



CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

(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 RESOURCES INC.

CONSOLIDATED BALANCE SHEET

(unaudited)

	<u>ASSETS</u>	
	September 30	December 31
	<u>2010</u>	<u>2009</u>
Current asstes		
Cash and cash equivalents	\$ 4,930,004	\$ -
Investments, at fair value (Note 3)	32,604,905	37,140,911
Accounts receivable, prepaids and deposits	1,953,132	883,881
Management fees and reimbursements receivable	-	11,183
Loans and advances receivable (Note 4)	4,733,674	3,109,195
	<u>44,221,715</u>	<u>41,145,170</u>
Mineral properties and deposits (Note 5)	4,307,772	309,432
Goodwill	1,523,154	394,740
Property and equipment (Note 6)	7,475,082	222,394
	<u>\$ 57,527,723</u>	<u>\$ 42,071,736</u>

	<u>LIABILITIES</u>	
Current liabilities		
Bank indebtedness (Note 7)	\$ -	\$ 2,023,078
Accounts payable and accrued liabilities	3,745,331	891,510
Income tax payable	903,681	-
Management fees and reimbursements payable (Note 8)	36,750	-
Current portion of long-term debt	2,412,935	-
	<u>7,098,697</u>	<u>2,914,588</u>
Long-term debt (Note 9)	6,775,729	4,859,649
Asset retirement obligations (Note 10)	151,995	-
Future income tax liability (Note 11)	2,681,479	2,049,785
	<u>16,707,900</u>	<u>9,824,022</u>
Minority interest	<u>615,603</u>	<u>292,254</u>

	<u>SHAREHOLDERS' EQUITY</u>	
Common shares (Note 12)	47,253,366	40,506,340
Contributed surplus (Note 12)	2,118,303	1,465,871
Equity portion of convertible debentures (Note 9)	1,087,085	734,500
Deficit	(10,254,534)	(10,751,251)
	<u>40,204,220</u>	<u>31,955,460</u>
	<u>\$ 57,527,723</u>	<u>\$ 42,071,736</u>

Approved by the Board

Director

Director

49 NORTH RESOURCES INC.**CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS**

(unaudited)

	For the three months ended September 30		For the nine months ended September 30	
	2010	2009	2010	2009
Revenues				
Geological consulting	\$ 855,221	\$ -	\$ 2,380,029	\$ -
Production revenue	95,662	-	157,402	-
Realized gains (losses)	(354,248)	1,639,549	15,693,284	1,141,549
Unrealized (losses) gains	2,610,443	5,053,205	(10,362,342)	14,321,998
Investment and royalty income	108,570	13,943	391,178	29,936
	<u>\$ 3,315,648</u>	<u>\$ 6,706,697</u>	<u>\$ 8,259,551</u>	<u>\$ 15,493,483</u>
Expenses				
Amortization	105,072	-	308,114	-
Business development and investor relations	271,016	153,713	727,983	503,914
Interest	289,964	190,956	729,869	488,142
Licenses, dues and subscriptions	16,132	-	50,345	-
Management fees (Note 8)	209,154	169,838	641,459	383,302
Office and administration	44,600	56,750	302,276	103,918
Professional fees	250,345	44,212	826,560	205,557
Stock based compensation (Note 12)	16,651	49,768	652,432	442,891
Production supplies	357,528	-	560,331	-
Transaction costs	67,144	121,899	153,084	199,697
Travel	6,782	-	54,488	-
Wages and benefits	510,016	54,887	1,519,943	130,765
	<u>2,144,404</u>	<u>842,023</u>	<u>6,526,884</u>	<u>2,458,186</u>
Income before income taxes	1,171,244	5,864,674	1,732,667	13,035,297
Current income tax (recovery)	(356,411)	-	939,681	-
Future income tax (recovery)	1,462,161	617,131	244,069	1,871,035
Net income from operations before minority interest	65,494	5,247,543	548,917	11,164,262
Minority interest	27,605	-	52,201	-
Net income	37,889	5,247,543	496,716	11,164,262
Deficit, beginning of period	(10,292,423)	(16,049,263)	(10,751,250)	(21,965,982)
Deficit, end of period	\$ (10,254,534)	\$ (10,801,720)	\$ (10,254,534)	\$ (10,801,720)
Basic (loss) earnings per share	\$ 0.00	\$ 0.63	\$ 0.04	\$ 1.98
Diluted (loss) earnings per share	\$ 0.00	\$ 0.61	\$ 0.04	\$ 1.88

49 NORTH RESOURCES INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

	For the three months ended September 30		For the nine months ended September 30	
	2010	2009	2010	2009
Cash flows from Operating Activities				
Net (loss) income	\$ 37,889	\$ 5,247,543	\$ 496,716	\$ 11,164,262
Items not affecting cash				
Realized (gains) losses	354,248	(1,639,549)	(15,693,284)	(1,141,549)
Amortization	105,072	12,286	308,114	37,185
Future income tax (recovery)	1,462,161	617,131	244,069	1,871,035
Accretion of convertible debentures	78,868	68,142	236,604	204,426
Stock based compensation	16,651	49,768	652,432	442,891
Unrealized losses (gains)	(2,610,443)	(5,053,205)	10,362,342	(14,321,998)
Net changes in non-cash working capital items related to operations:	1,356,951	(614,316)	2,738,301	(495,780)
	801,397	(1,312,200)	(654,706)	(2,239,528)
Cash flows from Investing Activities				
Purchase of property and equipment	(1,039,814)	-	(2,187,506)	(5,554)
Purchase of investments	(2,268,217)	(5,588,360)	(16,922,574)	(10,696,452)
Proceeds from disposal of investments	5,074,719	7,245,639	29,840,520	11,334,243
Purchase of mineral property and deposits	(2,389)	(104,067)	1,660	(384,118)
Loan (advances) repayments	(1,442,240)	(331,471)	(2,777,371)	(331,471)
Acquisition of subsidiary (net of cash)	-	-	(3,715,814)	-
	322,059	1,221,741	4,238,915	(83,352)
Cash flows from Financing Activities				
Issuance of common shares	-	671,797	-	4,941,373
Issuance of long-term debt	4,498,735	-	4,498,735	-
Repurchase of common shares	(202,024)	(101,323)	(825,123)	(250,488)
Repayment of long-term debt	-	-	(50,000)	-
Share and debt issue costs	(254,739)	(154,959)	(254,739)	(1,163,886)
Advances to related parties	-	-	-	(44,511)
	4,041,972	415,515	3,368,873	3,482,488
Net increase in cash during the period	5,165,428	325,056	6,953,082	1,159,608
Cash, beginning of period	(235,424)	1,087,499	(2,023,078)	252,947
Cash, end of period	\$ 4,930,004	\$ 1,412,555	\$ 4,930,004	\$ 1,412,555

49 NORTH RESOURCES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

SEPTEMBER 30, 2010

1. Description of business

The Corporation is a resource investment, financial, managerial and geological 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. In addition, the Corporation may take control positions and play a management role in selected resource issuers and/or become directly or indirectly involved in the acquisition, development and commercialization of resource properties through one or more subsidiaries, joint ventures, farm-in or other arrangements that may be established for such purposes.

2009 Fund Roll-over Transaction

During 2009, 49 North 2009 Resource Flow-Through Limited Partnership (the "2009 Fund") raised \$8,328,800 on the issuance of 832,880 limited partnership units (the "2009 Units") in an initial public offering. Prior to December 31, 2009, the 2009 Fund invested a substantially equal amount in a portfolio of flow-through shares. Effective February 1, 2010, the 2009 Fund transferred substantially all of their respective assets - valued at \$7,572,149 on a tax deferred "roll-over" basis to the Corporation in exchange for 4,351,810 common shares of the Corporation. Following these transfers, the 2009 Fund was wound up and dissolved and these 4,351,810 common shares of the Corporation were distributed amongst the (former) partners of the 2009 Fund. As a result, each (former) limited partner of the 2009 Fund received approximately 5.224 shares of the Corporation for each 2009 Unit they previously held. The transaction resulted in the number of outstanding common shares of the Corporation increasing to 12,754,883 immediately after the transaction.

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, 2009, 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.

Consolidation of variable interest entities

These consolidated statements include the accounts of the Corporation and entities that it has the ability to control either through voting rights or means other than voting rights. The Corporation's investment in Newsk Emerging Resources Ltd. constitutes a variable interest entity ("VIE") in which the Corporation was the primary beneficiary. Under the guidance of CICA Accounting Guideline 15 "Consolidation of Variable Interest Entities" the primary beneficiary is required to consolidate the VIE once control is obtained. In the Corporation's situation this was when the 2009 Fund rolled in its investment as described in Note 1 above.

Property and equipment

The Corporation follows the full cost method of accounting for oil operations. All costs incurred exploring for and developing of petroleum properties and related reserves are capitalized. Depletion of petroleum properties and production equipment is calculated by using the unit-of-production method based upon estimated proven reserves, as determined by management.

Impairment test

The Corporation performs impairment testing on long lived assets held for use annually and whenever events or changes in circumstances indicate that the carrying value of long-lived assets may not be recoverable.

Revenue recognition

Geological consulting revenue is recognized as the services are provided to the client. Production revenue is recognized when the oil and gas is delivered to the buyer. Royalty income received from projects in which the company has an interest is recorded when received or receivable if the amount can reasonably estimated.

49 NORTH RESOURCES INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

SEPTEMBER 30, 2010

2. Significant accounting policies (continued)

Future accounting pronouncements

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, including all quarterly financial statements in fiscal 2011. Though IFRS uses a conceptual framework similar to Canadian GAAP, there are some significant differences on recognition, measurement and disclosure requirements. As the International Accounting Standards Board (‘‘IASB’’) will continue to issue new accounting standards during the conversion period, 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 has developed a plan to convert its financial statements to IFRS, including the engagement of independent consultants. The Corporation is currently in the planning and enabling phase of the conversion, which includes preparing and identifying the differences between existing Canadian GAAP and IFRS, potential business impacts, personnel and technology resource requirements and staff training. Over the next three months, the Corporation will continue to review and assess the implications of the conversion. The conversion to IFRS is a significant initiative for the Corporation, for which substantial resources are being dedicated to ensure a timely and proper implementation.

The initial analysis of IFRS in comparison to Canadian GAAP has identified a number of differences. While Management believes that the impact of these differences individually will not have a material impact on the reported results and financial position, it is not currently possible to fully assess the impact as the standards under IFRS continue to change. The Corporation expects that the majority of the adjustments required to move to IFRS will be made retroactively against opening retained earnings and shown on the opening comparative consolidated balance sheet.

Business combinations

In January 2009, the CICA issued the new Handbook Section 1582 ‘‘Business Combination’’, effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of Section 1582 is permitted. This pronouncement further aligns Canadian GAAP with US GAAP and IFRS and changes the accounting for business combinations in a number of areas. It establishes principles and requirements governing how an acquiring company recognizes and measures in its financial statements identifiable assets acquired, liabilities assumed, any non-controlling interest in the acquiree, and goodwill required. The section also establishes disclosure requirements that will enable users of the acquiring company’s financial statements to evaluate the nature and financial effects of its business combinations. The Corporation is considering the impact of adopting this pronouncement on the consolidated financial statements.

Consolidated financial statements and non-controlling interests

In January 2009, the CICA issued a new handbook Section 1601, Consolidated Financial Statements and Section 1602, Non-controlling Interest, effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of these recommendations is permitted. These pronouncements further align Canadian GAAP with US GAAP and IFRS. Sections 1601 and 1602 change the accounting and reporting for ownership interests in subsidiaries held by parties other than the parent. Non-controlling interests are to be presented in the consolidated net income attributable to the parent and the non-controlling interest is to be clearly identified and presented on the face of the consolidated statement of income. In addition, these pronouncements establish standards for a change in a parent’s ownership interest in a subsidiary and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. They also establish reporting requirements for providing sufficient disclosures that clearly identify and distinguish between the interests of the parent and interests of the non-controlling owners. The Corporation is considering the impact of adopting these pronouncements on its consolidated financial statements in connection with the conversion to IFRS.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

SEPTEMBER 30, 2010

3. Equity investments

As at September 30, 2010, the Corporation's investments consist of the following:

	<u>Shares/Warrants</u>	<u>Cost</u>	<u>Fair Value</u>
Mineral Exploration			
0851045 BC Ltd (3)	1,250,000	187,500	187,500
0851045 BC Ltd - Warrants	1,250,000		
Alix Resources Corp. (1)	13,333	14,264	3,333
Alix Resources Corp. - Warrants	625,000		
Argus Metals Corp. (1)	280,000	31,845	46,200
Argus Metals Corp. - Warrants	250,000		
Augen Gold Corp. (1)	455,000	100,100	81,900
Augen Gold Corp. - Warrants	227,500		
Aura Silver Resources Inc. (1)	1,100,000	202,000	181,500
Aura Silver Resources Inc. - Warrants	1,100,000		
Bacanora Minerals Ltd. (1)	1,534,500	426,956	253,193
Barkerville Gold Mines Ltd. (1)	110,000	88,402	122,100
Barkerville Gold Mines Ltd. - Warrants	312,500		
Batero Gold Corp. (1)	475,000	176,940	878,750
Batero Gold Corp. ó Warrants	150,000		
Bending Lake Iron Group Ltd. (3)	1,400,000	1,178,570	1,178,570
Bending Lake Iron Group Ltd. - Warrants	50,000		
Bralorne Gold Mines Ltd. - Warrants	423,000		
Canada Gold Corp. (1)	75,000	24,750	10,125
Canada Gold Corp. ó Warrants	37,500		
Canamex Silver Corp. (1)	230,000	17,480	12,650
Copper Canyon Resources Ltd. (1)	2,894,035	512,366	680,098
Copper Reef Mines Ltd. (4)	7,738,000	1,002,577	619,040
Diamcor Mining Inc. (1)	325,000	97,500	94,250
Diamcor Mining Inc. - Warrants	167,500		
DNI Metals Inc. (1)	5,239,233	662,664	602,512
DNI Metals Inc. ó Warrants	535,714		
Eagle Plains Resources Ltd. (1)	4,154,500	761,353	727,038
Eagle Plains Resources Ltd. - Warrants	1,555,000		
El Nino Ventures Inc. (1)	796,500	67,004	55,755
El Nino Ventures Inc. - Warrants	1,250,000		
El Tigre Silver Corp. (1)	229,000	80,150	53,815
El Tigre Silver Corp. - Warrants	229,000		
Erdene Resource Development Corp. (2)	50,000	21,809	23,500
ESO Uranium Corp. (1)	3,520,000	448,169	193,600
ESO Uranium Corp. - Warrants	4,000,000		
Estrella Gold Corp. (1)	313,000	250,400	169,020
Estrella Gold Corp. - Warrants	156,500		
Foran Mining Corp. (1)	152,000	41,742	66,880
Formation Metals Inc. (2)	-	-	-
Formation Metals Inc. - Warrants	100,000		
Gobimin Inc. (2)	200,000	174,033	166,000
Goldcliff Resources Corp. (1)	9,190,000	1,029,413	781,150
Goldcliff Resources Corp. - Warrants	3,000,000		
GoldQuest Mining Corp. (1)	400,000	50,000	82,000
GoldQuest Mining Corp. - Warrants	200,000		
Goldsource Mines Inc. (1)	76,500	114,120	65,025
Halo Resources Ltd. (1)	75,001	347,139	25,500
Harmony Gold Corp. (1)	285,714	100,000	62,857
Harmony Gold Corp. - Warrants	142,857		

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

SEPTEMBER 30, 2010

3. Equity investments (continued)	<u>Shares/Warrants</u>	<u>Cost</u>	<u>Fair Value</u>
Hinterland Metals Inc. (1)	200,832	13,063	31,129
Hinterland Metals Inc. - Warrants	416,666		
JNR Resources Inc. (1)	200,000	36,472	43,000
Kent Exploration Ltd. (1)	1,345,000	196,270	174,850
Kent Exploration Ltd. - Warrants	250,000		
Kimpar Resources Inc. (3)	1,104,000	669,643	669,643
Kimpar Resources Inc. - Warrants	552,000		
Kirrin Resources Inc. (1)	1,671,429	234,000	117,000
Kirrin Resources Inc. - Warrants	1,671,429		
Lakota Resources Inc. (5)	4,918,441	326,110	-
Laurion Mineral Exploration Inc. (1)	2,077,665	230,767	207,767
Laurion Mineral Exploration Inc. - Warrants	1,063,832		
Miocene Metals - Warrants	18,796		
Nebu Resources Inc. (1)	300,167	45,025	48,027
Nebu Resources Inc. - Warrants	283,333		
Niogold Mining Corp. (1)	1,091,333	339,791	376,510
Niogold Mining Corp. - Warrants	234,900		
Northern Freegold Resources Ltd. (1)	166,800	75,525	51,708
NuCoal Energy Corp. (3)	2,446,770	1,688,804	1,688,804
Otis Gold Corp. (1)	196,500	109,850	117,900
Otis Gold Corp. - Warrants	38,462		
Playfair Mining Ltd. (1)	3,800,000	365,562	380,000
Puget Ventures Inc. (1)	51,667	17,571	25,317
Puget Ventures Inc. - Warrants	83,333		
Red Rock Energy Inc. (1)	3,525,500	1,155,028	458,315
Red Rock Energy Inc. - Warrants	850,000		
Rio Novo Gold Inc. (2)	105,000	166,756	199,500
Rio Novo Gold Inc. - Warrants	125,000	-	87,500
Rockport Mining Corp. (3)	486,274	364,721	364,721
Roxgold Inc. (1)	137,666	176,780	33,728
Salazar Resources Ltd. (1)	70,000	73,701	91,000
Salazar Resources Ltd. - Warrants	110,000		
Senator Minerals Inc. (1)	1,451,000	77,135	50,785
Sheltered Oak Resources Corp. (1)	2,000,000	180,000	220,000
Shore Gold Inc. (2)	1,030,000	902,567	803,400
Shoreham Resources Ltd. (1)	115,000	33,400	26,450
Skeena Resources Ltd. (1)	2,187,500	195,146	142,188
Skeena Resources Ltd. - Warrants	1,000,000		
Sona Resources Corp. (1)	78,200	156,400	72,726
Stikine Gold Corp. (1)	610,667	164,291	170,987
Tanzania Minerals Corp. (1)	214,000	10,700	79,180
Terrax Minerals Inc. (1)	83,333	25,000	20,000
Terrax Minerals Inc. - Warrants	41,667		
Ucore Uranium Inc. (1)	-	-	-
Ucore Uranium Inc. - Warrants	125,000		
Unity Energy Corp. (1)	1,000,000	250,000	175,000
Unity Energy Corp. - Warrants	200,000		
Uranium North Resources Corp. (1)	763,333	53,433	64,883
Virginia Energy Resources Inc. (1)	421,333	200,000	82,160
Wallbridge Mining Corp. (2)	87,780	16,756	19,312
Wescan Goldfields Inc. (1)	5,931,133	1,315,434	266,901
Wescan Goldfields Inc. - Warrants	961,539		
Westcore Energy Inc. (1)	4,315,000	2,471,503	1,380,800

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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SEPTEMBER 30, 2010

3. Equity investments (continued)	<u>Shares/Warrants</u>	<u>Cost</u>	<u>Fair Value</u>
Western Potash Corp. (1)	-	-	-
Western Potash Corp. - Warrants	100,000		
Weststar Resources Corp. (5)	-	-	-
Weststar Resources Corp. - Warrants	250,000		
White Gold Corp. (3)	2,000,000	500,000	500,000
Wildcat Exploration Ltd. (1)	1,155,000	285,929	63,525
Oil & Gas			
Admiralty Oils Ltd. (3)	1,600,000	350,000	350,000
Archer Petroleum Corp. (1)	931,777	396,200	135,108
Archer Petroleum Corp. - Warrants	77,000		
Bulldog Oil & Gas Ltd. (3)	55,000	137,500	137,500
Cheyenne Energy Corp. (5)	714,280	249,998	-
Cloudbreak Resources Ltd. (1)	2,104,000	541,767	704,840
Deloro Resources Ltd. (1)	1,387,500	222,000	263,625
Deloro Resources Ltd. - Warrants	781,250		
Fair Sky Resources Inc. (5)	65,570	199,989	-
Greencastle Resources Ltd. (1)	453,000	62,395	63,420
Kenosee Resources Ltd. (3)	8,547	44,643	44,643
KFG Resources Ltd. (1)	870,000	68,954	56,550
KFG Resources Ltd. - Warrants	270,000		
Lex Energy Partners LP (3)	1,000	350,000	350,000
Lion Energy Corp. (1)	1,170,500	253,360	193,133
Nickel Oil & Gas Corp. (3)	2,000,000	500,000	500,000
Nordic Oil & Gas Ltd. (1)	1,528,870	195,660	91,732
Nordic Oil & Gas Ltd. - Warrants	500,000		
Nuloch Resources Inc. (1)	559,400	531,244	699,250
Panterra Resources Corp. (1)	1,247,000	300,000	324,220
Panterra Resources Corp. - Warrants	117,500		
Rallyemont Energy Inc. (3)	10,323,535	2,613,237	2,613,237
Redwater Energy Corp. (3)	666,667	200,000	200,000
Renegade Petroleum Ltd. (1)	720,721	1,828,147	2,392,794
Ruby Energy Inc. (3)	916,996	550,198	484,174
Titanium Corp. Inc. (1)	177,200	194,491	318,960
Torquay Oil Corp. Class A (1)	700,000	575,000	847,000
Torquay Oil Corp. Class A - Warrants	250,000		
Torquay Oil Corp. Class B (1)	45,000	450,000	185,400
Valeura Energy Inc. (1)	1,600,000	624,973	592,000
Volcanic Metals Corp. (1)	100,000	23,000	13,500
Welton Energy Corp. (5)	147,059	100,000	-
Wilton Resources Inc. (1)	20,000	20,180	12,000
Other			
Cliffmont Resources Ltd. (1)	120,000	30,000	66,000
Cliffmont Resources Ltd. - Warrants	60,000		
Colorado Resources Ltd. (3)	750,000	150,000	150,000
Colorado Resources Ltd. - Warrants	375,000		
Deep Earth Energy Productions Corp. (3)	4,000,000	400,000	400,000
Discovery Harbour Resources Inc. (3)	100,000	10,000	10,000
Gilead Power Corp. (3)	100,000	100,000	100,000
Grafton Resource Investments Ltd. (3)	22,450	1,000,002	900,021
Kenna Capital Corp. (1)	1,000,000	100,000	20,000
Kobex Minerals Inc. (1)	349,000	316,381	362,960

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3. Equity investments (continued)	<u>Shares/Warrants</u>	<u>Cost</u>	<u>Fair Value</u>
Lex Capital Partners LP (3)	1,000	350,000	350,000
Meize Energy Industries Holdings Ltd. (3)	60,000	300,000	300,000
Minerva Minerals Ltd. (1)	1,158,667	72,950	139,040
Pinetree Capital Corp. (2)	105,000	228,488	192,150
Rock Tech Lithium Inc. (1)	410,500	82,100	82,100
Rock Tech Lithium Inc. - Warrants	500,000		
Troy Energy Corp. (1)	3,390,000	792,442	847,500
Vicarage Capital Corp. (3)	12,500	383,475	383,475
		<u>37,231,152</u>	<u>32,604,905</u>

(1) Listed on TSX Venture Exchange

(2) Listed on TSX

(3) Private

(4) Listed on CNQ Exchange

(5) Defunct / Delisted

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

SEPTEMBER 30, 2010

3. Equity investments (continued)

As at December 31, 2009, the Corporation's investments consist of the following:

	<u>Shares/Warrants</u>	<u>Cost</u>	<u>Fair Value</u>
<u>Metals and Mining</u>			
Alix Resources Corp. (1)	1,511,000	\$ 107,762	\$ 67,995
Alix Resources-Warrants	1,075,000	-	-
Angus Resources Inc. (1)	30,000	3,000	-
Athabasca Potash Inc. (2)	2,254,000	4,062,684	13,073,200
Bacanora Minerals Ltd. (1)	850,000	210,000	191,250
Bending Lake Iron Group Ltd. (3)	1,300,000	1,078,570	1,078,570
Bralorne Gold Mines Ltd. (1)	267,000	253,450	205,590
Bralone Gold Mines Ltd.- Warrants	263,000	-	-
Canada Gold Corp. (1)	75,000	24,750	26,250
Canada Gold Corp. ó Warrants	37,500	-	-
Canadian Shield Resources Ltd. (1)	313,000	250,400	701,120
Claude Resources Inc. (2)	56,000	56,593	68,880
Copper Canyon Resources Ltd. (1)	2,690,035	331,359	430,406
Copper Reef Mines Ltd. (4)	2,322,000	669,983	464,400
Discovery Harbour Resources Inc. (3)	100,000	10,000	10,000
Dumont Nickel Inc. (1)	9,505,000	118,524	142,575
Dumont Nickel Inc. ó Warrants	5,000,000	-	-
Eagle Plains Resources Ltd. (1)	3,443,500	644,344	619,830
Eagle Plains Resources Ltd.- Warrants	1,075,000	-	-
El Nino Ventures Inc. (1)	1,342,540	105,111	181,243
El Nino Ventures Inc. ó Warrants	1,250,000	-	-
ESO Uranium Corp. (1)	590,000	485,180	26,550
Formation Metals Inc.-Warrants	100,000	-	-
Gobimin Inc. (1)	414,000	361,882	343,620
Gold Key Capital Corp. (1)	400,000	100,000	20,000
Goldcliff Resource Corp. (1)	6,006,500	642,179	870,943
Goldcliff Resource Corp. - Warrants	1,750,000	-	-
Great Western Minerals Group Ltd. (1)	30,000	7,076	8,550
Halo Resources Ltd.(1)	881,915	408,188	57,324
Hana Mining Ltd. (1)	13,000	8,350	15,860
Harmony Gold Corp. (1)	285,714	100,000	101,428
Hathor Exploration Ltd. (1)	25,086	77,881	44,653
Hinterland Metals Inc. (1)	833,332	50,000	58,334
Hinterland Metals Inc. ó Warrants	416,666	-	-
JNR Resources Inc. (1)	100,000	22,331	24,000
J-Pacific Gold Inc.(1)	391,000	156,400	35,190
Kent Exploration Inc. (1)	506,000	65,909	88,550
Kent Exploration Inc.-Warrants	250,000	-	-
Kimpar Resources Inc. (3)	1,104,000	669,643	669,643
Kimpar Resources Inc. ó Warrants	552,000	-	-
Kirrin Resources Inc. (1)	1,671,429	234,000	183,857
Kobex Minerals Ltd. (1)	173,425	134,712	163,020
Lakota Resources Inc. (1)	4,918,441	326,110	-

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3. Equity investments (continued)

	<u>Shares/Warrants</u>	<u>Cost</u>	<u>Fair Value</u>
Laurion Mineral Exploration Inc.(1)	2,077,665	230,767	93,495
Laurion Mineral Exploration Inc.-Warrants	1,063,832	-	-
Nebu Resources Inc. (1)	566,667	85,000	235,167
Nebu Resources Inc.- Warrants	283,333	-	-
Newsk Emerging Resources Ltd. (3)	1,691,848	1,691,848	1,488,826
Niogold Mining Corp. (1)	469,800	117,450	150,336
Niogold Resources Inc. ó Warrants	234,900	-	-
Northern Freegold Resources (1)	459,052	237,762	142,306
NuCoal Energy Corp. (3)	2,446,770	1,688,804	1,688,804
Olivut Resources Ltd. (1)	197,000	40,900	39,400
Otis Gold Corp. (1)	139,423	86,084	72,500
Otis Gold Corp. ó Warrants	38,462	-	-
Playfair Mining Ltd. (1)	1,608,000	89,944	112,560
Puget Ventures Inc. (1)	221,667	75,383	67,608
Puget Ventures Inc.- Warrants	83,333	-	-
Red Rock Energy Inc. (1)	1,815,000	983,828	181,500
Rochester Resources Ltd. (1)	34,000	21,785	6,800
Rockport Mining Corp. (3)	486,274	364,721	364,721
Roxgold Inc. (1)	740,000	316,750	29,600
Salazar Resources Ltd. (1)	85,000	68,000	87,550
Salazar Resources Ltd. ó Warrants	85,000	-	-
Sandspring Resources Inc. (1)	85,100	27,077	102,120
Sandspring Resources Inc. ó Warrants	118,250	-	-
Senator Minerals Inc. (1)	938,000	34,970	51,590
Senator Minerals Inc. ó Warrants	375,000	-	-
Sheltered Oak Resources Corp. (1)	1,000,000	80,000	125,000
Shore Gold Inc. (2)	191,500	135,793	181,925
Skeena Resources Ltd. (1)	2,237,500	199,606	302,063
Skeena Resources Ltd.-Warrants	1,100,000	-	-
Soltoro Ltd. (1)	175,000	8,750	66,500
Stikine Gold Corporation (1)	521,167	141,152	166,773
Tanzania Minerals Corp. (3)	500,000	25,000	25,000
Tirex Resources Ltd. (1)	105,000	73,500	50,400
Ucore Uranium Inc.- Warrants	125,000	-	-
UEX Corp. (2)	5,000	3,000	5,250
Uranium North Resources Corp. (1)	833,333	58,333	83,333
Virginia Energy Resources Inc. (1)	88,000	100,000	29,040
Volcanic Capital Corp. (1)	100,000	23,000	30,000
Wallbridge Mining Company Limited (2)	677,780	125,389	166,056
Wescan Goldfields Inc. (1)	3,708,056	1,045,837	500,588
Wescan Goldfields Inc. óWarrants	694,445	-	-
Westcore Energy Inc. (1)	2,246,500	1,236,668	1,325,435
Western Potash Corporation. - Warrants	100,000	-	-
Weststar Resources Corp. - Warrants	100,000	-	-
Wildcat Exploration Ltd. (1)	1,075,000	292,692	150,500

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3. Equity investments (continued)

	<u>Shares/Warrants</u>	<u>Cost</u>	<u>Fair Value</u>
Xtierra Inc. (1)	70,000	3,650	11,900
Xtierra Inc. - Warrants	35,000	-	-

Oil & Gas

0856348 BC Ltd. (3)	154,000	\$ 46,200	\$ 46,200
08586348 BC Ltd. 6 Warrants	77,000	-	-
Beaufield Resources Ltd. (1)	525,000	63,853	68,250
Bulldog Oil & Gas Ltd. (3)	55,000	137,500	137,500
Cheyenne Energy Corp. (5)	714,280	249,998	-
Colonia Energy Corp. (1)	1,000,000	200,000	230,000
Enhanced Oil Resources-Warrants	125,000	-	-
Fair Sky Resources Inc. (5)	65,570	199,989	-
Greencastle Resources Ltd. (1)	603,000	83,060	93,465
Kenosee Resources Ltd. (3)	8,547	44,643	44,643
KFG Resources Ltd. (1)	870,000	68,954	43,500
KFG Resources Ltd.- Warrants	270,000	-	-
Lion Energy Corp. (1)	1,570,500	339,942	298,395
Nordic Oil & Gas Ltd. (1)	1,028,870	139,648	118,320
Nordic Oil & Gas Ltd.-Warrants	427,935	-	-
Nuloch Resource Inc. (1)	367,000	259,000	311,950
Pacific Roderia Energy Inc. (1)	75,000	18,332	24,000
Panwestern Energy Inc. (1)	3,467,822	1,053,063	693,564
Panwestern Energy Inc.-Warrants	1,250,000	-	-
Petro Uno Resources Ltd. (1)	115,000	11,500	69,000
Prairie Hunter Energy Corp. (3)	2,950,059	3,111,807	2,950,059
Rallyemont Energy Inc. (3)	3,500,000	350,000	350,000
Ruby Energy Inc. (3)	916,996	550,198	484,174
Welton Energy Corporation (5)	147,059	100,000	-
Wilton Resources Inc. (1)	10,000	9,780	10,500

Other

Colorado Resources Corp. (3)	750,000	150,000	150,000
Grafton Resource Investments Ltd. (3)	21,985	1,000,003	1,012,514
Kenna Capital Corp. (3)	1,000,000	100,000	100,000
Lex Capital Partners Inc. (3)	200	200,000	200,000
Meize Energy Industry Holdings Ltd. (3)	60,000	300,000	300,000
Pinetree Capital Ltd. (2)	400,000	922,590	848,000
Troy Energy Corp. (1)	2,140,000	204,942	449,400

<u>\$ 31,404,816</u>	<u>\$ 37,140,911</u>
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- (1) Listed on TSX Venture Exchange
- (2) Listed on TSX
- (3) Private
- (4) Listed on CNQ Exchange
- (5) Defunct/Delisted

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4. Loans and advances receivable

	September 30	December 31
	2010	2009
CVG Mining Ltd.	\$ 3,502,240	\$ -
Kimpar Resources Ltd.	625,124	492,833
Hillcrest Resources Ltd.	207,680	-
How 2 Energy Ltd.	240,000	271,605
Unrelated individuals	158,630	169,956
Newsk Emerging Resources Ltd.	-	1,301,892
49 North 2009 Flow Though LP	-	872,909
	<u>\$ 4,733,674</u>	<u>\$ 3,109,195</u>

The CVG Mining Ltd. loan is due on demand, bears interest at a rate of 4.25% and is secured by certain mineral claims. The Kimpar Resources Ltd. loans are due on demand, bear interest at a rate of 12%. \$300,000 plus interest of the loans are convertible into shares of Kimpar Resources Ltd. at a price per share of \$0.25, while \$175,000 plus interest is repayable based on revenue of Kimpar Resources Ltd. and a perpetual net profit interest in certain properties. During the period, the Corporation issued a demand letter to Kimpar Resources Ltd. for immediate payment of the loans outstanding. The How 2 Energy Ltd. loan is due on demand and bears interest at a rate of prime plus 2%. The Hillcrest Resources Ltd. loan bears interest at 12% with quarterly principal and interest payments made commencing January 2011. The loan is convertible into shares at a price per share of \$0.05. The loans to unrelated individuals bear interest at rates between prime plus 2% and 5%.

5. Mineral properties

	Manitoba	British Columbia properties	Total
Balance, December 31, 2009	\$ 309,432	-	309,432
Expenditures during the period			
Acquisition (refund)	(13,104)	-	(13,104)
Exploration	11,444	4,000,000	4,011,444
Balance, September 30, 2010	\$ 307,772	\$ 4,000,000	\$ 4,307,772

Manitoba properties

In the prior year, the Corporation applied for coal permits with the Government of Manitoba and has initiated airborne analysis of these possible permit locations. Some of the permits applied for were not granted, resulting in a refund during the period.

On April 27, 2010, the Corporation and Westcore Energy Inc. (Westcore) entered into a binding agreement for the sale of an interest in the permits and pending permits. Under the agreement, Westcore will initially acquire a 50% interest in the property covered by the permits and pending permits, together with all rights attaching to them with the ability to increase this interest to as much as 80%. The consideration payable to the Corporation under the agreement will consist of the issuance of an aggregate of 1,000,000 common shares in the capital of Westcore, together with an unsecured demand promissory note in the amount of \$256,825. Under the agreement, Westcore will operate all exploration and drilling activities in respect of the property and will bear responsibility for all exploration expenditures and related costs until such time as a bankable feasibility study is completed.

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5. Mineral properties (continued)

Manitoba properties (continued)

Westcore is obliged to expend not less than \$500,000 on exploration expenses in respect of the properties during its 2010 to 2011 exploration program and will earn additional interest in these property based upon the following: (a) provided that Westcore incurs and pays exploration expenditures in excess of \$1,000,000 on or before December 31, 2012, Westcore will earn a further 10% interest in the property; and (b) provided that Westcore completes a bankable feasibility study in respect of the property on or before December 31, 2013, Westcore will earn a further 20% interest in the property. As at September 30, 2010 the transaction still needed Westcore shareholder approval to be finalized.

British Columbia properties

The Corporation entered into an option agreement to acquire up to a 40% undivided interest in certain mineral rights located in the province of British Columbia. Under the terms of the agreement, for every \$100,000 of expenditures incurred during the option period, the Corporation will acquire a 1% undivided interest in the property. In addition, the Corporation was granted a 2.5% net smelter returns royalty on the mineral claims covered under the agreement.

6. Property and equipment

	<u>September 30</u>		<u>December 31</u>	
	<u>2010</u>		<u>2009</u>	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Automotive	\$ 65,926	\$ 55,582	\$ 10,344	\$ 12,343
Computers and software	176,561	138,418	38,143	25,373
Furniture and equipment	194,306	77,642	116,664	79,344
Leasehold improvements	218,224	62,890	155,334	105,344
Petroleum properties and equipment	9,974,643	2,820,046	7,154,597	-
	<u>\$ 10,629,660</u>	<u>\$ 3,154,578</u>	<u>\$ 7,475,082</u>	<u>\$ 222,394</u>

The Corporation entered into a royalty agreement with Prairie Hunter Energy Corporation, a private company who had a 50% working interest in a number of wells located in the Province of Saskatchewan.

Under the terms of the agreement, which expired December 31, 2009, Prairie Hunter could continue to drill any number of wells while providing the Corporation the option to participate in each well drilled (ie. Earn-in). For each horizontal earn-in well drilled, the Corporation will earn a gross overriding royalty of between 3-6% of all petroleum substances produced, saved and sold in exchange for incurring 31% of all costs to drill, case, complete and cap of that well. In addition, for each vertical earn-in well drilled, the Corporation will earn a gross overriding royalty of 3.75-4.5% of all petroleum substances produced, saved and sold in exchange for incurring 15.2% of all costs to drill, case, complete and cap of that well.

Effective April 1, 2010 Prairie Hunter Energy Corporation was purchased by Renegade Petroleum Ltd., a TSX-V listed company. The original terms and conditions of the gross overriding royalty remain unchanged.

7. Bank indebtedness

The Corporation's bank indebtedness consists of margin borrowing secured by the Corporation's investments held at each brokerage house. Interest is charged on the daily outstanding balance at a tiered rate equal to the brokerage houses overnight rate plus a percentage ranging from 2.0% to 2.5% depending on the amount of margin used. The Corporation has guaranteed its Oil & Gas subsidiary's line of credit. As at September 30, 2010 the Oil & Gas subsidiary's bank indebtedness was at \$354,381.

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8. Related party transactions

During the nine month period ended September 30, 2010, management fees of \$641,459 (2009 - \$383,302) and reimbursements of \$62,596 (2009 - \$74,283) were incurred or accrued to TMM Portfolio Management Inc. (TMMö), 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.

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, 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.

9. Long-term debt

	<u>2010</u>	<u>2009</u>
Convertible debentures	\$ 6,574,729	\$ 4,484,649
Loan payable	2,037,935	-
Note payable	375,000	375,000
Preferred shares	<u>201,000</u>	<u>-</u>
	9,188,664	4,859,649
Less current portion	<u>2,412,935</u>	<u>-</u>
	<u>\$ 6,775,729</u>	<u>\$ 4,859,649</u>

Convertible debentures

On September 23, 2010, the Corporation issued \$2,460,800 principal amount of 8% convertible unsecured subordinated debentures for net proceeds of \$2,106,061. The debentures have a three-year terms with a maturity date of September 23, 2013 and bear interest from the date of issue at 8% annually, paid annually on September 23, unless the debentures are earlier converted or redeemed. The debentures are convertible at the option of the holder to common shares at a conversion price of: (i) \$4.00 per common share if converted prior to September 23, 2011, (ii) \$4.25 if converted on or after September 23, 2011 and before September 23, 2012, and (iii) \$4.50 if converted on or after September 23, 2012. Subject to certain terms and conditions, the Corporation has the option to redeem the debentures prior to maturity at a redemption price equal to the principal amount plus interest and accrued interest at the date of redemption and a premium equal to: (i) 6% of the outstanding principal amount if redeemed prior to September 23, 2011, (ii) 4% of the outstanding principal amount if redeemed on or after September 23, 2011 but before September 23, 2012, or (iii) 2% of the outstanding principal amount if redeemed on or after September 23, 2012.

The debentures were initially recorded at \$1,853,476 representing the fair value of the obligation net of the fair value of the conversion feature of \$352,585. The fair value of the conversion feature has been recorded in shareholders' equity. The debenture liability has been further reduced by \$254,739 for associated transaction costs.

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9. Long-term debt (continued)

Convertible debentures (continued)

On July 24, 2008, the Corporation issued \$5,000,000 principal amount of 9% convertible unsecured subordinated debentures for net proceeds of \$4,840,000. The debentures have a three-year term with a maturity date of July 24, 2011 and bear interest from the date of issue at 9% annually, paid annually on July 24, unless the debentures are earlier converted or redeemed. The debentures are convertible at the option of the holder to common shares at a conversion price of: (i) \$11.00 per common share if converted prior to July 24, 2009, (ii) \$11.75 if converted on or after July 24, 2009 and before July 24, 2010, and (iii) \$12.50 if converted on or after July 24, 2010. Subject to certain terms and conditions, the Corporation has the option to redeem the debentures prior to maturity at a redemption price equal to the principal amount plus interest and accrued interest at the date of redemption and a premium equal to: (i) 6% of the outstanding principal amount if redeemed prior to July 24, 2009, (ii) 4% of the outstanding principal amount if redeemed on or after July 24, 2009 but before July 24, 2010, or (iii) 2% of the outstanding principal amount if redeemed on or after July 24, 2010.

The debentures were initially recorded at \$4,105,500 representing the fair value of the obligation net of the fair value of the conversion feature of \$734,500. The fair value of the conversion feature has been recorded in shareholders' equity. The debenture liability has been further reduced by \$160,000 for associated transaction costs.

The following table indicates the activities related to the convertible debentures for the nine months ended September 30, 2010 and the year ended December 31, 2009:

	<u>September 30</u>	<u>December 31</u>
	2010	2009
Face value of convertible debentures	\$ 7,360,800	\$ 5,000,000
Plus: accretion	615,753	379,149
Less: debt issue costs	(314,739)	(160,000)
Equity portion of convertible debenture	<u>(1,087,085)</u>	<u>(734,500)</u>
	<u>\$ 6,574,729</u>	<u>\$ 4,484,649</u>

Loan payable

The amount was advanced to the Corporation's subsidiary, Newsk Emerging Resources Ltd. It is unsecured and bears interest at 8%.

Note payable

As part of the acquisition of North Rim Exploration Ltd. (North Rim), the Corporation issued a \$375,000 promissory note payable to the vendor (a director of the Corporation). Interest is charged at the Royal Bank of Canada prime rate plus 2%. Principal and interest payments will be repaid in no more than eight semi-annual consecutive installments which will be based on a percentage of net earnings of North Rim. Any amount still payable after the eighth semi-annual period will be waived by the vendor. The promissory note is secured by the North Rim shares acquired.

10. Asset retirement obligations

Future asset retirement obligations are estimated based on the company's net ownership interest in all the wells and facilities, the estimated costs to reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred in future periods. Management of the Company has estimated the total undiscounted cash flows required to settle the obligations will be \$262,500. The obligations have been discounted using a credit adjusted risk free rate of 6.1% and an inflation rate of 2% per year. Most of these obligations are not expected to be paid until approximately 15 years in the future and will be funded from general Company resources at that time.

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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:

	September 30 2010	December 31 2009
Future income tax asset (liability)		
Non-capital loss carryforwards	\$ -	\$ 714,433
Deferred share issue costs	267,563	354,917
Mineral properties	(1,443,741)	-
Property and equipment	(194,940)	-
Investments	(1,310,361)	(3,119,135)
	<u>\$ (2,681,479)</u>	<u>\$ (2,049,785)</u>

12. Common shares

Authorized an unlimited number of common shares without par value.

	<u>Common shares issued</u>	
	Common Shares	Share Capital
Balance, December 31, 2008	<u>1,804,077</u>	<u>\$ 24,314,966</u>
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	4,275,375	11,840,615
Shares repurchased and cancelled	(140,800)	(293,783)
Share issue costs	-	(1,192,238)
Balance, December 31, 2009	<u>8,345,572</u>	<u>\$ 40,506,340</u>
Exchanged for units of the 2009 Fund	4,351,810	\$ 7,572,149
Shares repurchased and cancelled	(388,499)	(825,123)
Balance, September 30, 2010	<u>12,308,883</u>	<u>\$ 47,253,366</u>

In 2009, the Corporation raised gross proceeds in an amount equal to \$8,599,362 from a private placement. A total of 3,127,041 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 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 \$758,250. As additional consideration the Corporation issued 312,992 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.

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12. Common shares (continued)

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 September 30, 2010 is presented below.

	September 30, 2010		December 31, 2009	
	Options	Price	Options	Price
Outstanding, beginning of period	295,000	2.08	75,000	\$ 10.00
Options cancelled	-	-	(75,000)	-10.00
Options cancelled	-	-	(25,000)	-2.00
Options granted	300,000	2.35	295,000	2.00
Options granted	-	-	25,000	2.38
Outstanding, end of period	595,000	\$ 2.22	295,000	\$ 2.08

During the first quarter of 2010, the board of directors of the Corporation approved a grant of 280,000 stock options pursuant to the Corporation's 2008 Stock Option Plan. Of the options granted, 195,000 of the options were to directors and executive officers with the balance granted to employees. The options are exercisable at \$2.35 per share, and if not exercised, expire March 25, 2020, subject to earlier expiration in accordance with the 2008 Stock Option Plan and applicable policies of the TSX Venture Exchange.

During the second quarter of 2010, the board of directors of the Corporation approved a grant of 20,000 stock options pursuant to the Corporation's Stock Option Plans. The options are exercisable at \$2.35 per share, and if not exercised, expire June 21, 2020, subject to earlier expiration in accordance with the 2008 Stock Option Plan and applicable policies of the TSX Venture Exchange.

During the third quarter of 2010, the board of directors of one of the subsidiary companies approved a grant of 200,000 stock options pursuant to the Corporation's Stock Option Plans. The options are exercisable at \$0.33 per share, and if not exercised, expire August 12, 2020. The stock options of the subsidiary company have a vesting period of 3 years.

The value of options issued using the Black-Scholes option-pricing model, was \$652,432, 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 of 2.64-3.47%, expected life of options 10 years, annualized volatility 84.3% and dividend rate of nil.

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>
Balance, December 31, 2009	3,942,041	3.50
Granted	-	-
Balance, September 30, 2010	3,942,041	\$ 3.50

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12. **Common shares** (continued)

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>Price</u>	<u>Value</u>
Balance, December 31, 2009	312,992	2.75	387,162
Granted	<u>-</u>	<u>-</u>	<u>-</u>
Balance, September 30, 2010	<u>312,992</u>	<u>\$ 2.75</u>	<u>\$ 387,162</u>

The value of broker warrants issued in 2009, using the Black-Scholes option-pricing model, was \$387,162 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 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>September 30 2010</u>	<u>December 31 2009</u>
Balance, beginning of period	\$ 1,465,871	\$ 635,818
Fair value of broker warrants	-	387,162
Fair value of stock options granted	<u>652,432</u>	<u>442,891</u>
Balance, end of period	<u>\$ 2,118,303</u>	<u>\$ 1,465,871</u>

Shareholder rights plan

The directors of the Corporation have approved a shareholder rights plan (õRights Planö). 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.

Normal course issuer bid ("NCIB")

The Corporation, in August 2008, announced its intention to commence a NCIB pursuant to which it could 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 the maximum of 185,865 common shares were repurchased. The Corporation, in July 2009, announced its intention to commence a new NCIB pursuant to which it may repurchase up to 720,823 common shares during the period commencing August 7, 2009 and ending on the earlier of August 6, 2010 and the date which the Corporation has repurchased the 720,823 common shares. In August 2010 the Corporation disclosed its intention to make a normal course issuer bid for up to 1,009,345 of its common shares during the period commencing August 7, 2010 and continue until the earlier of August 6, 2011 and the date by which the Corporation has acquired the maximum 1,009,345 common shares which may be purchased under the Bid. All common shares purchased by the Corporation under the Bid will be cancelled. The Corporation purchased 140,800 common shares pursuant to these NCIBs during the year ended December 31, 2009 and 388,499 shares for the period ended September 30, 2010.

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13. Acquisitions

Purchase of North Rim Exploration Ltd.

On October 2, 2009 the Corporation agreed to purchase a total of 750,000 Class "A" common shares of North Rim for a purchase price of \$1.00 per share. The acquisition of the North Rim shares was completed in two installments on November 2, 2009 and December 31, 2009 respectively.

The acquisition was accounted for using the purchase method and the following table summarizes the preliminary estimated fair value of the assets acquired and liabilities assumed at the December 31, 2009. These allocations are subject to adjustment on the completion of the valuation process.

Net assets acquired

Current assets	\$ 997,605
Property, plant and equipment	61,625
Goodwill	<u>433,909</u>
	1,493,139
Current liabilities	484,354
Future income taxes	4,200
Minority interest	<u>253,085</u>
	<u>\$ 751,500</u>

Consideration

Cash	\$ 376,500
Promissory note to vendor	<u>375,000</u>
	<u>\$ 751,500</u>

Purchase of AllStar Energy Limited.

On April 12, 2010 the Corporation agreed to purchase a total of 10,548,502 common shares of AllStar for a purchase price of \$0.33 per share.

The acquisition was accounted for using the purchase method and the following table summarizes the preliminary estimated fair value of the assets acquired and liabilities assumed at the date of purchase. These allocations are subject to adjustment on the completion of the valuation process.

Net assets acquired

Current assets	\$ 55,192
Property, plant and equipment	4,029,954
Other long term assets	62,025
Goodwill	<u>835,922</u>
	4,983,093
Current liabilities	405,587
Future income taxes	387,624
Other long-term liabilities	398,560
Minority interest	<u>310,317</u>
	<u>\$ 3,481,005</u>

Consideration

Cash	<u>\$ 3,481,005</u>
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14. Commitments

The Corporation's subsidiary is committed to spend \$3,313,600 in qualifying cumulative exploration expenditures by December 31, 2010.

The Corporation has committed to invest an additional \$650,000 in Lex Capital Limited Partnership.

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15. **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.

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 September 30, 2010.

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

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16. Financial instruments (continued)

a) Liquidity risk (continued)

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

(b) Market risk:

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

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

(c) Interest rate risk:

Interest rate risk is the impact that changes in interest rates could have on the Corporation's earnings and liabilities. As at September 30, 2010, 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 September 30, 2010 the Corporation had loans and advances receivable from companies, totaling \$4,733,674 (2009 - \$3,109,195) which represents approximately 8.28% (2009 - 7.39%) of the Corporation's total assets.

(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.

(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.

The following is a summary of the inputs used as of September 30, 2010 in valuing the Corporation's investments carried at fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments, at fair value	<u>\$ 20,742,618</u>	<u>\$ 1,600,021</u>	<u>\$ 10,262,267</u>	<u>\$ 32,604,905</u>

For the period ended September 30, 2010, a reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

Beginning balance as at December 30, 2009	\$ 9,888,140
Additional investments	6,461,036
Disposal of investments	(4,598,083)
Consolidation of investment	(1,488,826)
Balance at September 30, 2010	<u>\$ 10,262,267</u>

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During the period ended September 30, 2010, there were no transfers in or out of the Level 3 investments, except for the consolidation of Newsk Emerging Resources Ltd.

17. Segmented information

The Corporation is a resource investment, financial, managerial and geological 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. As at September 30, 2010, the Corporation has three reportable segments: merchant banking and resource investment, extractive and geological advisory.

	Resource Investment	Geological Advisory	Extractive Industries	Total
Total Assets	\$ 39,783,415	\$ 3,129,337	\$ 14,614,971	\$ 57,527,723
Revenues				
Geological	\$ -	\$ 2,380,029	\$ -	\$ 2,380,029
Production	-	-	157,402	157,402
Realized gains (losses)	15,693,284	-	-	15,693,284
Unrealized (losses) gains	(10,362,342)	-	-	(10,362,342)
Investment and royalty income	75,691	886	314,601	391,178
	5,406,633	2,380,915	472,003	8,259,551
Expenses				
Amortization	42,426	20,000	245,688	308,114
Business development and investor relations	708,285	19,698	-	727,983
Interest	683,952	3,056	42,861	729,869
Licenses, dues and subscriptions	-	50,345	-	50,345
Management fees	641,459	-	-	641,459
Office and administration	11,654	127,998	162,624	302,276
Professional fees	649,095	170,691	6,774	826,560
Stock based compensation	652,432	-	-	652,432
Supplies	-	394,684	165,647	560,331
Transaction costs	80,674	72,410	-	153,084
Travel	-	54,488	-	54,488
Wages and benefits	209,526	1,266,326	44,091	1,519,943
	3,679,503	2,179,696	667,685	6,526,884
(Loss) income before income taxes	1,727,130	201,219	(195,682)	1,732,667
Current income tax (recovery)	903,681	36,000	-	939,681
Future income tax (recovery)	436,754	-	(192,685)	244,069
Net income from operations before Minority interest	386,695	165,219	(2,997)	548,917
	-	(82,610)	30,409	(52,201)
Net (loss) income	\$ 386,695	\$ 82,609	\$ 27,412	\$ 496,716

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18. Subsequent events

On October 12, 2010, the Corporation raised proceeds of \$2,330,000 on the final closing of its 8% convertible unsecured subordinated debenture issuance. The debentures have a three year term, maturing on October 12, 2013 and bear interest from the date of issue at 8% per annum which, unless the debentures are earlier converted or redeemed in accordance with their terms, will be paid on October 12 in each of 2011 and 2012 and on maturity.

Subsequent to September 30, the Corporation issued 60,000 stock options.

Subsequent to September 30, Westcore received shareholder and exchange approval for the transaction detailed in Note 5 to these financial statements.

Subsequent to September 30, the Corporation purchased for cancellation a further 10,400 common shares pursuant to the NCIB discussed in Note 13.

19. Comparative figures

Certain comparative figures have been reclassified to conform with the current period presentation.