



CONDENSED INTERIM FINANCIAL STATEMENTS

March 31, 2017

(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 of Canada for a review of interim financial statements by an entity's auditors.

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

	March 31 2017	December 31 2016
ASSETS		
Current assets		
Cash	\$ 107	\$ 85
Equity investments, at fair value (Note 3)	14,432	11,514
Accounts receivable and prepaid expenses (Note 4)	61	124
Loans and advances receivable (Note 4)	1,130	974
	15,730	12,697
Non-current assets		
Convertible debenture receivable (Note 5)	5,489	5,256
Embedded derivative asset (Note 5)	1,728	1,593
Property, plant and equipment (Note 6)	51	54
Total assets	\$ 22,998	\$ 19,600
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 596	\$ 536
	596	536
Non-current liabilities		
Convertible debentures (Note 8)	3,560	3,498
Subordinate debentures (Note 9)	641	628
Debt portion of preferred shares (Note 8)	755	758
Total liabilities	5,552	5,420
EQUITY		
Common shares (Note 12)	69,900	69,870
Preferred shares (Note 12)	2,869	2,877
Contributed surplus (Note 12)	5,324	5,324
Equity portion of convertible debentures (Note 8)	1,630	1,636
Equity portion of subordinate debentures (Note 9)	301	301
Deficit	(62,578)	(65,828)
Equity	17,446	14,180
Total liabilities and equity	\$ 22,998	\$ 19,600

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.**Statement of Income and Comprehensive Income**

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

For the three months ended March 31,	2017	2016
Revenues		
Other consulting	\$ 15	\$ 15
Oil and gas sales	-	8
Realized losses on equity investments	(911)	(180)
Unrealized gains on equity investments	4,229	1,222
Unrealized gains on embedded derivative assets (Note 5)	135	164
Interest and dividend income (Note 5)	380	446
	3,848	1,675
Expenses		
Amortization and depletion (Note 6)	3	4
Business and investor relations	51	31
Finance (Note 8)	147	121
General and administration	49	59
Management fees (Note 7)	144	115
Oil and gas operations	-	21
Professional fees	52	13
Transaction costs	11	6
Wages and benefits	5	5
	462	375
Gain on deconsolidation (Note 2)	-	595
Loss on debt reassignment	(2)	-
Writedown - advances owing from related party (Note 7)	(134)	-
Income before income taxes	3,250	1,895
Current income tax expense (Note 11)	-	-
Net Income and comprehensive income	\$ 3,250	\$ 1,895
Basic earnings per share (Note 12)	\$ 0.06	\$ 0.04
Diluted earnings per share (Note 12)	\$ 0.05	\$ 0.03
Weighted average number of common shares outstanding - basic	58,766,185	47,856,415
Weighted average number of common shares outstanding - diluted	77,958,479	67,525,831

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

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

	Attributable to the common shareholders							Non-controlling interests	Total Equity (Deficiency)
	Common Share Capital	Preferred Share Capital	Contributed Surplus	Equity portion of debentures	Deficit	Total			
Balance, January 1, 2016	\$ 68,839	\$ 3,064	\$ 4,704	\$ 2,014	\$ (73,246)	\$ 5,375	\$ 1,895	\$ 7,270	
Convertible debenture conversions (Note 8)	9	-	-	(3)	-	6	-	6	
Preferred share conversions (Note 8)	9	(7)	-	-	-	2	-	2	
Deconsolidation adjustments (Note 2)	-	-	(638)	-	10,589	9,951	(1,895)	8,056	
Net income	-	-	-	-	1,895	1,895	-	1,895	
Balance, March 31, 2016	\$ 68,857	\$ 3,057	\$ 4,066	\$ 2,011	\$ (60,762)	\$ 17,229	\$ -	\$ 17,229	
	Common Share Capital	Preferred Share Capital	Contributed Surplus	Equity portion of debentures	Deficit	Total	Non-controlling interests	Total Equity (Deficiency)	
Balance, January 1, 2017	\$ 69,870	\$ 2,877	\$ 5,324	\$ 1,937	\$ (65,828)	\$ 14,180	\$ -	\$ 14,180	
Convertible debenture conversions (Note 8)	19	-	-	(6)	-	13	-	13	
Preferred share conversions (Note 8)	11	(8)	-	-	-	3	-	3	
Net income	-	-	-	-	3,250	3,250	-	3,250	
Balance, March 31, 2017	\$ 69,900	\$ 2,869	\$ 5,324	\$ 1,931	\$ (62,578)	\$ 17,446	\$ -	\$ 17,446	

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

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

For the three months ended March 31,	2017	2016
Cash flows from Operating Activities		
Net income	\$ 3,250	\$ 1,895
Items not affecting cash		
Gain on deconsolidation	-	(595)
Realized losses on equity investments	911	180
Accretion of decommissioning liabilities	-	1
Amortization and depletion	3	4
Accretion of debentures payable	88	77
Accrued dividends	22	15
Accrued interest income	(279)	(397)
Accretion of debenture receivable	(92)	(27)
Loss on debt reassignment	2	-
Writedown - advances owing from related party	134	-
Unrealized gains on equity investments	(4,229)	(1,222)
Unrealized gains on embedded derivative assets	(135)	(164)
Net changes in non-cash working capital items related to operations (Note 15)	79	11
	(246)	(222)
Cash flows from Investing Activities		
Proceeds from disposal of property, plant and equipment	-	58
Purchase of equity investments	(426)	(151)
Proceeds from disposal of equity investments	694	318
Cash eliminated on deconsolidation	-	(960)
	268	(735)
Net change in cash during the period	22	(957)
Cash, beginning of period	85	1,010
Cash, end of period	\$ 107	\$ 53

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

49 North Resources Inc.

Notes to the Condensed Interim Financial Statements

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

For the three months ended March 31, 2017 and 2016

1. Description of business and going concern

Description of business

49 North Resources Inc. (the "Corporation") is a resource investment, financial, and managerial 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.

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.

2. Significant accounting policies

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

Statement of compliance

These financial statements have been prepared in conformity with International Accounting Standard ("IAS") 34, Interim Financial Reporting, and do not include all the information required for full annual financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). It is suggested that these financial statements be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2016.

The financial statements of the Corporation for the three month period ended March 31, 2017 were authorized for issuance by the Corporation's board of directors on May 12, 2017.

Basis of preparation

These condensed 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.

New accounting pronouncements

Certain new accounting standards and interpretations have been published that are mandatory for period ends beginning on or after January 1, 2017.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.

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.

None of the new standards adopted had a material impact on the Corporation's financial statements.

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

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

For the three months ended March 31, 2017 and 2016

3. Equity investments

As at March 31, 2017 and December 31, 2016, the Corporation's investments consist of equity interests in companies in the following segments:

	March 31, 2017		December 31, 2016	
	Cost	FMV	Cost	FMV
Publicly listed companies	\$ 23,914	\$ 11,688	\$ 25,225	\$ 9,170
Private companies	11,688	2,744	11,688	2,344
	\$ 35,602	\$ 14,432	\$ 36,913	\$ 11,514

As at March 31, 2017 and December 31, 2016, the Corporation's investments consist of equity interests in companies in the following industries:

	March 31, 2017		December 31, 2016	
	Cost	FMV	Cost	FMV
Base and Precious Metals	\$ 15,733	\$ 6,165	\$ 17,117	\$ 6,035
Coal	1,981	-	1,981	-
Diamonds	1,325	1,035	1,353	1,114
Oil & Gas	12,910	4,050	12,917	1,920
Other	507	3,179	3,397	2,441
Uranium	146	3	148	4
	\$ 32,602	\$ 14,432	\$ 36,913	\$ 11,514

The equity investments consist of investment in common shares of corporations of which 71.22% (December 31, 2016 – 67.33%) are listed on the TSX-V, 19.01% (December 31, 2016– 20.36%) are private, 7.17% (December 31, 2016– 9.67%) are listed on the TSX and 2.60% (December 31, 2016– 2.64%) are listed on the Canadian Securities Exchange (“CSE”) as of March 31, 2017.

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 \$400 unrealized gain (December 31, 2016 - \$1,216) on certain private corporation investments.

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

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

For the three months ended March 31, 2017 and 2016

4. Loans, advances, accounts receivable and prepaid expensesAccounts receivable and prepaid expenses

	March 31, 2017	December 31, 2016
Trade accounts receivable	\$ 55	\$ 117
Other receivable	3	3
Prepaid expenses	3	4
	\$ 61	\$ 124

The aging of accounts receivables at the reporting date was:

	March 31, 2017	December 31, 2016
Not past due	\$ 7	\$ 4
Past due 0 - 30 days	8	8
Past due 31+ days	40	105
	\$ 55	\$ 117

During the period ended March 31, 2017, the Corporation recognized an impairment losses of \$2 (2016 – impairment loss of \$nil) in respect of trade accounts receivable.

Loans and advances receivable

	March 31, 2017	December 31, 2016
<u>Current</u>		
Unrelated corporations	\$ 302	\$ 167
Related corporation	828	807
	\$ 1,130	\$ 974

The loans to unrelated corporations bear interest at 10% and are due on demand. The loan to a related corporation is non-interest bearing, and is due on demand.

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

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

For the three months ended March 31, 2017 and 2016

5. Convertible debentures receivable

On August 31, 2016 the Corporation and Omineca Mining and Metals Ltd. ("OMM") restructured the terms of the debentures originally issued on November 30, 2010 and restructured on October 1, 2013. Pursuant to the terms of the restructure, the conversion feature was amended, below, and the maturity date was extended to October 1, 2021. The face value remains unchanged at \$5,400 and the debenture still bears interest at 8% per annum and is secured by current and future property rights, is payable upon maturity at October 1, 2021 and may be converted into common shares of OMM at any time at a revised conversion price as follows:

- \$0.20 prior to October 1, 2017
- \$0.50 on or after October 1, 2017, but prior to October 1, 2018
- \$0.75 on or after October 1, 2018

The restructuring resulted in a loss on modification of \$30. The fair value of the conversion feature of \$1,863 was re-estimated as of the date of the restructuring using the Black-Scholes option pricing model with the following assumptions: a share price of \$0.07, an exercise price of \$0.20, annualized volatility of 233.83%, an expected life of 5.09 years, a dividend rate of nil, and a risk-free interest rate of 0.82%, the carrying value was determined by first allocation the fair value to the embedded derivative asset and the residual to the carrying value of the convertible debenture receivable.

	<u>Convertible Debenture Receivable</u>		<u>Embedded derivative asset</u>
	<u>Face Value</u>	<u>Carrying Value</u>	
Balance, December 31, 2015	\$ -	\$ -	\$ -
Recognition of convertible debenture receivable	5,400	6,164	112
Interest income accrued	1,597	536	-
Accretion income	-	194	-
Revaluation on restructure	-	(1,638)	1,608
Fair value adjustment to derivative asset	-	-	(127)
Balance, December 31, 2016	\$ 6,997	\$ 5,256	\$ 1,593
Interest income accrued	-	141	-
Accretion income	-	92	-
Fair value adjustment to derivative asset	-	-	135
Balance, March 31, 2017	\$ 6,997	\$ 5,489	\$ 1,728

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

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

For the three months ended March 31, 2017 and 2016

6. Property, plant and equipment

	Other Corporate Assets	
Cost:		
Balance at January 1, 2016	\$	931
Deconsolidation adjustments		(532)
Balance at December 31, 2016		399
Dispositions		-
Balance at March 31, 2017		399
Accumulated depletion and amortization:		
Balance at January 1, 2016		696
Depletion/amortization expense		17
Deconsolidation adjustments		(368)
Balance at December 31, 2016		345
Depletion/amortization expense		3
Balance at March 31, 2017	\$	348
Total balance at December 31, 2016	\$	54
Total balance at March 31, 2017	\$	51

7. Corporation Information and Related party transactionsCompensation of key executive personnel

	March 31, 2017	March 31, 2016
Management fees to officers	\$ 144	\$ 115
Directors' fees	-	3
	\$ 144	\$ 118

TMM Portfolio Management Inc. ("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 plus GST 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. Effective January 1, 2017, the temporary fixed management fee was ceased and the normal management fee arrangement was resumed.

49 North Resources Inc.

Notes to the Condensed Interim Financial Statements

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

For the three months ended March 31, 2017 and 2016

7. Corporation Information and Related party transactions - 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 balances

As at March 31, 2017, \$41 is payable (December 31, 2016 – \$21 payable) to TMM, which has been included in accounts payable and accrued liabilities.

As of March 31, 2017, \$20 is payable (December 31, 2016 - \$17) to Jaelky, which has been included in accounts payable and accrued liabilities.

During the period, it was determined that the related party receivable from Allstar was unlikely to be collected in the future as a result of Allstar disposing of all of its assets in the year. As such, the Corporation wrote the related party receivable to \$nil and recorded an impairment of \$134 as at March 31, 2017 (December 31, 2016 - \$2,981).

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”). Pursuant to the terms of 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 debentures”) and 3,103,795 preferred shares (Series I), with a cumulative annual dividend rate of 2.5%. The preferred shares are redeemable by the Corporation after the third anniversary of the issuance date.

The revised 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 \$9,390. The original debentures were derecognized and the revised debentures, preferred shares and common shares were measured at their fair values on the date of the restructuring with an effective interest rate of 12%. The fair value of the revised debentures of \$2,041 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 market price at the date of the restructuring. The carrying value of the liability component of the revised debentures as at March 31, 2017 was \$2,222 (December 31, 2016 - \$2,188).

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

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

For the three months ended March 31, 2017 and 2016

8. Convertible debentures - continued

b) On December 18, 2015 the Corporation received debenture holder approval to restructure the terms of the debentures originally issued on September 23, 2010 and October 13, 2010 and restructured on June 6, 2013 (the “original debentures”). Pursuant to the terms of the restructure, the Corporation extinguished the original debentures and issued 4,605,979 common shares, a new \$1,896 senior secured convertible debenture (the “revised debentures”), \$880 in subordinated debentures (Note 10) and 767,663 preferred shares (Series II), with a cumulative annual dividend rate of 2.5%. The preferred shares are redeemable by the Corporation after the third anniversary of the issuance date.

The revised debentures have a 5 year term, maturing December 18, 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 December 18 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 December 18, 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 \$3,411. The original debentures were derecognized and the revised debentures, subordinate 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 of \$1,248 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 \$650. In addition, the \$160 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 market price at the date of the restructuring. The carrying value of the liability component of the revised debentures as at March 31, 2017 was \$1,338 (December 31, 2016 - \$1,310).

	Liability Component		Equity Component
	Face Value	Carrying Value	Carrying Value
Balance, January 1, 2016	\$ 5,000	\$ 3,376	\$ 1,713
Conversions	(223)	(158)	(77)
Accretion	-	280	-
Balance at December 31, 2016	4,777	3,498	1,636
Conversions	(18)	(12)	(6)
Accretion	-	74	-
Balance, March 31, 2017	\$ 4,759	\$ 3,560	\$ 1,630

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

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

For the three months ended March 31, 2017 and 2016

9. Subordinate debentures

On December 18, 2015 as part of the debenture restructure as described in Note 9(b), \$881 in subordinated debentures were issued.

The subordinated debentures have a 5 year term, maturing December 18, 2020, bear interest from the date of issuance at 2.5% per annum which, unless the debentures are earlier converted or redeemed in accordance with their terms, interest will be paid on December 18 in each of 2016, 2017, 2018, 2019 and on maturity.

The 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 December 18, 2020, into fully paid, non-assessable common shares of the Corporation at a conversion price of \$0.50 per common share.

	Liability Component		Equity Component
	Face Value	Carrying Value	Carrying Value
Balance, January 1, 2016	\$ 880	\$ 581	\$ 301
Accretion	-	47	-
Balance at December 31, 2016	880	628	301
Accretion	-	13	-
Balance, March 31, 2017	\$ 880	\$ 641	\$ 301

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 fair value of the subordinate debentures of \$579 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 \$301. The carrying value of the liability component of the subordinate debentures as at March 31, 2017 was \$641 (December 31, 2016 - \$628).

10. Decommissioning liabilities

	March 31,	December 31,
	2017	2016
Balance, beginning of period	\$ -	\$ 1,595
Deconsolidation adjustments	-	(1,459)
Change in estimate	-	(136)
Balance, end of period	\$ -	\$ -

As at December 31, 2016, 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.

During the year ended December 31, 2016, the Corporation disposed of all of its working interests in oil and gas properties, which resulted in the assumption of the decommissioning liability by the purchasers.

In addition, the Corporation became an investment entity (Note 2), which has resulted in the Corporation no longer consolidating former subsidiaries and their related decommissioning liabilities. This has resulted in a reduction of the decommissioning liabilities to \$nil as at December 31, 2016.

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

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

For the three months ended March 31, 2017 and 2016

11. Deferred income taxes

As of December 31, 2016 the Corporation has non-capital losses of \$11,481 (December 31, 2015 - \$18,851) available to carry forward to reduce future years' taxable income with expiration ranging from 2033 to 2036.

Tax attributes are subject to review, and potential adjustment, by tax authorities.

12. Common shares, preferred shares and contributed surplusAuthorized:

An unlimited number of voting common shares without par value, an unlimited number of non-voting first preferred shares (Series I) with a redemption value of \$1, and an unlimited number of non-voting first preferred shares (Series II) with a redemption value of \$1. All shares are fully paid.

Issued and outstanding

On June 15, 2016, the Corporation completed a non-brokered private placement of 6,000,000 units at a price of \$0.10 per unit, for gross proceeds of \$600,000. Each unit subscription entitled the holder to one common share of the Corporation and one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one additional common share of the Corporation at an exercise price of \$0.15 per warrant share for a period of 24 months.

On August 17, 2016, the Corporation completed a non-brokered private placement of 4,000,000 units at a price of \$0.10 per unit, for gross proceeds of \$400,000. Each unit subscription entitles the holder to one common share of the Corporation and one additional common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share of the Corporation at an exercise price of \$0.15 per warrant share for a period of 22 months. In connection with the financing the Corporation incurred share issue costs of \$28.

	Common shares		Preferred shares	
	Quantity	Amount	Quantity	Amount
Balance at January 1, 2016	47,820,813	\$ 68,839	3,871,458	\$ 3,064
Share issuance	10,000,000	587	-	-
Share issuance costs	-	(28)	-	-
Debenture conversions	446,075	235	-	-
Preferred share conversions	472,738	237	(236,469)	(187)
Balance at December 31, 2016	58,739,626	69,870	3,634,989	2,877
Debenture conversions	36,194	19	-	-
Preferred share conversions	21,194	11	(10,597)	(8)
Balance at March 31, 2017	58,797,014	\$ 69,900	3,624,392	\$ 2,869

The first preferred shares are convertible at the option of the holder into common shares at a conversion price of \$0.50 per common share and were valued at issuance at \$1.00 per preferred share. The preferred shares bear a cash dividend at the rate of 2.5% payable annually in arrears.

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

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

For the three months ended March 31, 2017 and 2016

12. Common shares, preferred shares and contributed surplus - continued**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, all 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 to outstanding and exercisable stock options during the year is presented below:

	March 31, 2017		December 31, 2016	
	Options	Price	Options	Price
Beginning of period	5,090,000	\$ 0.24	3,100,000	\$ 0.24
Options forfeited	-	-	(150,000)	0.30
Options forfeited	-	-	(110,000)	0.50
Options granted	-	-	2,250,000	0.10
End of period	5,090,000	\$ 0.17	5,090,000	\$ 0.17

As at March 31, 2017, the weighted average remaining life of stock options is 8.01 years (December 31, 2016 – 8.26 years).

On December 1, 2015, the board of directors of the Corporation approved the grant of 1,350,000 stock options pursuant to the 2008 Option Plan. 950,000 of the options were granted to directors and executive officers with the balance granted to employees and consultants. The options are exercisable at \$0.07 per share, vest immediately and, if not exercised, expire December 1, 2025, subject to earlier expiration in accordance with the 2008 Option Plan and applicable policies of the TSX-V.

The value of options issued on December 1, 2015, using the Black-Scholes option pricing model, was \$74 (\$0.05 per option) 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 1.25%, expected life of options 10 years, annualized volatility 107.76% and dividend rate of nil.

On August 26, 2016, the board of directors of the Corporation approved the grant of 2,250,000 stock options pursuant to the 2008 Option Plan. 1,500,000 of the options were granted to directors and executive officers with the balance granted to employees and consultants. The options are exercisable at \$0.10 per share, vest immediately and, if not exercised, expire August 26, 2026, subject to earlier expiration in accordance with the 2008 Option Plan and applicable policies of the TSX-V.

The value of options issued on August 26, 2016, using the Black-Scholes option pricing model, was \$207 (\$0.09 per option) 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 0.82%, expected life of 10 years, annualized volatility 110.20% and dividend rate of nil.

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For the three months ended March 31, 2017 and 2016

12. Common shares, preferred shares and contributed surplus - continued**Warrants**

A summary of the outstanding and exercisable warrants during the year is presented below:

	March 31, 2017		December 31, 2016	
	Warrants	Price	Warrants	Price
Beginning of period	13,538,769	\$ 0.19	3,538,769	\$ 0.30
Warrants issued	-	-	10,000,000	0.15
End of period	13,538,769	\$ 0.19	13,538,769	\$ 0.19

As at March 31, 2017, the weighted average remaining life of warrants is 1.04 years (December 31, 2016 – 1.29 years).

On October 29, 2014, the Corporation issued 3,538,769 share purchase warrants as part of a financing completed. Each warrant entitles the holder to purchase one common share of the Corporation at a price of \$0.30 for a period of 24 months and vested 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, 2017.

On June 15, 2016, the Corporation issued 6,000,000 share purchase warrants as part of a financing completed. Each warrant entitles the holder to purchase one common share of the Corporation at a price of \$0.15 for a period of 24 months and vested 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 \$269. Assumptions used in the Black-Scholes option pricing model were as follows: dividend yield 0%, expected volatility of 148.67%, and a risk free interest rate of 0.49%. These warrants expire on June 15, 2018.

On August 17, 2016, the Corporation issued 4,000,000 share purchase warrants as part of a financing completed. Each warrant entitles the holder to purchase one common share of the Corporation at a price of \$0.15 for a period of 22 months and vested 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 \$144. Assumptions used in the Black-Scholes option pricing model were as follows: dividend yield 0%, expected volatility of 154.08%, and a risk free interest rate of 0.56%. These warrants expire on June 15, 2018.

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12. Common shares, preferred shares and contributed surplus - continued**Contributed surplus**

A summary of the contributed surplus activity is as follows:

	March 31, 2017	December 31, 2016
Balance, beginning of period	\$ 5,324	\$ 4,704
Fair value of stock options granted	-	207
Warrants issued	-	413
Balance, end of period	\$ 5,324	\$ 5,324

During 2015, a formerly 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 former subsidiary. The change in ownership of the former subsidiary adjustment above reflects the net book value of the ownership dilution.

During 2015, a formerly consolidated subsidiary issued shares pursuant to an option agreement, effectively reducing the Corporation and its associate's ownership percentage in the former subsidiary. The change in ownership of the former subsidiary adjustment above reflects the net book value of the ownership dilution.

EPS and diluted EPS

Basic EPS is calculated by dividing the net income (loss) for the year by the weighted average number of common shares outstanding during the year.

Diluted EPS is determined by dividing the profit or loss attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for the effects of all potential dilutive common shares related to stock options, warrants, convertible and subordinate debentures and convertible preferred shares issued by the Corporation.

	March 31, 2017	March 31, 2016
Net income attributable to common shareholders	\$ 3,250	\$ 1,895
Weighted average number of common shares - basic	58,766,185	47,856,415
Weighted average number of common shares - diluted	77,958,479	67,525,931
Basic earnings per common share - basic	\$ 0.06	\$ 0.04
Basic earnings per common share - diluted	\$ 0.05	\$ 0.03

The Corporation's stock options, convertible and subordinate debentures and preferred shares had a dilutive effect during the periods ended March 31, 2017 and 2016.

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For the three months ended March 31, 2017 and 2016

12. Common shares, preferred 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. 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 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) utilizing leverage in the form of margin (due from brokers);
- (c) raising capital through equity financings;
- (d) borrowing funds in the form of advances from related parties; and,

The Corporation is not subject to any capital requirements imposed by a regulator. There were no changes in the Corporation’s approach to capital management during the year. 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.

14. Financial instruments and risk management

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.

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Notes to the Condensed Interim Financial Statements

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

For the three months ended March 31, 2017 and 2016

14. Financial instruments and risk management - continued

(a) Liquidity risk: - continued

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, 2017 and December 31, 2016, the Corporation had no liabilities payable that bear interest at rates fluctuating with the prime rate.

(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. Other consulting revenue consists of approximately 100% (2016 – 100%) of revenue attributable to sales transactions with a single customer.

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Notes to the Condensed Interim Financial Statements

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

For the three months ended March 31, 2017 and 2016

14. Financial instruments and risk management - continued

(d) Credit risk: - continued

At March 31, 2017 the Corporation had loans and advances receivable and accounts receivable and prepaid expenses from companies, totaling \$1,191 (December 31, 2016 - \$1,098) which represents approximately 5.2% (2015 – 23.7%) of the Corporation's total assets. As at March 31, 2017 an impairment loss of \$2 (March 31, 2016 – \$nil) and an allowance for doubtful accounts provision of \$134 (March 31, 2016 – \$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, 2017 and December 31, 2016 – 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.

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.

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

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

For the three months ended March 31, 2017 and 2016

14. Financial instruments and risk management - continued**(f) Fair value: - continued**

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>
Equity investments, at fair value	\$ 11,623	\$ 165	\$ 2,744	\$ 14,532
Embedded derivative asset	-	-	1,728	1,728
	<u>\$ 11,623</u>	<u>\$ 165</u>	<u>\$ 4,472</u>	<u>\$ 16,260</u>

For the year ended December 31, 2016, a reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

Beginning balance as at December 31, 2016	\$ 3,937
Fair value adjustments	<u>535</u>
Balance at March 31, 2017	<u>\$ 4,472</u>

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 +/- \$686 (December 31, 2016 - \$586) 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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For the three months ended March 31, 2017 and 2016

14. Financial instruments and risk management - 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.

15. Supplemental cash flow information

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

For the three months ended March 31,	2017	2016
Loans and advances receivable	\$ (4)	-\$ 23
Accounts receivable and prepaid expenses	(38)	(26)
Accounts payable and accrued liabilities	(1,448)	60
	\$ (1,490)	\$ 11
Non-cash transactions:	2017	2016
Loans and advances receivable issued in disposal of equity investments	\$ 131	\$ -
Convertible debentures converted to common shares	\$ 19	\$ 9
Preferred shares converted to common shares	\$ 11	\$ 9
Interest paid in the period	\$ 2	\$ 2
Income taxes paid in the period	\$ -	\$ -