



**INTERIM FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**(Unaudited – Prepared by Management)**

**NOTICE OF NO AUDITOR REVIEW**

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

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

**49 NORTH RESOURCE FUND INC.**

**BALANCE SHEET**

(unaudited)

**ASSETS**

	June 30 2009	December 31 2008
Equity investments, at fair value (Note 3)	\$ 30,904,279	\$ 7,672,171
Cash and cash equivalents	1,087,499	252,947
Loans and advances receivable (Note 4)	300,000	423,529
Mineral properties and deposits (Note 5)	280,051	-
Capital assets (Note 6)	185,450	204,795
Future income tax	-	125,942
	<b><u>\$ 32,757,279</u></b>	<b><u>\$ 8,679,384</u></b>

**LIABILITIES**

Accounts payable and accrued liabilities	\$ 697,808	\$ 543,202
Management fees and reimbursements payable (Note 7 and 10)	124,218	160,288
Convertible debentures (Note 8)	4,348,365	4,212,081
Future income taxes (Note 11)	1,424,426	-
Due to related party	-	44,511
	<b><u>6,594,817</u></b>	<b><u>4,960,082</u></b>

**SHAREHOLDERS' EQUITY**

Common shares (Note 9)	40,094,713	24,314,966
Contributed surplus (Note 9)	1,382,512	635,818
Equity portion of convertible debentures (Note 8)	734,500	734,500
Deficit	(16,049,263)	(21,965,982)
	<b><u>26,162,462</u></b>	<b><u>3,719,302</u></b>
	<b><u>\$ 32,757,279</u></b>	<b><u>\$ 8,679,384</u></b>

**Approved by the Board**

Signed "Tom MacNeill"  
Director

Signed "Brad Munro"  
Director

**49 NORTH RESOURCE FUND INC.****STATEMENT OF OPERATIONS AND RETAINED EARNINGS**

(unaudited)

	For the three months ended June 30		For the six months ended June 30	
	2009	2008	2009	2008
<b>Net investment gains</b>				
Realized gains (losses)	104,421	103,864	(498,000)	241,079
Unrealized gains	3,551,412	15,584,039	9,268,793	17,546,280
Interest and dividend income	15,945	5,719	15,993	8,585
	<u>\$ 3,671,778</u>	<u>\$ 15,693,622</u>	<u>\$ 8,786,786</u>	<u>\$ 17,795,944</u>
<b>Expenses</b>				
Amortization	12,591	7,245	24,899	7,245
Business development and investor relations	264,255	218,855	350,201	316,177
Interest	110,053	97,820	297,186	213,055
Management fees and performance bonus	139,181	2,133,416	213,464	2,230,282
Wages and benefits	45,997	26,312	75,878	28,179
Office and administration	11,759	22,650	22,269	23,908
Professional fees	89,997	51,396	161,345	63,396
Stock based compensation (Note 9)	393,123	-	393,123	-
Transaction costs	40,045	42,400	77,798	80,335
	<u>1,107,001</u>	<u>2,600,094</u>	<u>1,616,163</u>	<u>2,962,577</u>
<b>Income before income taxes</b>	<u>2,564,777</u>	<u>13,093,528</u>	<u>7,170,623</u>	<u>14,833,367</u>
Future income tax	245,805	1,255,772	1,253,904	1,255,772
<b>Net income</b>	<u>2,318,972</u>	<u>11,837,756</u>	<u>5,916,719</u>	<u>13,577,595</u>
Retained earnings, beginning of period	(18,368,235)	1,739,839	(21,965,982)	-
<b>Retained earnings, end of period</b>	<u>\$ (16,049,263)</u>	<u>\$ 13,577,595</u>	<u>\$ (16,049,263)</u>	<u>\$ 13,577,595</u>
<b>Basic earnings per share</b>	<u>\$ 0.43</u>	<u>\$ 6.40</u>	<u>\$ 0.67</u>	<u>\$ 7.68</u>
<b>Diluted earnings per share</b>	<u>\$ 0.39</u>	<u>\$ 6.01</u>	<u>\$ 0.65</u>	<u>\$ 6.63</u>

**49 NORTH RESOURCE FUND INC.****STATEMENT OF CASH FLOWS**

(unaudited)

	For the three months ended June 30		For the six months ended June 30	
	2009	2008	2009	2008
<b>Cash flows from Operating Activities</b>				
Net income	\$ 2,318,972	\$ 11,837,756	\$ 5,916,719	\$ 13,577,595
Items not affecting cash				
Realized losses (gains)	(104,421)	(103,864)	498,000	(241,079)
Amortization	12,591	7,245	24,899	7,245
Performance bonus	-	1,934,630	-	1,934,630
Future income taxes	245,805	1,255,772	1,253,904	1,255,772
Accretion of convertible debentures	68,142	-	136,284	-
Stock based compensation	393,123	-	393,123	-
Unrealized gains	(3,551,412)	(15,584,039)	(9,268,793)	(17,546,280)
Net changes in non-cash working capital items related to operations:	63,649	293,655	118,536	563,502
	<b>(553,551)</b>	<b>(358,845)</b>	<b>(927,328)</b>	<b>(448,615)</b>
<b>Cash flows from Investing Activities</b>				
Purchase of capital assets	(4,096)	(198,401)	(5,554)	(201,415)
Purchase of investments	(3,263,665)	(2,577,624)	(5,108,092)	(6,730,442)
Proceeds from disposal of investments	1,879,159	3,631,019	4,088,604	6,649,293
Purchase of mineral property and deposits	(280,051)	-	(280,051)	-
Loans receivable	-	(115,212)	-	(468,709)
Cash received on reorganization transactions	-	-	-	817,586
	<b>(1,668,653)</b>	<b>739,782</b>	<b>(1,305,093)</b>	<b>66,313</b>
<b>Cash flows from Financing Activities</b>				
Payment of performance bonus and loan payable	-	(325,000)	-	(600,000)
Advances to related parties	-	-	(44,511)	-
Issuance of common shares	4,269,576	-	4,269,576	-
Repurchase of common shares	(62,004)	(287,969)	(149,165)	(304,159)
Share issue costs	(1,008,927)	(196,390)	(1,008,927)	(196,390)
	<b>3,198,645</b>	<b>(809,359)</b>	<b>3,066,973</b>	<b>(1,100,549)</b>
<b>Net decrease in cash during the period</b>	<b>976,441</b>	<b>(428,422)</b>	<b>834,552</b>	<b>(1,482,851)</b>
Cash, beginning of period	111,058	(1,054,429)	252,947	-
Cash, end of period	<b>\$ 1,087,499</b>	<b>\$ (1,482,851)</b>	<b>\$ 1,087,499</b>	<b>\$ (1,482,851)</b>

## **49 NORTH RESOURCE FUND INC.**

### **NOTES TO THE FINANCIAL STATEMENTS**

(unaudited)

**JUNE 30, 2008**

#### **1. Organization and business description**

49 North Resource Fund Inc. (the "Corporation") was continued as a corporation under the laws of Saskatchewan pursuant to Articles of Amalgamation, as amended by Article of Amendment, registered under *The Business Corporations Act* (Saskatchewan) (the "SBCA") on January 1, 2008, and is currently governed by amended and restated articles registered under the SBCA on January 17, 2008. The companies that amalgamated to form the Corporation included 49 North Resource Fund Inc., which was incorporated pursuant to the SBCA on October 13, 2004 under the name 101062093 Saskatchewan Ltd. and amended its articles effective May 11, 2005 to change its name to 49 North Resource Fund Inc. and which, prior to the Conversion Transaction discussed below, was the general partner of the Former Partnership (as defined below); and 101110207 Saskatchewan Ltd. which was incorporated pursuant to the SBCA on October 30, 2007 for the sole purpose of facilitating the reorganization of the Corporation from its former structure as a limited partnership to its current structure as a corporation.

The Corporation is the successor by reorganization to 49 North Resource Fund Limited Partnership (the "Former Partnership") which was formed July 19, 2005 (originally under the name 49 North Resource Flow Through Limited Partnership) and is constituted a limited partnership under the laws of Saskatchewan upon the filing of a declaration of limited partnership pursuant to *The Partnership Act* (Saskatchewan) and *The Business Names Registration Act* (Saskatchewan), effective July 20, 2005.

The Corporation is a resource investment, financial and managerial advisory, and merchant banking company 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.

#### **2008-I Fund and 2008-II Fund Roll-over Transaction**

During 2008, 49 North 2008 Resource Flow-Through Limited Partnership (the "2008-I Fund") raised \$9,156,550 on the issuance of 915,655 limited partnership units (the "2008-I Units") in an initial public offering, and 49 North 2008-II Resource Fund Flow-Through Limited Partnership (the "2008-II Fund"), raised \$2,191,100 on the issuance of 219,110 limited partnership units (the "2008-II Units") in various private placements. Prior to December 31, 2008, the 2008-I Fund and the 2008-II Fund invested a substantially equal amount in a portfolio of flow-through shares.

Effective February 2, 2009, 49 North 2008 Resource Flow-Through Limited Partnership (the "2008-I Fund") and 49 North 2008-II Resource Flow-Through Limited Partnership (the "2008-II Fund") transferred substantially all of their respective assets - valued at \$4,016,711 in the case of the 2008-I Fund and \$1,820,069 in the case of the 2008-II Fund, respectively, - on a tax deferred "roll-over" basis to the Corporation in exchange for common shares of the Corporation, including 1,656,376 shares issued to the 2008-I Fund and 750,544 shares issued to the 2008-II Fund. Following these transfers, the two Funds were wound up and dissolved and the Corporation's shares of the Funds were distributed to their respective partners. As a result, each (former) limited partner of the 2008-I Fund received approximately 1.809 shares of the Corporation for each limited partnership unit they formerly held in the 2008-I Fund and each (former) limited partner of the 2008-II Fund received approximately 3.425 shares of the Corporation for each limited partnership unit they formerly held in the 2008-II Fund. The transactions also resulted in the number of outstanding shares of the Corporation increasing from 1,803,777 common shares that were outstanding immediately before the transactions to 4,210,697 common shares immediately after the transactions.

## **49 NORTH RESOURCE FUND INC.**

### **NOTES TO THE FINANCIAL STATEMENTS**

(unaudited)

**JUNE 30, 2008**

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

These interim financial statements have been prepared by management using the same accounting policies and methods as were used for the consolidated financial statements for the year ended December 31, 2008, except for the recent accounting standards adopted that are described below. These consolidated financial statements should be read in conjunction with the Corporation's annual audited consolidated financial statements filed on SEDAR.

#### **Goodwill and intangible assets**

Effective January 1, 2009, the Corporation adopted the new Canadian standard, Handbook Section 3064, Goodwill and Intangible Assets, which replaced Handbook Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. The standard introduces guidance for the recognition, measurement and disclosure of goodwill and intangible assets, including internally generated intangible assets. The standard also harmonizes Canadian standards with IFRS and applies to annual and interim financial statements for fiscal years beginning on or after October 2008. There was no material impact to previously reported financial statements as a result of the implementation of the new standard.

#### **International financial reporting standards**

In February 2008, the Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011. The Corporation's first financial statements presented in accordance with IFRS will therefore be the year ended December 31, 2011. Though IFRS uses a conceptual framework similar to Canadian GAAP, there are some significant differences on recognition, measurement and disclosure requirements. In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating some of the impact of adopting IFRS at the changeover date. The International Accounting Standards Board ("IASB") will, however, also continue to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Corporation's financial statements will only be measurable once all IFRS applicable at the conversion date are known.

As a result of this convergence, the Corporation is developing a plan to convert its financial statements to IFRS. Management has not yet fully completed its quantification of the effects of adopting IFRS. The financial performance and financial position as presented in the Corporation's Canadian GAPP financial statements may be significantly different when presented in accordance with IFRS. At this time, management does believe that there will be changes to the accounting for income taxes.

#### **3. Equity investments**

As at June 30, 2009, the Corporation's investments consist of the following:

	<u>Shares/Warrants</u>		<u>Cost</u>		<u>Fair Value</u>
<b>Mineral Exploration</b>					
Alix Resources Corp (1)	1,511,000	\$	107,762	\$	120,880
Alix Resources-Warrants	1,075,000		-		-
Angus Resources (1)	30,000		3,000		3,450
Athabasca Potash Inc. (2)	2,535,000		4,396,484		11,077,950
Bacanora Minerals Ltd. (1)	50,000		10,000		10,000
Bending Lake Iron Group Ltd. (3)	1,200,000		1,078,570		1,078,570
Blue Sky Uranium Corp. (1)	200,000		10,115		30,000
Canalaska Uranium Ltd. (1)	100,500		43,313		16,583
Claude Resources Inc. (2)	85,000		58,701		74,800
Copper Canyon Resources Ltd. (1)	2,307,535		263,595		484,582
Copper Reef Mines Ltd. (4)	2,405,000		717,995		84,175
Dumont Nickel Inc. (1)	11,630,000		145,452		348,900
Dumont Nickel Inc-Warrants	5,000,000		-		-

**49 NORTH RESOURCE FUND INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

(unaudited)

**JUNE 30, 2008**

**3. Equity Investments (continued)**

	<u>Shares/Warrants</u>	<u>Cost</u>	<u>Fair Value</u>
Eagle Plains Resources Ltd. (1)	1,326,500	167,837	318,360
El Nino Ventures Inc. (1)	165,540	8,831	13,243
ESO Uranium Corp. (1)	590,000	485,180	32,450
Explor Resources Inc. (1)	1,241,000	259,025	297,840
Explor Resources Inc.-Warrants	527,500	-	-
Formation Capital Corp. (1)	200,000	50,000	66,000
Formation Capital Corp.-Warrants	100,000	-	-
Gobimin Inc. (1)	250,000	215,472	200,000
Goldcliff Resource Corp. (1)	1,167,000	95,023	105,030
Goldsources Mines Inc. (1)	63,400	87,012	79,884
Great Western Minerals Group Ltd. (1)	3,166,666	507,015	348,333
Halo Resources Ltd.(1)	881,915	408,188	44,096
Hana Mining Ltd. (1)	100,000	25,000	34,500
Hana Mining Ltd.-Warrants	50,000	-	-
Hathor Exploration Ltd. (1)	30,000	59,786	56,100
International Wayside Gold Mines (1)	100,000	88,456	50,000
J-Pacific Gold Inc.(1)	391,000	156,400	70,380
Kent Exploration Inc. (1)	580,000	59,003	69,600
Kent Exploration Inc.-Warrants	250,000	-	-
Kimpar Resources Inc. (3)	600,000	669,643	669,643
Kinbauri Gold Corp. (1)	306,000	153,000	171,360
Kinbauri Gold Corp.-Warrants	153,000	-	-
Kobex Resources Inc. (1)	325,000	119,179	120,250
Lakota Resources Inc. (1)	4,918,441	326,110	-
Lakota Resources Inc.-Warrants	588,235	-	-
Laurion Mineral Exploration Inc.(1)	2,077,665	230,767	51,942
Laurion Mineral Exploration Inc.-Warrants	1,063,832	-	-
Newsk Emerging Resources Ltd. (3)	1,691,848	1,691,848	1,488,826
Northern Continental Resources Inc.(1)	220,000	86,916	39,600
Northern Continental Resources Inc.-Warrants	250,000	-	-
Northern Freegold Resources (1)	192,552	164,379	109,755
NuCoal Energy Corp. (3)	2,413,437	1,663,804	1,633,804
Olivut Resources Ltd. (1)	86,000	17,509	18,920
Panwestern Energy Inc. (1)	3,214,822	1,006,496	610,816
Panwestern Energy Inc.-Warrants	1,250,000	-	-
Petro Uno Resources (1)	625,000	62,500	140,625
Playfair Mining Ltd. (1)	1,200,000	60,000	72,000
Potash One Inc. (2)	45,000	142,793	137,700
Raytec Metals Corp. (1)	650,000	120,766	182,000
Raytec Metals Corp.-Warrants	454,500	-	-
Red Rock Energy Inc. (1)	1,882,356	1,048,956	225,883
Rochester Resources (1)	34,000	21,785	7,480
Rockport Mining Corp (3)	486,274	364,721	364,721
Roxgold Inc. (1)	740,000	316,750	22,200
Roxgold Inc.-Warrants	360,000	-	-

**49 NORTH RESOURCE FUND INC.****NOTES TO THE FINANCIAL STATEMENTS**

(unaudited)

**JUNE 30, 2008****3. Equity Investments (continued)**

	<u>Shares/Warrants</u>	<u>Cost</u>	<u>Fair Value</u>
Royal Roads Corp. (1)	337,050	126,186	15,167
Senator Minerals Inc. (1)	750,000	22,500	82,500
Sheltered Oak Resources Corp. (1)	1,000,000	80,000	100,000
Shore Gold Inc. (1)	654,500	215,851	307,615
Skeena Resources Ltd. (1)	2,412,500	215,218	84,438
Skeena Resources Ltd.-Warrants	1,100,000	-	-
Skygold Ventures Ltd. (1)	119,000	31,169	23,800
Soltoro Ltd. (1)	380,000	19,000	98,800
Stikine Gold Corporation (1)	1,336,667	401,000	106,933
Tanzania Minerals Corp. (3)	500,000	25,000	25,000
Troy Energy Corp. (1)	242,800	182,000	13,354
UEX Corp. (2)	25,000	15,000	32,250
Uranium North Resources Corp. (1)	833,333	58,333	104,167
Vaaldiam Resources (1)	191,000	215,807	8,595
Virginia Uranium (3)	73,333	100,000	34,091
Wescan Goldfields Inc. (1)	3,784,667	1,235,390	643,393
Westcore Energy Inc. (1)	1,905,000	1,026,089	1,123,950
Weststar Resources Corp. (1)	50,000	4,000	5,250
Weststar Resources Corp.-Warrants	250,000	-	-
Western Potash Corporation-Warrants	100,000	-	-
Xtierra Inc. (1)	70,000	3,650	3,500
Xtierra Inc.-Warrants	35,000	-	-
<b>Oil &amp; Gas</b>			
Alberta Oilsands Inc. (1)	100,000	9,501	26,000
Beaufield Resources Ltd. (1)	500,000	59,979	55,000
Blackdog Resources Ltd. (1)	536,424	215,033	219,934
Bulldog Oil & Gas Ltd. (3)	55,000	137,500	137,500
Cheyenne Energy Corp. (5)	714,280	249,998	-
Enhanced Oil Resources-Warrants	125,000	-	-
Fair Sky Resources Inc. (5)	65,570	199,989	-
Kenosee Resources Ltd. (3)	8,547	44,643	44,643
Nordic Oil & Gas Ltd. (1)	1,028,870	139,648	159,475
Nordic Oil & Gas Ltd.-Warrants	815,435	-	-
Pacific Roderia Energy Inc. (1)	100,000	24,635	25,000
Prairie Hunter Energy Corp (3)	2,775,263	2,994,349	2,775,263
Renegade Oil & Gas Ltd. (3)	88,000	200,000	200,000
Ruby Energy Inc. (3)	916,996	550,198	484,174
Welton Energy Corporation (5)	147,059	100,000	-
Wildcat Exploration Ltd. (1)	1,772,000	485,823	150,619



**49 NORTH RESOURCE FUND INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

(unaudited)

**JUNE 30, 2008**

**3. Equity Investments (continued)**

	<u>Shares/Warrants</u>	<u>Cost</u>	<u>Fair Value</u>
<b>Other</b>			
Grafton Resource Investments Ltd. (6)	21,985	1,000,002	996,140
Pinetree Capital Corp. (2)	944,796	2,295,338	1,634,497
		<b><u>\$ 30,457,966</u></b>	<b><u>\$ 30,904,279</u></b>

(1) Listed on TSX Venture Exchange

(2) Listed on TSX

(3) Private

(4) Listed on CNQ Exchange

(5) Defunct/Delisted

(6) Listed on The Dublin Stock Exchange

**49 NORTH RESOURCE FUND INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

(unaudited)

**JUNE 30, 2008**

**3. Equity investments (continued)**

As at December 31, 2008, the Corporation's investments consist of the following:

	<u>Shares/Warrants</u>		<u>Cost</u>		<u>Fair Value</u>
<b>Mineral Exploration</b>					
Alix Resources-Warrants	250,000	\$	-	\$	-
Athabasca Potash Inc. (2)	2,231,500		2,139,562		2,476,965
Bending Lake Iron Group Ltd. (3)	100,000		100,000		100,000
Blue Sky Uranium Corp.-Warrants	120,000		-		-
Canalaska Uranium Ltd. (1)	500,911		215,890		57,605
Claude Resources Inc. (2)	100,000		174,892		42,000
Copper Canyon Resources Ltd. (1)	35		16		4
Copper Canyon Resources Ltd.-Warrants	294,117		-		-
Copper Reef Mines Ltd. (4)	2,405,000		717,995		96,200
Copper Reef Mines Ltd.-Warrants	250,000		-		-
Dumont Nickel Inc.	630,000		9,575		9,450
Eagle Plains Resources Ltd.-Warrants	500,000		-		-
El Nino Ventures Inc. (1)	540		484		54
ESO Uranium Corp. (1)	590,000		485,180		14,750
G2 Resources Inc.-Warrants	175,000		-		-
Goldsource Mines Inc. (1)	552,500		713,778		1,066,325
Great Western Minerals Group Ltd.(1)	2,688,000		1,130,275		120,960
Halo Resources Ltd.(1)	981,915		454,472		14,729
Halo Resources Ltd.-Warrants	300,000		-		-
J-Pacific Gold Inc.(1)	391,000		156,400		27,370
Lakota Resources Inc.(1)	250,500		47,727		15,030
Laurion Mineral Exploration Inc.(1)	2,077,665		230,768		31,165
Laurion Mineral Exploration Inc.-Warrants	1,063,832		-		-
Northern Continental Resources Inc.(1)	415,500		164,153		33,240
Northern Continental Resources Inc.- Warrants	250,000		-		-
Northern Freegold Resources (1)	1,416,552		1,209,434		226,648
Northern Freegold Resources-Warrants	312,500		-		-
NuCoal Energy Corp. (3)	400,000		100,000		100,000
Panwestern Energy Inc.(1)	1,779,322		779,390		266,898
Petro Uno Resources-Warrants	312,500		-		-
Raytec Metals Corp.(1)	50,000		18,496		8,500
Raytec Metals Corp.-Warrants	454,500		-		-
Red Rock Energy Inc. (1)	1,965,856		1,107,591		137,610
Renegade Oil & Gas Ltd. (3)	80,000		200,000		200,000
Rochester Resources (1)	24,000		21,785		5,270
Rockport Mining Corp (3)	486,274		364,720		364,720
Roxgold Inc. (1)	740,000		316,750		14,800
Roxgold Inc.-Warrants	360,000		-		-
Royal Roads Corp. (1)	668,050		249,980		13,360
Skeena Resources Ltd. (1)	346,500		111,498		10,395
Skeena Resources Ltd.-Warrants	100,000		-		-
Stikine Gold Corporation (1)	1,336,667		401,000		40,100
Titan Uranium Ltd. (1)	98,000		145,894		20,090
Troy Energy Corp. (1)	242,800		182,000		7,284

**49 NORTH RESOURCE FUND INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

(unaudited)

**JUNE 30, 2008**

**3. Equity Investments (continued)**

	<u>Shares/Warrants</u>	<u>Cost</u>	<u>Fair Value</u>
Valgold Resources Inc. (1)	334	100	7
Vena Resources Inc.-Warrants	430,000	-	-
Virginia Uranium (3)	73,333	100,000	34,091
Wescan Goldfields Inc. (1)	2,000,500	990,961	330,083
Western Potash Corporation-Warrants	100,000	-	-
Xiterra Resources Limited-Warrants	35,000	-	-
<b>Oil &amp; Gas</b>			
Blackdog Resources Ltd. (1)	250,710	137,890	67,692
Cheyenne Energy Corp. (1)	714,280	249,998	-
Enhanced Oil Resources-Warrants (1)	125,000	-	-
Fair Sky Resources Inc. (1)	65,570	199,989	-
Ivory Energy Inc. (1)	230,117	195,599	9,205
Nordic Oil & Gas Ltd. (1)	423,000	115,413	16,920
Nordic Oil & Gas Ltd.-Warrants	512,500	-	-
Prairie Hunter Energy Corp (3)	1,135,697	1,128,265	1,135,697
Renegade Oil & Gas Ltd. (3)	80,000	200,000	200,000
Renegade Oil & Gas Ltd.-Warrants	80,000	-	-
Ruby Energy Inc. (3)	916,996	550,198	484,174
Trivello Energy Corp. (1)	265,000	53,000	14,575
Welton Energy Corporation (2)	147,059	100,000	735
Wildcat Exploration Ltd. (1)	1,852,000	507,755	55,560
		<b><u>\$ 16,494,681</u></b>	<b><u>\$ 7,672,171</u></b>

(1) Listed on TSX Venture Exchange

(2) Listed on TSX

(3) Private

(4) Listed on CNQ Exchange

**4. Loans and advances receivable**

In 2008, the Corporation entered into two short-term loan agreements, one with Lakota Resources Inc. for \$350,000 and the other with How2Energy Inc. for \$300,000. Both loans are due on demand and bear interest at a rate of prime plus two percent. At December 31, 2008, the loans were written down to their estimated fair value.

During the period, the loan to Lakota Resources Inc was converted to 2,102,941 shares of that company, while the loan to How2Energy is still being carried at \$300,000.

**5. Mineral properties**

In the current period, the corporation has applied for coal permits with the Government of Manitoba and has initiated airborne analysis of these possible permit locations.

**49 NORTH RESOURCE FUND INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

(unaudited)

**JUNE 30, 2008**

**6. Capital assets**

	<b>June 30 2009</b>		<b>December 31 2008</b>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and equipment	\$ 92,911	\$ 25,707	\$ 67,204	\$ 77,736
Leasehold improvements	145,274	27,028	118,246	127,059
	<b><u>\$ 238,185</u></b>	<b><u>\$ 52,735</u></b>	<b><u>\$ 185,450</u></b>	<b><u>\$ 204,795</u></b>

**7. Management fees and performance bonus**

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 of which, \$124,218 is payable at June 30, 2009; and (b) starting with the Corporation’s fiscal year ended December 31, 2008, may be entitled to 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.

**8. Convertible debentures**

On July 24, 2008, the Corporation raised proceeds of \$5,000,000 on the private placement of 9% convertible unsecured subordinate debentures. The debentures have a three-year term, maturing July 24, 2011, and bear interest from the date of issue at 9% per annum which, unless the debentures are earlier converted or redeemed in accordance with their terms, will be paid on July 24 in each of 2009 and 2010 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 July 23, 2011, into fully paid, non-assessable common shares of the Corporation at a conversion price of (i) \$11.00 per share if converted prior to July 24, 2009, (ii) \$11.75 per share if converted on or after July 24, 2009 and before July 24, 2010, and (iii) \$12.50 per share if converted on or after July 24, 2010 and prior to the conversion expiry time.

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 plus a premium equal to 6% of the outstanding principal amount if redeemed prior to July 24, 2009, 4% of the outstanding principal amount if redeemed on or after July 24, 2009 but before July 24, 2010, or 2% of the outstanding principal amount if redeemed on or after July 24, 2010 and prior to maturity.

These conditions precedent include the requirement that (i) the Corporation send notice of its intent to redeem the debentures and of the proposed redemption date to all debenture holders at least 60 days and not more than 90 days prior to such redemption date, (ii) at the time of sending such notice, the weighted average trading price of the company’s common shares for the 60 days preceding the date of the notice is equal to or exceeds the then applicable conversion price of the debentures, and (iii) on the redemption date, the Corporation must redeem all of the outstanding debentures that have not then been converted into common shares.

**49 NORTH RESOURCE FUND INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

(unaudited)

**JUNE 30, 2008**

**8. Convertible debentures** (continued)

For accounting purposes, the debentures contain both a liability component and an equity component, being the holders' conversion rights, which have been separately presented on the balance sheet. The Corporation allocated the face value of the debentures to the liability and equity components. At issuance, the Corporation estimated the fair value of the conversion option by deducting the present value of the future cash outflows of the debentures, if no conversion rights are attached, from the face value of the principal of the debentures. The fair value of the liability component was determined by discounting the stream of future payments of loan principal and interest at the estimated prevailing market rate of 15.74% for a comparable debt instrument that excluded any conversion privilege by the holders. The residual carrying value of the debentures are to be accreted to the redemption value of the debenture to the redemption date of the debenture based on an effective annual interest rate.

	<b><u>June 30</u></b> <b><u>2009</u></b>	<b><u>December 31</u></b> <b><u>2008</u></b>
Fair value of convertible debentures	\$ 5,000,000	\$ 5,000,000
Plus: accretion	242,865	106,581
Less: debt issue costs	(160,000)	(160,000)
Equity portion of convertible debenture	<u>(734,500)</u>	<u>(734,500)</u>
	<b><u>\$ 4,348,365</u></b>	<b><u>\$ 4,212,081</u></b>

**9. Common shares and contributed surplus**

Authorized an unlimited number of common shares without par value.

**Common shares issued**

	<b><u>Common</u></b> <b><u>Shares</u></b>	<b><u>Share</u></b> <b><u>Capital</u></b>
<b>Balance, December 31, 2007</b>	<b><u>-</u></b>	<b><u>\$ -</u></b>
Exchanged for units of the Former Partnership	1,399,157	\$ 19,415,209
Exchanged for units of the 2007 Fund	497,520	5,830,092
Shares repurchased and cancelled	(92,600)	(733,945)
Share issue costs	-	<u>(196,390)</u>
<b>Balance, December 31, 2008</b>	<b><u>1,804,077</u></b>	<b><u>\$ 24,314,966</u></b>
Exchanged for units of the 2008 Fund	1,656,376	\$ 4,016,711
Exchanged for units of the 2008-II Fund	750,544	1,820,069
Private placement	4,003,813	11,093,819
Shares repurchased and cancelled	(73,800)	(147,165)
Share issue costs, net of tax	-	<u>(1,003,687)</u>
<b>Balance, June 30, 2009</b>	<b><u>8,141,010</u></b>	<b><u>\$ 40,094,713</u></b>

## **49 NORTH RESOURCE FUND INC.**

### **NOTES TO THE FINANCIAL STATEMENTS**

(unaudited)

**JUNE 30, 2008**

#### **9. Common shares and contributed surplus (continued)**

During the second quarter of 2009, the Corporation raised gross proceeds in an amount equal to \$7,852,567 at the initial closing of its private placement. A total of 2,855,479 units were sold at an issue price of \$2.75 per unit. Each unit is comprised of one common share and one common share purchase warrant, exercisable at \$3.50 within the next 2 years. In addition to the units sold, the Corporation completed a share exchange transaction with Grafton Resource Investments Ltd. ("Grafton") in which the corporation issued to Grafton 333,334 common shares at \$3.00 per share, in exchange for 21,985 shares of Grafton, representing a value of \$1,000,002 based on the net asset value per share of Grafton as at May 29, 2009. Grafton is a closed-end resource fund managed by Newland Fund Management LLP of London, England. An exchange was also completed with Pinetree Capital Ltd. ("Pinetree"), a diversified investment, financial advisory and merchant banking firm focused on the small-cap market. The Corporation issued Pinetree 815,000 units in exchange for 914,796 shares of Pinetree Capital Ltd. representing a value of \$2,241,250.

The agents for the private placement received a fee comprised of a commission and a work fee totalling \$698,506. As additional consideration the Corporation issued 285,836 broker warrants and agreed to pay a commission of 3.0% of any amount the Corporation receives from the exercise of any warrant underlying the units.

#### **Stock option plan**

The directors of the Corporation have adopted, and the shareholders have approved, a stock option plan (the "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 purpose of the 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 Corporation's stock option plan and changes during the period ended June 30, 2009 is presented below.

	<b>June 30, 2009</b>		<b>December 31, 2008</b>	
	<b>Options</b>	<b>Price</b>	<b>Options</b>	<b>Price</b>
<b>Outstanding, beginning of period</b>	75,000	10.00	-	\$ -
Options cancelled	(75,000)	(10.00)	-	-
Options granted	295,000	2.00	75,000	10.00
<b>Outstanding, end of period</b>	<b>295,000</b>	<b>\$ 2.00</b>	<b>75,000</b>	<b>\$ 10.00</b>

During the second quarter of 2009, the board of directors of the corporation approved the grant of 295,000 stock options pursuant to the company's 2008 Stock Option Plan. 140,000 of the options were granted to directors and executive officers with the balance granted to employees and consultants. The options are exercisable at \$2.00 per share and, if not exercised, expire April 2, 2019, subject to earlier expiration in accordance with the Plan and applicable policies of the TSX Venture Exchange. At the same time, options for 75,000 common shares that were originally granted in July 2008 were cancelled.

The value of options issued in 2009, using the Black-Scholes option-pricing model, was \$393,123 which was allocated to the stock-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 2.86%, expected life of options 10 years, annualized volatility 83% and dividend rate of nil.

**49 NORTH RESOURCE FUND INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

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**JUNE 30, 2008**

**9. Common shares and contributed surplus (continued)**

**Warrants**

On certain issues of common shares, the Corporation has attached warrants entitling the holder to acquire additional common shares of the Corporation. A summary of the outstanding warrants is as follows:

	<u>Warrants</u>	<u>Average Price</u>
<b>Balance, December 31, 2008</b>	-	\$ -
Granted	3,670,479	3.50
<b>Balance, June 30, 2009</b>	<u><u>3,670,479</u></u>	<u><u>\$ 3.50</u></u>

**Broker warrants**

On certain issuances of common shares, the Corporation granted broker warrants as partial consideration to the agents for services associated to such share issues. A summary of the outstanding broker warrants is as follows:

	<u>Warrants</u>	<u>Average Price</u>	<u>Fair Value</u>
<b>Balance, December 31, 2008</b>	-	\$ -	\$ -
Granted	285,836	2.75	353,571
<b>Balance, June 30, 2009</b>	<u><u>285,838</u></u>	<u><u>\$ 2.75</u></u>	<u><u>\$ 353,571</u></u>

The value of broker warrants issued in 2009, using the Black-Scholes option-pricing model, was \$353,571 which was allocated to the share issue costs with a corresponding increase in contributed surplus. Assumptions used in the pricing model for the year are as follows: risk-free interest rate 1.27%, expected life of options 2 years, annualized volatility 83% and dividend rate of nil.

**Contributed surplus**

The fair values of certain stock options and broker warrants have been valued using the Black-Scholes option-pricing model. The fair value on the grant of these securities is added to contributed surplus. Upon exercise, the corresponding amount of contributed surplus related to the security is removed from contributed surplus and added to share capital. A summary of the contributed surplus activity is as follows:

	<u>June 30 2009</u>	<u>December 31 2008</u>
Balance, beginning of period	\$ 635,818	\$ -
Fair value of broker warrants	353,571	-
Fair value of stock options granted	393,123	635,818
<b>Balance, end of period</b>	<u><u>\$ 1,382,512</u></u>	<u><u>\$ 635,818</u></u>

**Shareholder rights plan**

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

**49 NORTH RESOURCE FUND INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

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**JUNE 30, 2008**

**9. Common shares and contributed surplus** (continued)

**Normal course issuer bid (“NCIB”)**

The Former Partnership announced in July of 2007 its intention to purchase up to 276,041 Units (approximately 138,020 common shares after adjusting for the conversion of 49 North from its former partnership structure to its current corporate structure and the 2 for 1 consolidation that occurred in the January 1, 2008 Conversion Transaction) in a normal course issuer bid (“NCIB”) during the period commencing July 23, 2007 and ending July 23, 2008. Following the expiry of that NCIB, the Corporation, in August 2008, announced its intention to commence a new NCIB pursuant to which it may repurchase up to 185,865 common shares during the period commencing August 6, 2008 and ending on the earlier of August 6, 2009 and the date that the maximum of 185,865 common shares have been repurchased. Purchases under the bids are to be made in open market transactions through the facilities and in accordance with the rules of the TSX Venture Exchange at market prices prevailing at the time of acquisition. All common shares purchased under the bids are cancelled. The Corporation purchased 92,600 common shares pursuant to these NCIBs during the year ended December 31, 2008 and 73,800 shares for the quarter ended June 30, 2009.

**10. Related party transactions**

During the six month period, management fees of \$213,464 and reimbursements of \$62,596 were accrued to TMM, and 1381613 Alberta Ltd., companies controlled by the CEO of the Corporation. These transactions are in the normal course of operations and are measured at the exchange amount and is the amount of consideration established and agreed to by the related parties.

**11. Income taxes**

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Corporation’s future assets and liabilities are as follows:

	<b><u>June 30</u></b>	<b><u>December 31</u></b>
	<b><u>2009</u></b>	<b><u>2008</u></b>
Future income tax asset (liability)		
Non-capital loss carryforwards	\$ 890,242	\$ 699,766
Deferred share issue costs	358,810	88,365
Investments	<u>(2,673,478)</u>	<u>(662,189)</u>
	<b><u>\$ (1,424,426)</u></b>	<b><u>\$ 125,942</u></b>

**12. 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 give shareholders sustained growth in shareholder value by increasing shareholders’ equity; and,
- (d) to maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.



## **49 NORTH RESOURCE FUND INC.**

### **NOTES TO THE FINANCIAL STATEMENTS**

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**JUNE 30, 2008**

#### **12. Capital management (continued)**

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) utilizing leverage in the form of margin (due from brokers) and the Corporation's bank credit line (bank indebtedness);
- (c) raising capital through equity financings;
- (d) borrowing funds in the form of advances from related parties; and,
- (e) 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. There were no changes in the Corporation's approach to capital management during the period. To date, the Corporation has not declared any cash dividends to its common shareholders as part of its capital management program. 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. The Corporation expects that its current capital resources will be sufficient to discharge its liabilities as at June 30, 2009.

#### **13. Financial instruments**

The investment operations of the Corporation's business involve the purchase and sale of securities and, accordingly, the majority 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 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 investment's declines, 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 has sufficient marketable securities which are freely tradable and relatively liquid to fund its obligations as they become due under normal operating conditions.

The Corporation uses 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.

**49 NORTH RESOURCE FUND INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

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**13. Financial instruments (continued)**

**(a) Liquidity risk: (continued)**

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. During 2008, the Corporation reduced its reliance on margin relative to prior years and management expects to maintain a minimal margin borrowing balance in the near term future.

**(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 June 30, 2009, the Corporation had liabilities payable (collectively "interest risk liabilities"), which bear interest at rates fluctuating with the prime rate. All of the interest rate risk liabilities can be repaid by the Corporation at any time, without notice or penalty, which provides the Corporation with some ability to manage and mitigate its interest rate risk.

**(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.

At June 30, 2009 the Corporation had loans and advances receivable from two companies, totaling \$300,000 which represents approximately 1.5% of the Corporation's total assets. The Corporation is working with the third party company to convert the loans receivable to an equity position in the company.

**(e) Fair value:**

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

**14. Subsequent events**

(a) Subsequent to the period end, the corporation has raised gross proceeds in an amount equal to \$746,795 at the second and final closing of its private placement. A total of 271,562 units were sold at an issue price of \$2.75 per unit. Each unit is comprised of one common share and one common share purchase warrant, exercisable at \$3.50 within the next 2 years. The agents for the private placement received a fee comprised of a commission and a work fee totalling \$59,743 for this closing. As additional consideration the Corporation issued 27,156 broker warrants and agreed to pay a commission of 3.0% of any amount the Corporation receives from the exercise of any warrant underlying the units.

(b) Subsequent to the period end the Corporation changed its name to 49 North Resources Inc.

(c) Commencing on August 7, 2009, the Corporation has made a Normal Course Issuer Bid for up to 720,823 outstanding common shares.