



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2015

(Unaudited - Prepared by Management)

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited condensed 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 Chartered Professional Accountants Canada for a review of interim financial statements by an entity's auditors.

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

	September 30 2015	December 31 2014
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,085	\$ 2,696
Equity instruments, at fair value (Note 3)	5,152	5,317
Loans and advances receivable (Note 4)	56	119
Accounts receivable and prepaid expenses	2,577	3,488
	9,870	11,620
Non-current assets		
Exploration and evaluation assets (Note 5)	9,719	9,293
Property, plant and equipment (Note 6)	4,576	3,919
Total assets	\$ 24,165	\$ 24,832
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 5,918	\$ 6,898
Income taxes payable	50	30
	5,968	6,928
Non-current liabilities		
Convertible debentures (Note 8)	6,903	15,609
Debt portion of preferred shares (Note 8)	647	-
Drilling advances & loans payable (Note 9)	2,650	2,013
Decommissioning liabilities (Note 10)	1,555	1,000
Total liabilities	17,723	25,550
Commitments (Note 13)		
EQUITY		
Common shares (Note 12)	68,540	66,491
Preferred shares (Note 12)	2,457	-
Contributed surplus (Note 12)	4,734	4,117
Equity portion of convertible debentures (Note 8)	1,539	1,993
Deficit	(72,620)	(75,494)
Equity attributable to common shareholders	4,650	(2,893)
Non-controlling interests	1,792	2,175
	6,442	(718)
Total liabilities and equity	\$ 24,165	\$ 24,832

Approved by the Board

“Tom MacNeill
Director

“Andrew Cook”
Director

49 North Resources Inc.**Condensed Consolidated Interim Statement of Income (Loss) and Comprehensive Income (Loss)**

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

	For the three months ended September 30		For the nine months ended September 30	
	2015	2014	2015	2014
Revenues				
Oil and gas sales	\$ 158	\$ 55	\$ 399	\$ 121
Geological and other consulting	4,513	2,089	6,810	9,736
Realized losses on portfolio investments	(213)	173	(1,111)	(314)
Unrealized gains (losses) on portfolio investments	(410)	(775)	1,232	(277)
Interest and dividend income	69	50	175	819
	4,117	1,592	7,505	10,085
Expenses				
Oil and gas operations	253	37	640	78
Amortization and depletion	18	26	58	81
Business and investor relations	94	97	320	352
Finance	253	581	1,279	1,577
General and administration	302	415	872	1,359
Management fees (Note 7)	109	57	266	164
Professional fees	206	150	386	550
Project costs on geological and other consulting activities	3,926	1,789	5,483	7,762
Share based compensation (Note 12)	-	62	-	86
Transaction costs	5	7	24	18
Wages and benefits	189	447	815	1,437
	5,355	3,668	10,143	13,464
Gain on debenture extinguishment (Note 8)	-	-	5,338	-
Impairment of exploration and evaluation asset (Note 5)	-	-	(47)	-
Loss on property, plant and equipment disposal	-	-	(7)	-
Loss before income taxes	(1,238)	(2,076)	2,646	(3,379)
Current income tax	68	(60)	52	25
Net income (loss) for the period	\$ (1,306)	\$ (2,016)	\$ 2,594	\$ (3,404)
Income (loss) to common shareholders	(1,272)	(1,827)	2,899	(3,212)
Loss to non-controlling interest	(34)	(189)	(305)	(192)
Net income (loss) and comprehensive income (loss)	\$ (1,306)	\$ (2,016)	\$ 2,594	\$ (3,404)
Weighted average number of shares outstanding (Note 12)				
Basic	43,214,834	21,053,077	32,807,991	21,053,077
Diluted	49,422,424	21,053,077	35,546,633	21,053,077
Net income (loss) per share (Note 12)				
Basic	\$ (0.03)	\$ (0.09)	\$ 0.09	\$ (0.15)
Diluted	\$ (0.03)	\$ (0.09)	\$ 0.08	\$ (0.15)

49 North Resources Inc.
Condensed Consolidated Interim Statement of Changes in Equity
(unaudited - in thousands of Canadian dollars)

	Common Share Capital	Attributable to the common shareholders				Total	Non-controlling interests	Total Equity
		Preferred Share Capital	Contributed Surplus	Equity portion of convertible debentures	Deficit			
Balance, January 1, 2014	\$ 65,871	\$ -	\$ 3,123	\$ 1,993	\$ (59,510)	\$ 11,477	\$ 2,397	\$ 13,874
Acquisition of subsidiaries and changes to non-controlling interests	-	-	505	-	-	505	3	508
Warrants issued in subsidiaries	-	-	-	-	-	-	223	223
Share based payments in subsidiaries	-	-	2	-	-	2	-	2
Share based compensation	-	-	84	-	-	84	-	84
Net loss	-	-	-	-	(3,212)	(3,212)	(192)	(3,404)
Balance, September 30, 2014	\$ 65,871	\$ -	\$ 3,714	\$ 1,993	\$ (62,722)	\$ 8,856	\$ 2,431	\$ 11,287

	Common Share Capital	Preferred Share Capital	Contributed Surplus	Equity portion of convertible debentures	Deficit	Total	Minority Interest	Total Equity
2011 debenture restructure	2,049	2,457	-	(454)	-	4,052	-	4,052
Changes in non-controlling interests	-	-	525	-	-	525	(78)	447
Warrants issued in subsidiaries	-	-	92	-	-	92	-	92
Cumulative preferred share dividend	-	-	-	-	(25)	(25)	-	(25)
Net income	-	-	-	-	2,899	2,899	(305)	2,594
Balance, September 30, 2015	\$ 68,540	\$ 2,457	\$ 4,734	\$ 1,539	\$ (72,620)	\$ 4,650	\$ 1,792	\$ 6,442

49 North Resources Inc.
Condensed Consolidated Interim Statement of Cash Flows
(unaudited - in thousands of Canadian dollars)

for the nine months ended September 30,	2015	2014
Cash flows from Operating Activities		
Net income (loss)	\$ 2,594	\$ (3,404)
Items not affecting cash		
Realized loss on disposal of capital assets	7	-
Realized losses on portfolio investments	1,111	314
Accretion of decommissioning liability	22	-
Amortization and depletion	59	81
Accretion of convertible debentures	418	485
Share based compensation	-	86
Impairment	47	-
Gain on debenture extinguishment	(5,338)	-
Unrealized losses (gains) on portfolio investments	(1,232)	277
Net changes in non-cash working capital items related to operations (Note 16):	1,726	(1,459)
	(586)	(3,620)
Cash flows from Investing Activities		
Purchase of property, plant and equipment	(190)	(35)
Proceeds from disposal of property, plant and equipment	2	-
Purchase of investments	(1,259)	(1,747)
Proceeds from disposal of investments	1,545	1,198
Exploration and development	(756)	(3,174)
Loan advances	637	2,001
	(21)	(1,757)
Net change in cash during the period	(607)	(5,377)
Cash, beginning of period	2,692	8,224
Cash, end of period	\$ 2,085	\$ 2,847
Non cash transactions		
Common shares issued for convertible debenture	\$ 2,049	\$ -
Preferred shares issued for convertible debenture	\$ 2,457	\$ -
Exploration and evaluation costs remaining in accounts payable and accrued liabilities	\$ 281	\$ -
Revaluation of Decommissioning liability	\$ 533	\$ -
Common shares issued for acquisition of subsidiaries	\$ -	\$ 8,180
Loan repayments via acquisition of subsidiaries	\$ -	\$ (1,035)
Subsidiary proceeds in receivables and prepaid	\$ -	\$ (375)
Receivable settled by issuance of shares	\$ -	\$ 30

49 North Resources Inc.

Notes to the Condensed Consolidated Financial Statements

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

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 4th 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 \$72,620. 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, these material uncertainties may cast significant doubt on the Corporations' ability to continue as a going concern..

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 IAS 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 nine and three month period ended September 30, 2015 were authorized for issuance by the Corporation's board of directors on November 30, 2015.

49 North Resources Inc.

Notes to the Condensed Consolidated Financial Statements

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

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 September 30, 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 7 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 September 30, 2015 and December 31, 2014, the Corporation's investments consist of equity interests in companies in the following industries:

	September 30, 2015		December 31, 2014	
	Cost	FMV	Cost	FMV
Base and Precious Metals	\$ 14,279	\$ 1,843	\$ 14,722	\$ 1,914
Coal	2,061	58	5,961	229
Diamonds	744	425	282	173
Oil & Gas	7,108	987	4,076	954
Other	2,990	1,693	3,525	1,853
Uranium	1,046	146	1,049	194
	\$ 28,228	\$ 5,152	\$ 29,615	\$ 5,317

The equity investments consist of investment in common shares of corporations of which 61.90% are listed on the TSX-V, 25.88% of the fair value are private, 4.04% are listed on the Canadian Stock Exchange ("CSE") and 8.18% are listed on the TSX as of September 30, 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

	September 30, 2015	December 31, 2014
Unrelated corporations	\$ 56	\$ 118
Unrelated individual	-	1
	\$ 56	\$ 119

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
Balance, January 1, 2014	\$ 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)
Balance, December 31, 2014	\$ 6,686	\$ 2,404	\$ 203	\$ -	\$ -	\$ 9,293
Exploration	286	187	-	-	-	473
Impairment	-	(47)	-	-	-	(47)
Balance, September 30, 2015	\$ 6,972	\$ 2,544	\$ 203	\$ -	\$ -	\$ 9,719

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 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 continues to conduct exploration at Wingdam with a view to enhancing the underground modeling of the potential deposit.

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 \$225 over the next two years.

In conjunction with the review for impairment, the Corporation made the decision not to continue with exploration on certain of its Quebec properties and allowed them to lapse in the period. As such, an impairment loss of \$47 (2014 - \$47) 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.

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)**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 September 30, 2015 is \$203.

Saskatchewan oil & gas

The Corporation, through its subsidiary Allstar Energy Limited ("Allstar"), controls approximately 43,000 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.

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.

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)

Saskatchewan oil & gas (continued)

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 at December 31, 2014. 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 \$Nil (2014 - \$488), whereas a 5% decrease in discount rate would result in a \$Nil (2014 - \$611) decrease to the impairment. Similarly, a 5% increase in expected oil price would result in an \$Nil (2014 - \$21) decrease to the impairment, whereas a 5% decrease in expected oil price would result in an \$Nil (2014 - \$21) 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.

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.

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

	Total	Oil & gas interests	Other Corporate Assets
Cost:			
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	722	674	48
Dispositions	(48)	-	(48)
Balance at September 30, 2015	5,251	4,324	927
Accumulated depletion and amortization:			
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	58	1	57
Dispositions	(41)	-	(41)
Balance at September 30, 2015	675	1	674
Total balance at December 31, 2014	\$ 3,919	\$ 3,650	\$ 269
Total balance at September 30, 2015	\$ 4,576	\$ 4,323	\$ 253

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.

Petroleum properties

In the period, Allstar acquired 21,000 acres of heavy oil land in central Saskatchewan, including three producing wells, with 100% of the rights to explore for, develop petroleum and natural gas. As consideration Allstar assumed the decommissioning liabilities. Management of the Corporation has estimated the total net present value of future cash flows required to settle the obligations to be \$533, which has been recorded in property, plant and equipment and offset in decommissioning liabilities.

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 was 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

49 North Resources Inc.

Notes to the Condensed Consolidated Financial Statements

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

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	32.2%	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

	September 30, September 30,	
	2015	2014
Management fees to officers	\$ 236	\$ 152
Salaries to officers	88	143
Share based compensation to directors and officers	-	58
	\$ 324	\$ 353

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.

49 North Resources Inc.

Notes to the Condensed Consolidated Financial Statements

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

7. Corporation Information and Related party transactions (continued)

Compensation of key executive personnel (continued)

Effective June 1, 2015, the Company and Jaelky Holdings Inc. (“Jaelky”) entered into a consulting agreement. Mr. Andrew Davidson, the Chief Financial Officer of the Company, was and continues to be the sole director and sole voting shareholder of Jaelky. Jaelky is entitled to be paid a consulting fee of \$16 plus GST on a monthly basis.

Related party transactions

As at September 30, 2015, the Corporation had a \$22 payable (2014 – \$nil payable) to TMM.

As of September 30, 2015, the Corporation owed \$24 (2014 - \$nil) to a corporation controlled by the Chief Financial officer of the company.

During the period, OMM paid \$10 (2014 - \$10) 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 May 26, 2015 the Corporation received debenture holder approval to restructure the terms of the debentures originally issued on June 29, 2011 and July 11, 2011 and restructured on June 6, 2013 (the “original debentures”). In the restructure the Corporation extinguished the original debentures and issued 18,622,722 common shares, a new \$3,104 senior secured convertible debenture (the “revised convertible debentures”) and 3,103,795 preferred shares, with a cumulative annual dividend rate of 2.5%. The preferred shares are redeemable by the Corporation.

The revised convertible debentures have a 5 year term, maturing June 29, 2020, bear interest from the date of issuance at 2.5% per annum (previously 9%) which, unless the debentures are earlier converted or redeemed in accordance with their terms, interest will be paid on June 29 in each of 2016, 2017, 2018, 2019 and on maturity.

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, 2020, into fully paid, non-assessable common shares of the Corporation at a conversion price of \$0.50 per common share.

Subject to certain conditions precedent, the Corporation may redeem the revised 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 restructuring was accounted for as an extinguishment for accounting purposes, which resulted in a gain on extinguishment of \$5,338. The original debentures were derecognized and revised debentures, preferred shares and common shares were measured at their fair value on the date of the restructuring with an effective interest rate of 12%. The fair value of the revised debentures \$1,761 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 \$1,063. In addition, the \$647 fair value of the preferred share cumulative dividend was estimated using discounted future cash flows and was allocated to the debt component of the preferred shares. The residual value of the revised debentures and preferred shares were allocated to equity, and the common shares were valued using the common share price at the date of the restructuring. The carrying value of the debenture as at September 30, 2015 was \$2,084 (2014 - \$10,839).

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Notes to the Condensed Consolidated Financial Statements

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

8. Convertible debentures (continued)

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 September 30, 2015 was \$4,819 (2014 - \$4,589).

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.

On May 26, 2015, the restructured debenture was delisted "FNR.DB.B" in accordance with the restructure approved by the debenture holders. (Note 8(a)).

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.

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.

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 September 30, 2015, the Corporation was awaiting Zhong An's decision in regards to the conversion of its deposit.

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Notes to the Condensed Consolidated Financial Statements

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10. Decommissioning liabilities

	June 30, 2015	December 31, 2014
Balance, beginning of period	\$ 1,000	\$ 936
Additions	533	34
Accretion expense	15	30
Balance, end of period	\$ 1,548	\$ 1,000

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 \$1,587. 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 September 30, 2015 and December 31, 2014 the Corporation has approximated 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:

	2015	2014
Non-capital losses carried forward	\$ 24,848	\$ 15,406
Capital losses carried forward	1,005	2,860
Property plant and equipment	2,388	3,937
Share issue costs	65	65
Investments	13,426	24,265
Cumulative Canadian exploration and development expenses	5,802	5,755
	\$ 47,534	\$ 52,288

As of September 30, 2015 the non-capital losses of \$24,848 (December 31, 2014 - \$15,406) available to carry forward to reduce future years' taxable income with expiration ranging from 2027 to 2034.

12. Common shares, preferred 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.

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)

On May 26, 2015 the debenture holders approved a restructure plan whereby the Corporation issued 18,622,772 common shares and 3,103,795 preferred shares. The estimated value allocated to the equity component of each were \$2,049 and \$2,457, respectively.

	Common shares		Preferred shares	
	Quantity	Amount	Quantity	Amount
Balance at January 1, 2014	21,053	\$ 65,871	-	\$ -
Rights offering	-	-	-	-
Share issue costs	-	-	-	-
Balance at September 30, 2014	21,053	\$ 65,871	-	\$ -
Balance at January 1, 2015	24,592	\$ 66,491	-	\$ -
2011 debenture restructure	18,623	2,049	3,104	2,457
Balance at September 30, 2015	43,215	\$ 68,540	3,104	\$ 2,457

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.

	September 30, 2015		December 31, 2014	
	Options	Price	Options	Price
Exercisable, beginning of period	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
Exercisable, end of period	1,750,000	\$ 0.35	1,750,000	\$ 0.35

As at September 30, 2015, the weighted average remaining life of exercisable stock options is 6.75 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.

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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)

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.

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:

	September 30, 2015		December 31, 2014	
	Warrants	Price	Warrants	Price
Exercisable, beginning of period	3,538,769	\$ 0.30	-	\$ -
Warrants granted	-	-	3,538,769	0.30
Exercisable, end of period	3,538,769	\$ 0.30	3,538,769	\$ 0.30

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, 2016.

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:

	September 30, 2015	December 31, 2014
Balance, beginning of period	\$ 4,117	\$ 3,123
Fair value of stock options granted	-	82
Share based payments	-	5
Warrants issued	14	373
Change in ownership of subsidiary	603	534
Balance, end of period	\$ 4,734	\$ 4,117

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 8) or the exercise of stock options would not have a dilutive effect on earnings.

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Net income (loss) income attributable to common shareholders	\$ (1,272)	\$ (1,827)	\$ 2,899	\$ (3,212)
Weighted average number of common shares - basic	43,215	21,053	32,808	21,053
Dilutive effect of preferred shares	6,207	-	2,739	-
Weighted average number of common shares - diluted	49,422	21,053	35,547	21,053
Income (loss) per share - basic	\$ (0.03)	\$ (0.09)	\$ 0.09	\$ (0.15)
Income (loss) per share - diluted	\$ (0.03)	\$ (0.09)	\$ 0.08	\$ (0.15)

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Notes to the Condensed Consolidated Financial Statements

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12. Common shares and contributed surplus (continued)

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.

13. Commitments

The Corporation, through its subsidiary Gespeg, is committed to conduct exploration work representing capital expenditures in the amount of \$225 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.

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Notes to the Condensed Consolidated Financial Statements

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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 September 30, 2015 the Corporation had no liabilities payable that bear interest at rates fluctuating with the prime rate.

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Notes to the Condensed Consolidated Financial Statements

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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 30% (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 September 30, 2015 the Corporation had loans and advances receivable and accounts receivable and prepaid expenses from companies, totaling \$2,633 (2014 - \$3,607) which represents approximately 10.9% (2014 – 14.5%) of the Corporation's total assets. As at September 30, 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 September 30, 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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Notes to the Condensed Consolidated Financial Statements

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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>\$ 3,819</u>	<u>\$ -</u>	<u>\$ 1,333</u>	<u>\$ 5,152</u>

For the nine months ended September 30, 2015, a reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

Balance as at December 31, 2014	\$1,417
Fair value adjustment	(15)
Dissolution	(69)
Balance at September 30, 2015	<u>\$ 1,333</u>

During the nine months ended September 30, 2015, Golden Dreams LP was dissolved and the net assets distributed to the Corporation.

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

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.

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. Supplemental cash flow information

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

for the nine months ended September 30,	2015	2014
Loans and advances receivable	67	\$ (11)
Income taxes	20	93
Accounts receivable and prepaid expenses	911	(1,741)
Accounts payable and accrued liabilities	728	200
	1,726	\$ (1,459)
Cash and cash equivalents consists of:		
Cash	\$ 2,085	\$ 2,847
Cash equivalents	\$ -	\$ -
	2,085	2,847

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17. Events after the reporting period

Subsequent to period end, on November 12, 2015, the Corporation received debenture holder approval to restructure the terms of the debenture originally issued on September 23, 2010 and October 13, 2010 and restructured on June 6, 2013 (the "Original Debentures"). In the restructure the Corporation extinguished the original debentures in exchange for 150 common shares of the Company, 25 first-preferred Series 2 shares of the Company (the "Preferred Shares") and \$25 principal amount of a new series of 2.5% senior secured convertible debenture (the "New Debenture"). The restructuring also provides that certain Original Debentures held in accounts with restrictions against holding common or preferred equities be converted into a combination of the New Debenture and a new subordinated secured 2.5% convertible debenture (the "Subordinated Debenture").

The New Debentures and the Subordinated Debentures have a 5 year term from the date of closing, bear interest from the date of issuance at 2.5% per annum (previously 9%) which, unless the debentures are earlier converted or redeemed in accordance with their term, interest will be paid annually on the anniversary date of their issuance, and on maturity.

The New Debentures and the Subordinated Debentures are convertible, at the option of the respective holders, at any time and from time to time prior to 5:00 p.m. (Toronto time) on the date that is 5 years from the date of issuance, into fully paid, non-assessable common shares of the Corporation at a conversion price of \$0.50 per common share.

Subject to certain conditions precedent, the Corporation may redeem the New Debentures and the Subordinated 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 Preferred Shares issued as a part of this transaction have a cumulative annual dividend rate of 2.5% and are redeemable by the Corporation at par at any time.

The specific number of common shares and preferred shares issued, along with the total principal amount of the New Debenture and the Subordinated Debenture will be determined on the closing of this transaction, which is expected on November 30, 2015.

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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 nine months ended September 30, 2015

	Resource Investment	Geological Advisory	UK Brokerage	Extractive Industries	Total
Total assets	\$ 5,652	\$ 3,576	\$ 153	\$ 14,784	\$ 24,165
Total liabilities	\$ 9,024	\$ 2,549	\$ 17	\$ 6,133	\$ 17,723
Capital expenditures	\$ -	\$ -	\$ -	\$ 662	\$ 662
Continuing operations					
Revenues					
Oil and gas sales	\$ -	\$ -	\$ -	\$ 399	\$ 399
Geological and other consulting	45	6,551	214	-	6,810
Realized gain on portfolio investments	(1,115)	-	-	4	(1,111)
Unrealized gain on portfolio investments	1,218	-	14	-	1,232
Interest and dividend income	72	99	-	4	175
	220	6,650	228	407	7,505
Expenses					
Oil and gas operations	-	-	-	640	640
Amortization and depletion	19	21	-	19	59
Business and investor relations	147	9	-	164	320
Finance	1,250	2	-	26	1,278
General and administration	205	167	109	391	872
Management fees	236	-	-	30	266
Professional fees	155	117	-	114	386
Project costs on geological and consulting activities	-	5,466	17	-	5,483
Transaction costs	24	-	-	-	24
Wages and benefits	166	649	-	-	815
	2,202	6,431	126	1,384	10,143
Gain on debenture extinguishment	5,338	-	-	-	5,338
Impairment of exploration and evaluation asset	-	-	-	(47)	(47)
Loss on disposal of capital assets	(7)	-	-	-	(7)
Income (loss) before income taxes	3,349	219	102	(1,024)	2,646
Current income tax (recovery)	-	52	-	-	52
Comprehensive (loss) income	\$ 3,349	\$ 167	\$ 102	\$ (1,029)	\$ 2,594

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 nine months ended September 30, 2014

	Resource Investment	Geological Advisory	UK Brokerage	Extractive Industries	Total
Total assets	\$ 6,362	\$ 2,655	\$ 96	\$ 27,731	\$ 36,844
Total liabilities	\$ 17,273	\$ 1,613	\$ 52	\$ 6,619	\$ 25,557
Capital expenditures	\$ -	\$ -	\$ 2	\$ 3,207	\$ 3,209
<u>Continuing operations</u>					
Revenues					
Oil and gas sales	-	-	-	121	121
Geological and other consulting	45	9,482	209	-	9,736
Realized losses	(314)	-	-	-	(314)
Unrealized gains	(278)	-	1	-	(277)
Interest, rent and dividend income	627	184	-	8	819
	80	9,666	210	129	10,085
Expenses					
Oil and gas operations	-	-	-	78	78
Amortization and depletion	21	32	-	28	81
Business and investor relations	141	27	-	184	352
Finance	1,673	15	-	(111)	1,577
Management fees	146	-	-	18	164
General and administration	219	396	181	563	1,359
Professional fees	169	276	-	105	550
Project costs	-	7,740	16	6	7,762
Share based compensation	81	-	-	5	86
Transaction costs	18	-	-	-	18
Wages and benefits	347	1,069	-	21	1,437
	2,815	9,555	197	897	13,464
Income (loss) before income taxes	(2,735)	111	13	(768)	(3,379)
Current income tax	-	25	-	-	25
Net comprehensive income (loss)	(2,735)	86	13	(768)	(3,404)