49NORTH RESOURCES INC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2012

(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.
Condensed Consolidated Interim Statement of Financial Position
(unaudited – in thousands of Canadian dollars)

	March 31 2012	December 31 2011
ASSETS		
Current assets		
Cash and cash equivalents	$ -	$ 440
Equity instruments, at fair value (Note 3)	42,130	39,992
Loans and advances receivable (Note 4)	6,205	6,205
Managment fees receivable (Note 9)	-	78
Accounts receivable and prepaid expenses	3,729	3,313
	52,064	**50,028**
Non-current assets		
Exploration and evaluation assets (Note 5)	12,423	11,101
Goodwill (Note 6)	1,368	2,017
Property, plant and equipment (Note 7)	21,828	20,821
Total assets	**$ 87,683**	**$ 83,967**
LIABILITIES		
Current liabilities		
Bank indebtedness (Note 8)	$ 4,136	$ -
Accounts payable and accrued liabilities	8,414	8,340
Management fees and reimbursements payable (Note 9)	10	-
Income taxes payable	66	48
	12,626	**8,388**
Non-current liabilities		
Convertible debentures (Note 10)	13,752	13,505
Loans payable (Note 11)	1,316	1,240
Promissory note payable (Note 12)	141	398
Decommissioning liabilties (Note 13)	485	525
Other Liability	219	219
Deferred income tax liabilities (Note 14)	4,584	4,348
Total liabilities	**33,123**	**28,623**
Commitments and contingencies (Note 17)		
EQUITY		
Common shares (Note 15)	58,137	57,235
Contributed surplus (Note 15)	2,955	3,958
Equity portion of convertible debentures (Note 10)	1,516	1,516
Retained earnings (deficit)	(10,506)	(10,070)
	52,102	**52,639**
Non-controlling interest	**2,458**	**2,705**
Total liabilities and equity	**$ 87,683**	**$ 83,967**

Approved by the Board

Tom MacNeill

Brad Munro

49 North Resources Inc.
Condensed Consolidated Interim Statement of (Loss) Income
(unaudited – in thousands of Canadian dollars, except securities and per share amounts)

	For the three months ended March 31	
	2012	2011
Revenues		
Geological and other consulting	$ 1,538	$ 701
Oil and gas sales	2,101	2,899
Realized gains (losses)	(1,260)	1,654
Unrealized (losses) gains	2,921	1,748
Royalty income	21	28
Interest and dividend income	210	150
	5,531	**7,180**
Expenses		
Amortization and depletion	616	502
Business and investor relations	247	259
Finance	863	458
Management fees (Note 9)	378	292
General and administration	458	327
Oil and gas operations	727	637
Professional fees	237	177
Project costs	487	92
Transaction costs	668	822
Wages and benefits	695	546
	5,376	**4,112**
(Loss) income before income taxes	**155**	**3,068**
Current income tax (recovery)	48	13
Deferred income tax (recovery)	236	511
Net (loss) income	**$ (129)**	**$ 2,544**
Net (loss) income to common shareholders	**(120)**	**2,531**
Net income (loss) to non-controlling interest	(9)	13
Net (loss) income	**$ (129)**	**$ 2,544**
Basic (loss) earnings per share	**$ (0.01)**	**$ 0.18**
Diluted (loss) earnings per share	**$ (0.01)**	**$ 0.17**
Weighted average number of shares outstanding	**15,625,875**	**14,029,150**

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

	Common Shares		Share Capital		Contributed Surplus		Equity portion of convertible debentures		Deficit		Total Equity
Balance, January 1, 2011	**12,298**	**$**	**47,234**	**$**	**2,620**	**$**	**1,440**	**$**	**738**	**$**	**52,032**
2010 Fund unit exchange	2,714		8,106		-		-		-		8,106
Warrants excercised	254		941		(17)		-		-		924
Stock options excercised	9		37		(131)		-		-		(94)
Investment in subsidiary	-		-		(386)		-		-		(386)
Shares repurchased and cancelled	(43)		(115)		-		-		-		(115)
Share issue costs (net of tax)	-		(9)		-		-		-		(9)
Net loss and comprehensive loss	-		-		-		-		2,532		2,532
Balance, March 31, 2011	**15,232**	**$**	**56,194**	**$**	**2,086**	**$**	**1,440**	**$**	**3,270**	**$**	**62,990**

	Common Shares		Share Capital		Contributed Surplus		Equity portion of convertible debentures		Retained Earnings (Deficit)		Total Equity
Balance, January 1, 2012	**15,505**	**$**	**57,235**	**$**	**3,958**	**$**	**1,516**	**$**	**(10,070)**	**$**	**52,639**
Investment in subsidiary	-		-		(65)		-		-		(65)
Shares issued	288		938		-		-		-		938
Shares repurchased and cancelled	(12)		(36)		-		-		-		(36)
Dividends paid	-		-		-		-		(316)		(316)
Net loss and comprehensive loss	-		-		-		-		(120)		(120)
Balance, March 31, 2012	**15,781**	**$**	**58,137**	**$**	**3,893**	**$**	**1,516**	**$**	**(10,506)**	**$**	**53,040**

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

	For the three months March 31 2012	2011
Cash flows from Operating Activities		
Net (loss) income	$ (129)	$ 2,532
Items not affecting cash		
Realized loss (gains)	1,260	(2,899)
Amortization and depletion	616	502
Deferred income tax (recovery)	236	510
Accretion of convertible debentures	247	173
Goodwill impairment	649	253
Unrealized gains (losses)	(2,921)	(1,748)
Net changes in non-cash working capital items related to operations:	(845)	(1,293)
	(887)	**(1,970)**
Cash flows from Investing Activities		
Purchase of capital assets	(2,076)	(2,603)
Proceeds from disposal of capital assets	250	-
Purchase of investments	(1,148)	(5,112)
Proceeds from disposal of investments	1,452	8,648
Purchase of mineral property and deposits	(1,322)	-
Loan repayments	(181)	742
Acquisition of subsidiary (net of cash)	(1,250)	-
	(4,275)	**1,675**
Cash flows from Financing Activities		
Issuance of common shares	938	-
Repurchase of common shares	(36)	(115)
Dividends paid	(316)	-
Proceeds from warrants and options exercised	-	821
	586	**706**
Net change in cash during the period	**(4,576)**	**411**
Cash, beginning of period	440	1,526
Cash, end of period	**$ (4,136)**	**$ 1,937**
Cash consists of:		
Cash and cash equivalents	3,040	
Bank indebtedness	(7,176)	
	$ (4,136)	

1. Description of business

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

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

2. Significant accounting policies

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

Statement of compliance

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") using accounting policies consistent with International Financial Reporting Standards which the Corporation adopted in its annual consolidated financial statements as at and for the year ended December 31, 2011.

The same accounting policies and methods of computation were followed in the preparation of these interim consolidated statements as were followed in the preparation and described in note 2 of the annual consolidated financial statements as at and for the year ended December 31, 2011. Accordingly, these interim consolidated statements for the three month periods ended and as at March 31, 2012 and 2011 should be read together with the annual consolidated financial statements as at and for the year ended December 31, 2011.

Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which have been measured at fair value. These financial statements are prepared in Canadian dollars, which is the Corporation's functional currency. Certain of the comparative figures have been reclassified to conform with the current period presentation.

Basis of consolidation

These consolidated financial statements include the accounts of the Corporation's 50% owned subsidiary North Rim Exploration Ltd. ("North Rim"), its 100% owned subsidiary Allstar Energy Limited ("Allstar"), its 80% owned subsidiary Kimpar Resources Inc. ("Kimpar"), its 50% joint interest in Vicarage Capital Corp. ("Vicarage"), its 92% owned subsidiary Purcell Range Exploration Inc. ("Purcell") and its special purpose entity Newsk Emerging Resources Ltd. ("Newsk"). All inter-Corporation accounts have been eliminated on consolidation. Investments are consolidated where the Corporation has the ability to exercise control. Control is achieved when the Corporation has the power to govern the financial and operating policies of the entity. For non wholly-owned subsidiaries, the net assets attributable to outside equity shareholders are presented as "non-controlling interests" in the equity section of the consolidated statement of financial position. Joint ventures are proportionately consolidated.

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

3. Equity investments

As at March 31, 2012, the Corporation's investments consist of the following:

	March 31, 2012		December 31, 2011	
	Cost	FMV	Cost	FMV
Base and Precious Metals	19,614	22,530	19,644	19,353
Coal	5,798	2,117	5,516	2,208
Diamonds	1,104	452	1,529	860
Oil & Gas	8,836	11,173	9,162	11,713
Other	4,919	4,010	5,092	4,049
Uranium	1,838	1,032	1,962	1,161
Futures contracts	-	816	-	648
	$ 42,109	**$ 42,130**	**$ 42,905**	**$ 39,992**

4. Loans and advances receivable

	March 31, 2012	December 31, 2011
CVG Mining Ltd.	$ 5,400	$ 5,400
How 2 Energy Ltd.	155	170
49 North 2011 Resource Flow-Through LP	625	608
Unrelated individuals	25	27
	$ 6,205	**$ 6,205**

The CVG Mining Ltd. loan is due on demand, bears interest at 4.25% and is secured by certain mineral claims. The How 2 Energy Ltd. loan is due on demand and bears interest at a rate of prime plus 2%. The loan to the 49 North 2011 Resource Flow-Through LP bears interest at prime plus 2% and is secured by all of the assets of the LP. The loans to unrelated individuals bear interest at rates between prime plus 2% and prime plus 5%.

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

5. Exploration and evaluation assets

	Manitoba		Saskatchewan		British Columbia		Quebec		Total
Balance, January 1, 2011	**$**	**146**	**$**	**13**	**$ 4,000**	**$**	**1,822**	**$**	**5,981**
Exercise of option agreement		-		-	(4,000)		-		**(4,000)**
Exploration		-		838	7,302		980		**9,120**
Balance, December 31, 2011	**$**	**146**	**$**	**851**	**$ 7,302**	**$**	**2,802**	**$**	**11,101**
Exploration		-		1,178	13		131		**1,322**
Balance, March 31, 2012	**$**	**146**	**$**	**2,029**	**$ 7,315**	**$**	**2,933**	**$**	**12,423**

Manitoba properties

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

On April 27, 2010, the Corporation and Westcore Energy Inc. ("Westcore") entered into a binding agreement for the sale of an interest in the permits. Under the agreement, Westcore initially acquired a 50% interest in the property covered by the permits, together with all rights attaching to them with the ability to increase this interest to as much as 80%. The consideration payable to the Corporation under the agreement consisted of the issuance of an aggregate of 1,000,000 common shares in the capital of Westcore, together with an unsecured demand promissory note in the amount of $257, which was subsequently received. 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. Westcore is obliged to expend not less than $500 on exploration expenses in respect of the properties during its 2010 – 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 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.

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 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. During the second quarter, the Corporation exercised its option agreement and converted $4,000 of exploration assets for a 40% equity interest in CVG Mining Ltd. The Corporation has entered into a new agreement with CVG Mining Ltd. under substantially similar terms.

The Corporation entered into an option agreement to acquire up to a 60% undivided interest in certain mineral rights located in the Province of British Columbia in exchange for cash and common share consideration. The Corporation has committed to incur $3,000 in exploration expenditures on the property before December 31, 2015, $100 of which was spent during the year.

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

5. Exploration and evaluation assets (continued)

Saskatchewan properties
The Corporation has working interests in producing and non-producing light oil lands near Kindersley and heavy oil lands near North Battleford and Leader.

Quebec properties
The Corporation, through its 80% ownership of its subsidiary Kimpar, holds an interest in certain mineral rights related to copper, molybdenum, industrial metals and quarry product properties in the Gaspe region of the Province of Quebec, inclusive of nine asset purchase agreements. Under these asset purchase agreements, the Corporation is committed to conduct exploration work representing capital expenditures in the amount of $2,900 over the next four years. The subsidiary has minimum annual statutory obligations of $13 and annual minimum work commitments of $174 in order to keep its various claims in good standing.

6. Goodwill

	March 31, 2012	**December 31, 2010**
Balance, beginning of year	$ 2,017	$ 1,621
Acquisitions	-	649
Impairment of goodwill	(649)	(253)
Balance, end of period	**$ 1,368**	**$ 2,017**

At March 31, 2012, goodwill represents the excess of total purchase price over the net identifiable assets and liabilities of North Rim, Allstar, and Newsk. As North Rim, AllStar, Vicarage and Newsk are considered to be separate reporting units, goodwill related to each was tested in conjunction with the long lived assets of these reporting units and it was determined that a writedown was required related to the goodwill attributable to the acquisition of Vicarage due to the significant downturn in the capital markets of the United Kingdom. The Corporation used the value in use method to evaluate the carrying amount of goodwill. The key assumptions used in the assessment include an estimate of current cash flow, taxes, and a growth rate of 2% and capital maintenance expenditures, discounted at 10%. These assumptions are based on past experiences.

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

7. Property, plant and equipment

	Total	Oil & gas interests	Processing facility, equipment, and gas line	Other Corporate Assets
Cost:				
Balance at January 1, 2011	17,190	14,094	2,384	712
Additions	9,960	7,853	2,047	60
Dispositions	(106)	(14)	-	(92)
Write down of carry amount	(430)	(430)	-	-
Balance at December 31, 2011	26,614	21,503	4,431	680
Additions	2,079	1,452	597	30
Dispositions	(739)	(739)	-	-
Balance at March 31, 2012	**27,954**	**22,216**	**5,028**	**710**
Accumulated depletion and depreciation				
Balance at January 1, 2011	4,463	3,813	264	386
Depletion/depreciation expense	1,401	856	399	146
Dispositions	(71)	-	-	(71)
Balance at December 31, 2011	5,793	4,669	663	461
Depletion/depreciation expense	616	466	131	19
Dispositions	(283)	(283)	-	-
Balance at March 31, 2012	**6,126**	**4,852**	**794**	**480**
Total balance at March 31, 2012	**21,828**	**17,364**	**4,234**	**230**

The Corporation, through its subsidiary Allstar, controls approximately 42,000 acres of land with 100% of the rights to explore for, and develop petroleum and natural gas, as well as approximately 640 acres of land where Allstar owns 50% of the natural gas rights. Through its working interest agreement with Allstar, the Corporation has a 63% working interest in five oil and gas wells and a 53.11% working interest in an additional five oil and gas wells in the Kindersley oil field in West-Central Saskatchewan.

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

Through its subsidiary, Newsk, the Corporation has a 3 – 6% royalty interest in seven oil and gas wells in Southeast Saskatchewan.

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

7. Property, plant and equipment (continued)

Petroleum properties

The Corporation performed a ceiling test calculation at March 31, 2012 to assess the recoverability of its petroleum and natural gas interest. The following projected prices for oil and natural gas were used for asset impairment tests:

Year	Oil Price	Natural Gas Price
2012	95.06	3.66
2013	95.06	4.39
2014	97.50	4.92
2015	98.28	5.36
2016	99.16	5.80
2017	100.13	6.19
2018	101.01	6.53
2019	101.89	6.78
2020	102.77	7.02
2021	104.91	7.17
2022	106.96	7.26
2023	109.10	7.41
2024	111.54	7.56
2025	113.49	7.75
2026	115.83	7.90

8. Bank indebtedness

Bank indebtedness consists of the Corporations' operating line of credit, margin borrowing secured by the Corporation's investments held at each brokerage house and the operating line of credit of Allstar. 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. As at March 31, 2012, the Corporations bank indebtedness was $29 and had margin borrowings of nil. As at March 31, 2012 Allstar's bank indebtedness was $7,147 (March 31, 2011 - $1,192).

9. Related party transactions

Compensation of key executive personnel

	March 31, 2012	March 31, 2011
Management fees to TMM Portfolio Management Inc.	$ 277	$ 291
Salaries to officers	50	45
Consulting fees	-	-
Directors fees	13	9
Stock based compensation to directors and officers	-	-
	$ 340	$ 345

9. Related party transactions (continued)

TMM is responsible for the management of the Corporation's investment portfolio in accordance with the terms of a portfolio management agreement made January 1, 2008 (the "Management Agreement") and is to be reimbursed by the Corporation for all expenses reasonably and properly incurred in conducting the Corporation's business and in performing its duties and obligations under the Management Agreement. Additionally, pursuant to the Management Agreement, TMM: (a) is entitled to a quarterly management fee equal to 0.5% of the net asset value of the Corporation calculated as of the last business day of the relevant fiscal quarter; and (b) starting with the Corporation's fiscal year ended December 31, 2008, an annual performance bonus, calculated as of the last business day of the applicable fiscal year, in an amount in respect of each common share that is outstanding as of such day, equal to 20% of the amount, if any, by which the sum of the net asset value per common share as of that date, plus all dividends per common share during that fiscal year, exceeds the greater of $16.34 and the net asset value per common share as of the last business day of the preceding fiscal year.

Related party transactions
During the period ended March 31, 2012 reimbursements of $42 (2011 - $322) were incurred or accrued to 1381613 Alberta Ltd., a corporation controlled by the CEO of the Corporation. As at March 31, 2012, the Corporation had a $10 payable (2011 – $78 receivable) to TMM.

These transactions are recorded at the exchange amounts agreed to by the parties.

10. Convertible debentures

a) On June 29, 2011 and July 11, 2011 the Corporation raised proceeds of $11,500 on the short form prospectus offering of 8% convertible unsecured debentures. The debentures have a three-year term, maturing June 29, 2014, and bear interest from the date of issuance at 8% per annum which, unless the debentures are earlier converted or redeemed in accordance with their terms, will be paid on June 29 in each of 2012, 2013 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 June 29, 2014, into fully paid, non-assessable common shares of the Corporation at a conversion price of $4.50 per common share.

Subject to certain conditions precedent, the Corporation may redeem the debentures prior to maturity at a redemption price equal to their principal amount plus interest accruing to but otherwise unpaid to the date preceding the redemption date plus a premium equal to 6% of the outstanding principal amount if redeemed prior to June 29, 2012, 4% of the outstanding principal amount if redeemed on or after June 29, 2012 but before June 29, 2013, or 2% of the outstanding principal amount if redeemed on or after June 29, 2013 and prior to maturity.

b) On September 23, 2010 and October 13, 2010, the Corporation raised proceeds of $4,691 on the private placement of 8% convertible unsecured debentures. The debentures have a three-year term, maturing September 23, 2013, and bear interest from the date of issuance at 8% per annum which, unless the debentures are earlier converted or redeemed in accordance with their terms, will be paid on September 23 in each of 2011, 2012 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 September 23, 2013, into fully paid, non-assessable common shares of the Corporation at a conversion price of: (i) $4.00 per share if converted prior to September 23, 2011; (ii) $4.25 per share if converted on or after September 23, 2011 and before September 23, 2012; and, (iii) $4.50 per share if converted on or after September 23, 2012 and prior to the conversion expiry time.

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

10. Convertible debentures (continued)

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 September 23, 2011, 4% of the outstanding principal amount if redeemed on or after September 23, 2011 but before September 23, 2012, or 2% of the outstanding principal amount if redeemed on or after September 23, 2012 and prior to maturity.

	March 31, 2012	December 31, 2011
Face value of convertible debentures	$ 16,191	$ 16,191
Plus: accretion	1,088	841
Less: debt issue costs	(964)	(964)
Less: deferred income tax on equity portion	(1,047)	(1,047)
Equity portion of convertible debenture	(1,516)	(1,516)
Less, current portion of convertible debenture	0	-
	$ 13,752	**$ 13,505**

11. Loans payable

Loans payable include various loans that bear interest at a range of 0% - 8% and have no specific terms of repayment. Loans which are unsecured and demand in nature are classified as a current liability.

12. Promissory notes payable

As part of the acquisition of North Rim, the Corporation issued a $375 promissory note payable to the vendor. 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. As at March 31, 2012, $234 of principle payments had been made on the promissory note.

13. Decommissioning liabilities

	March 31, 2012	December 31, 2011
Balance, beginning of year	**$ 525**	**$ 169**
Liabilties incurred	4	343
Liabilities disposed	(45)	-
Accretion expense	1	13
Balance, end of year	**$ 485**	**$ 525**

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

13. Decommissioning liabilities (continued)

The total of the decommissioning liabilities are estimated based on the Corporation's net ownership interest in all the wells and facilities, the estimated costs to reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred in future periods. Management of the Corporation has estimated that based on their net ownership interest, the total undiscounted cash flows required to settle the obligations will be $607. The obligations have been discounted using a credit adjusted risk free rate of 4% and an inflation rate of 2% per year. Most of these obligations are not expected to be paid until approximately 15 years in the future and will be funded from general Corporation resources at that time.

14. Deferred income taxes

Deferred 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:

	March 31, 2012	December 31, 2011
Non-capital loss carryforwards	$ 1,659	$ 861
Share issue costs	403	454
Mineral properties	(3,971)	(4,025)
Convertible debentures	(652)	(725)
Property and equipment	-	(71)
Investments	(2,023)	(842)
Deferred income tax liability	$ (4,584)	$ (4,348)

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

15. Common shares and contributed surplus

Authorized an unlimited number of common shares without par value.

Common shares issued

	Common Shares	Share Capital
Balance, January 1, 2011	**12,298,483**	**$47,233,937**
Exchanged for units of the 2010 Fund	2,714,122	8,105,809
Warrants and broker warrants excercised	509,931	1,923,248
Stock options excercised	33,510	136,706
Shares repurchased and cancelled	(50,700)	(140,741)
Share issue costs	-	(23,808)
Balance, December 31, 2011	**15,505,346**	**$57,235,151**
Shares repurchased and cancelled	(12,300)	(35,919)
Shares issued as consideration	288,462	937,500
Balance, March 31, 2012	**15,781,508**	**$58,136,732**

Stock option plan

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

Stock option plan (continued)

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

	March 31, 2012		December 31, 2011	
	Options	**Price**	**Options**	**Price**
Outstanding, beginning of year	811,490	2.56	630,000	2.20
Options exercised	-	-	(33,510)	(2.09)
Options granted	-	-	195,000	3.60
Options granted	-	-	20,000	3.01
Outstanding, end of year	**811,490**	**$ 2.56**	**811,490**	**$ 2.56**

During the fourth quarter of 2011, the board of directors of the Corporation approved the grant of 20,000 stock options pursuant to the Corporation's 2008 Option Plan. All of the options were granted to an employee of the Corporation. The options are exercisable at $3.01 per share and, if not exercised, expire October 3, 2021, subject to earlier expiration in accordance with the 2008 Option Plan and applicable policies of the TSX Venture Exchange.

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

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

During the second quarter of 2011, the board of directors of the Corporation approved the grant of 195,000 stock options pursuant to the 2008 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 $3.60 per share and, if not exercised, expire May 5, 2021, subject to earlier expiration in accordance with the 2008 Option Plan and applicable policies of the TSX Venture Exchange.

The value of options issued during the fourth quarter of 2011, using the Black-Scholes option-pricing model, was $53,882 which was allocated to the share-based compensation expense with a corresponding increase in contributed surplus. Assumptions used in the pricing model for the year are as follows: risk-free interest rate of between 2.25%, expected life of options 10 years, annualized volatility 98.96% and dividend rate of nil.

The value of options issued during the second quarter of 2011, using the Black-Scholes option-pricing model, was $564,248 which was allocated to the share-based compensation expense with a corresponding increase in contributed surplus. Assumptions used in the pricing model for the year are as follows: risk-free interest rate of between 2.25%, expected life of options 10 years, annualized volatility 83.74% 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:

	March 31, 2012			December 31, 2011		
	Warrants		Price	Warrants		Price
Outstanding, beginning of year	-	$	-	3,942,041	$	3.50
Warrants excersised	-	$	-	(221,340)	$	(3.50)
Warrants granted	-	$	-	288,591	$	3.50
Warrants expired	-	$	-	(4,009,292)	$	(3.50)
Outstanding, end of year	**-**	**$**	**-**	**-**	**$**	**-**

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 follow

	March 31, 2012			December 31, 2011		
	Warrants		Price	Warrants		Price
Outstanding, beginning of year	-	$	-	312,992	$	-
Broker warrants excersised	-		-	(288,591)		(2.75)
Broker warrants expired	-		-	(24,401)		(2.75)
Outstanding, end of year	**-**	**$**	**-**	**-**	**$**	**-**

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.

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

15. Common shares and contributed surplus (continued)

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:

	March 31, 2012	December 31, 2011
Balance, beginning of year	$ 3,957,910	$ 2,619,582
Stock options exercised	-	(66,710)
Broker warrants exercised	-	(354,601)
Fair value of stock options granted	-	611,095
Cancellation of stock options	-	(70,085)
Equity portion of debenture retired	-	492,500
Change in ownership of subsiduary	(1,002,911)	726,129
Balance, end of year	**$ 2,954,999**	**$ 3,957,910**

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.

16. Acquisitions

Follow-on Purchase of Allstar Energy Ltd.
On February 28, 2012, the Corporation announced the purchase of the remaining 10.50% of the common shares of Allstar in exchange for aggregate consideration of $1,250,000 consisting of 288,462 common shares of the Corporation at a deemed price of $3.25 per share and cash consideration of $312,500.

Upon completion of this follow-on purchase, the Corporation now owns 100% of the equity of Allstar.

17. Commitments

The Corporation, through its special purpose entity Newsk, is committed to spend $1,000 in qualifying cumulative exploration expenditures by December 31, 2012. As at March 31, 2012 the balance to be spent was $1,000.

The Corporation has committed to invest an additional $82 in the Lex Capital Limited Partnership.

The Corporation has pledged its working interest assets with its subsidiary Allstar as collateral on Allstar's line of credit. As at March 31, 2012, Allstar was in compliance with all covenants and conditions of its line of credit agreement.

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

18. Capital management

The Corporation's objectives when managing capital are:
(a) to ensure that the Corporation maintains the level of capital necessary to meet the requirements of its brokers and bank;
(b) to allow the Corporation to respond to changes in economic and/or marketplace conditions by maintaining the Corporation's ability to purchase new investments;
(c) to provide sustained growth and value by increasing equity and the payment of quarterly dividends; 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) creates cash flow from its oil & gas operations
(c) utilizing leverage in the form of margin (due from brokers) and the Corporation's bank credit line (bank indebtedness);
(d) raising capital through equity financings;
(e) borrowing funds in the form of advances from related parties; and,
(f) purchasing the Corporation's own shares for cancellation pursuant to its normal course issuer bid.

The Corporation is subject to financial covenant calculations in conjunction with its operating line of credit. Specifically, the Corporation must maintain a quick ratio of not less than 10:1 reported bi-weekly, a current ratio of not less than 1.50:1 reported quarterly and maintain a tangible net worth of not less than $25,000 reported annually. The Corporation is in compliance with all covenants throughout the period. 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. 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 March 31, 2011.

19. 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, interest rate, commodity price and liquidity risks. A discussion of the Corporation's use of financial instruments and their associated risks is provided below.

(a) Liquidity risk:

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

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

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

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

(b) Market risk:

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

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

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19. Financial instruments (continued)

(c) Interest rate risk:

Interest rate risk is the impact that changes in interest rates could have on the Corporation's earnings and liabilities. As at March 31, 2012, 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 March 31, 2012 the Corporation had loans and advances receivable from companies, totaling $6,205 (2011 - $6,205) which represents approximately 7.0% (2011 – 7.4%) 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.

The Corporation has attempted to mitigate a portion of its commodity price risk through the use of the following contract, which is outstanding at March 31, 2012 – Financial (swap) of Light Crude with a price of $103.76. The fair value of the contract as of March 31, 2012 is a liability of $415 (2011 - $302).

(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 March 31, 2012 in valuing the Corporation's investments carried at fair value:

	Level 1	Level 2	Level 3	Total
Investments, at fair value	**$ 17,772**	**$ 2,351**	**$ 22,007**	**$ 42,130**

For the year ended March 31, 2012, a reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

Beginning balance as at December 31, 2011	$20,776
Additional investments	1,231
Balance at March 31, 2012	**$22,007**

20. Segmented information (reported in thousands of Canadian dollars)

The Corporation is a resource investment, financial, managerial and geological advisory, and merchant banking Corporation 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 March 31, 2012, the Corporation has four reportable segments: merchant banking and resource investment, brokerage, extractive and geological advisory.

	Resource Investment	Geological Advisory	Brokerage	Extractive Industries	Total
Total assets	**$ 49,239**	**$ 3,117**	**$ 141**	**$ 35,186**	**$ 87,683**
Revenues					
Geological and other consulting	-	1,461	77	-	1,538
Realized gains	(792)	-	-	(212)	(1,004)
Oil and gas sales		-	-	2,101	2,101
Unrealized losses	2,666	-	(1)	-	2,665
Royalty income	-	-	-	21	21
Interest, rent and dividend income	74	78	-	58	210
	1,948	**1,539**	**76**	**1,968**	**5,531**
Expenses					
Amortization and depletion	83	7	-	526	616
Business and investor relations	103	57	-	87	247
Finance	577	1	1	284	863
Management fees	277	-	-	101	378
General and administration	68	174	75	141	458
Oil and gas operations	-	-	-	727	727
Professional fees	161	19	-	57	237
Project costs	-	482	5	-	487
Transaction costs	668	-	-	-	668
Wages and benefits	160	535	-	-	695
	2,097	**1,275**	**81**	**1,923**	**5,376**
Income before income taxes	**(149)**	**264**	**(5)**	**45**	**155**
Current income tax	-	48	-	-	48
Deferred income tax	170	-	-	66	236
Net loss	**(319)**	**216**	**(5)**	**(21)**	**(129)**

21. Subsequent events

Subsequent to quarter-end, the Corporation announced that it has acquired, through Allstar, an additional 16,000 acres of highly prospective heavy oil lands through purchases from third party producers. Included in the acquired land positions are 8,961 acres, which were part of an asset sale transaction, in which Allstar acquired facilities along with shut-in Viking gas production in the heart of the Bayhurst Viking gas area.

After the acquisitions the Riverside lands, located in the vicinity of Leader, Saskatchewan, now total 31,360 acres, inclusive of the 15,360 acres acquired in the Crown sale in October, 2011.

In aggregate, Allstar now owns or has exclusive exploration and development permits covering approximately 58,000 acres of highly prospective Viking oil, Viking gas, and heavy oil lands all located in west-central Saskatchewan.