gas operations;
- (c) utilizing leverage in the form of margin (due from brokers) and the Corporation's bank credit line (bank indebtedness);
- (d) raising capital through equity financings;
- (e) borrowing funds in the form of advances from related parties; and,
- (f) purchasing the Corporation's own shares for cancellation pursuant to its normal course issuer bid.

The Corporation is not subject to any capital requirements imposed by a regulator. Except for the change in dividend payment policy in 2012, there were no changes in the Corporation's approach to capital management during the period. The Corporation's management is responsible for the management of capital and monitors the Corporation's use of various forms of leverage on a daily basis.

## **15. Financial instruments**

The investment operations of the Corporation's business involve the purchase and sale of securities and, accordingly, a significant portion of the Corporation's assets are currently comprised of financial instruments. The use of financial instruments can expose the Corporation to several risks, including market, credit, interest rate, commodity price and liquidity risks. A discussion of the Corporation's use of financial instruments and their associated risks is provided below.

### **(a) Liquidity risk:**

Liquidity risk is the risk that the Corporation will have insufficient cash resources to meet its financial obligations as they come due. The Corporation's liquidity and operating results may be adversely affected if the Corporation's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions, generally or related to matters specific to the Corporation, or if the value of the Corporation's investments decline, resulting in losses upon disposition.

The Corporation generates cash flow primarily from its financing activities and proceeds from the disposition of its investments, in addition to interest and dividend income earned on its investments.

The Corporation may use financial leverage (or "margin") when purchasing investments. Trading on margin allows the Corporation to borrow part of the purchase price of the investments (using marginable investments as collateral), rather than pay for them in full. Buying on margin allows the Corporation to increase its portfolio size by increasing the number and amount of investments through leverage. However, if the market moves against the Corporation's positions and the Corporation's investments decline in value, the Corporation may be required to provide additional funds to its brokers.

Given the nature of the Corporation's business, the Corporation may not have sufficient cash on hand to meet margin calls and may be required to liquidate investments prematurely and/or at a loss, in order to generate funds needed to satisfy the Corporation's obligations.

The Corporation has at times borrowed funds from other sources to meet its obligations, but there can be no assurances that such funds will be available in the future, or available on reasonable terms, and the absence of available funding and/or the sale of the Corporation's investments in order to meet margin calls could have a materially adverse impact on the Corporation's operating results. The Corporation manages liquidity risk by reviewing the amount of margin available, and managing its cash flow. The Corporation holds investments which can be readily converted into cash when required.

### **(b) Market risk:**

Market risk is the risk that the fair value of, or future cash flows from, the Corporation's financial instruments will significantly fluctuate because of changes in market prices. The value of the financial instruments can be affected by changes in interest rates, equity and commodity prices. The Corporation is exposed to market risk in trading its investments and unfavorable market conditions could result in dispositions of investments at less than favorable prices.

The Corporation manages market risk by having a portfolio which is not singularly exposed to any one issuer or class of issuers. The Corporation's investment activities are currently concentrated primarily across several sectors in the natural resource industry, including potash, oil and gas, coal, precious metals, base metals, uranium, diamonds and other commodities.

### **(c) Interest rate risk:**

Interest rate risk is the impact that changes in interest rates could have on the Corporation's earnings and liabilities. As at March 31, 2015, the Corporation had no liabilities payable that bear interest at rates fluctuating with the prime rate.

**15. Financial instruments (continued)**

**(d) Credit risk:**

Credit risk is the risk associated with the inability of a third party to fulfill its payment obligations. The Corporation is exposed to the risk that third parties that owe it money or securities (in connection with its loans receivable, for example) will not perform their underlying obligations.

The Corporation's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Corporation's customer base, including the default risk of the industry in which the customers operate, as these factors may have an influence on credit risk, particularly in the current economic circumstances. Geological and other consulting revenue consists of approximately 34% (2014 – 58%) of revenue attributable to sales transactions with a single customer.

Management has established a credit policy under which each new customer is required to pay a retainer prior to rendering services.

At March 31, 2015 the Corporation had loans and advances receivable and accounts receivable and prepaid expenses from companies, totaling \$1,099 (2014 - \$2,043) which represents approximately 4.9% (2014 – 5.2%) of the Corporation's total assets. As at March 31, 2015 an impairment loss of \$nil (2014 – \$nil) and an allowance for doubtful accounts provision of \$nil (2014 – \$nil) was recorded.

**(e) Commodity price risk:**

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted not only by the relationship between the Canadian and United States dollar, but also by world economic events that dictate the levels of supply and demand.

In the past, and from time to time, the Corporation has attempted to mitigate a portion of its commodity price risk through the use of the futures contract, as at March 31, 2015 – all futures contracts have been disposed.

**(f) Fair value:**

The fair value of the Corporation's financial assets and liabilities approximate their carrying values unless otherwise disclosed in the accounting policies.

**Fair value hierarchy and determination of fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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**15. Financial instruments (continued)****(f) Fair value:** (continued)

The Corporation and its subsidiaries uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The fair value of the financial instruments is included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described, as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis at fair value, the Corporation determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest-level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Corporation assets that are recognized at fair value on a recurring basis are the equity investments.

The following is a summary of the fair value of investments segregated based on the various levels of inputs, as discussed in Note 2:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments, at fair value	<u>\$ 4,560</u>	<u>\$ 46</u>	<u>\$ 1,417</u>	<u>\$ 6,023</u>

For the three months ended March 31, 2015, a reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

Balance as at December 31, 2014 and March 31, 2015	\$1,417
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During the three months ended March 31, 2015, no portfolio investments were reclassified out of Level 3.

Within Level 3, the Corporation includes private company investments. The key assumptions driving the valuation of these instruments include, but are not limited to, the value at which a recent financing was completed by the investee, significant changes in general market conditions and company specific information. For those investments valued based on general market condition and company specific information, these inputs can be highly judgmental. A +/- 25% change in the fair value of these investments will result in a corresponding +/- \$952 (2014 - \$634) change to the total fair value of the investments. While this illustrates the overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different circumstances.

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**15. Financial instruments (continued)****(f) Fair value:** (continued)

The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions and its results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of these investments. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Corporation's view of expected future changes in the fair value of these investments. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

**16. Events after the reporting period**

Subsequent to year-end, the holders of the 2017 Debenture voted in favour of the restructuring proposed by the Corporation. The restructuring is expected to close in June.

**17. Supplemental cash flow information**

The following table summarizes the net changes in non-cash working capital items related to operating activities:

	<b>2015</b>	<b>2014</b>
Loans and advances receivable	\$ (6)	\$ 8
Income taxes	(73)	84
Accounts receivable and prepaid expenses	2,558	(1,130)
Management fees and reimbursements payable	-	-
Accounts payable and accrued liabilities	(2,377)	(307)
	<b>102</b>	<b>\$ (1,345)</b>
<b>Cash and cash equivalents consists of:</b>		
Cash	\$ 1,198	\$ 6,565
Cash equivalents	\$ 529	-
	<b>1,727</b>	<b>6,565</b>



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**18. Segmented information**

The Corporation is a resource investment, financial, managerial and geological advisory entity which, as its principal business, invests in a diversified portfolio of shares and other securities of resource issuers including, without limitation, resource issuers engaged in mineral or oil and gas exploration and development, with a view to achieving capital appreciation of the portfolio. The Corporation has four reportable segments: Resource investment, extractive and geological advisory in Canada and brokerage services in the United Kingdom ("UK").

As at and for the three months ended March 31, 2015

	Resource Investment	Geological Advisory	UK Brokerage	Extractive Industries	Total
<b>Total assets</b>	\$ 6,883	\$ 1,007	\$ 134	\$ 14,223	\$ 22,247
<b>Total liabilities</b>	\$ 17,616	\$ 164	\$ 49	\$ 5,499	\$ 23,328
<b>Capital expenditures</b>	\$ -	\$ -	\$ -	\$ 214	\$ 214
<b>Continuing operations</b>					
<b>Revenues</b>					
Geological and other consulting	\$ 15	\$ 259	\$ 83	\$ -	\$ 357
Oil and gas sales	-	-	-	94	94
Realized gain on portfolio investments	106	-	-	4	110
Unrealized gain on portfolio investments	570	-	6	(2)	574
Interest and dividend income	28	23	-	1	52
	<b>719</b>	<b>282</b>	<b>89</b>	<b>97</b>	<b>1,187</b>
<b>Expenses</b>					
Amortization and depletion	6	8	-	6	20
Business and investor relations	49	4	-	65	118
Finance	567	1	-	9	577
General and administration	80	114	34	119	347
Management fees	62	-	-	6	68
Oil and gas operations	-	-	-	222	222
Professional fees	43	42	-	30	115
Project costs on geological and consulting activities	-	23	4	-	27
Transaction costs	5	-	-	-	5
Wages and benefits	93	267	-	-	360
	<b>905</b>	<b>459</b>	<b>38</b>	<b>457</b>	<b>1,859</b>
Loss on disposal of capital assets	(7)	-	-	-	(7)
<b>Income (loss) before income taxes</b>	<b>(193)</b>	<b>(177)</b>	<b>51</b>	<b>(360)</b>	<b>(679)</b>
Current income tax (recovery)	-	(43)	-	-	(43)
<b>Comprehensive (loss) income</b>	<b>\$ (193)</b>	<b>\$ (134)</b>	<b>\$ 51</b>	<b>\$ (360)</b>	<b>\$ (636)</b>

**49 North Resources Inc.****Notes to the Condensed Consolidated Financial Statements**

(in thousands of Canadian dollars, except securities and per share amounts)

**18. Segmented information (reported in thousands of Canadian dollars) (continued)**

As at and for the three months ended March 31, 2014

	Resource Investment	Geological Advisory	UK Brokerage	Extractive Industries	Total
<b>Total assets</b>	\$ 10,255	\$ 2,391	\$ 68	\$ 26,483	\$ 39,197
<b>Total liabilities</b>	\$ 17,415	\$ 1,069	\$ 40	\$ 6,558	\$ 25,082
<b>Capital expenditures</b>	\$ -	\$ -	\$ 2	\$ 1,680	\$ 1,682
<b>Continuing operations</b>					
<b>Revenues</b>					
Geological and other consulting	\$ 15	\$ 5,175	\$ 70	\$ -	\$ 5,260
Oil and gas sales	-	-	-	50	50
Realized (losses) gains	(280)	-	-	-	(280)
Unrealized losses	760	-	-	-	760
Interest and dividend income	600	55	-	4	659
	<b>1,095</b>	<b>5,230</b>	<b>70</b>	<b>54</b>	<b>6,449</b>
<b>Expenses</b>					
Amortization and depletion	7	11	-	9	27
Business and investor relations	44	4	-	58	106
Finance	543	1	-	11	555
Management fees	44	-	-	6	50
General and administration	63	120	70	271	524
Oil and gas operations	-	-	-	36	36
Professional fees	71	44	-	40	155
Project costs and geological and consulting activities	-	4,181	5	-	4,186
Share based compensation	21	-	-	1	22
Transaction costs	8	-	-	-	8
Wages and benefits	104	393	-	-	497
	<b>905</b>	<b>4,754</b>	<b>75</b>	<b>432</b>	<b>6,166</b>
<b>Income (loss) before income taxes</b>	<b>190</b>	<b>476</b>	<b>(5)</b>	<b>(378)</b>	<b>283</b>
Current income tax (recovery)	-	109	-	-	109
<b>Comprehensive (loss) income</b>	<b>\$ 190</b>	<b>\$ 367</b>	<b>\$ (5)</b>	<b>\$ (378)</b>	<b>\$ 174</b>