



**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**June 30, 2011**

**(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)

	June 30 2011	December 31 2010 (Note 21)	January 1, 2010 (Note 21)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 10,250,102	\$ 1,526,415	\$ -
Equity instruments, at fair value (Note 3)	46,745,867	45,470,707	37,140,911
Loans and advances receivable (Note 4)	5,332,366	6,378,921	3,109,195
Management fees receivable (Note 9)	25,364	-	11,183
Accounts receivable and prepaid expenses	2,666,784	2,489,368	883,881
	<b>65,020,483</b>	<b>55,865,411</b>	<b>41,145,170</b>
<b>Non-current assets</b>			
Exploration and evaluation assets (Note 5)	6,172,051	5,981,072	309,432
Goodwill (Note 6)	2,017,194	1,621,222	394,740
Property, plant and equipment (Note 7)	15,469,225	12,727,211	222,394
Deferred income tax assets (Note 14)	-	-	1,069,350
<b>Total assets</b>	<b>\$ 88,678,953</b>	<b>\$ 76,194,916</b>	<b>\$ 43,141,086</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Bank indebtedness (Note 8)	\$ 1,290,535	\$ -	\$ 2,023,078
Accounts payable and accrued liabilities	2,527,290	4,223,727	891,510
Management fees and reimbursements payable (Note 9)		116,624	-
Current portion of convertible debentures (Note 10)	4,900,060	4,800,119	-
Current portion of loans payable (Note 11)	-	1,815,773	-
Income taxes payable	74,364	123,409	-
	<b>8,792,249</b>	<b>11,079,652</b>	<b>2,914,588</b>
<b>Non-current liabilities</b>			
Convertible debentures (Note 10)	11,931,574	3,780,957	4,484,649
Loans payable (Note 11)	1,059,689	1,275,800	-
Promissory note payable (Note 12)	428,274	541,303	375,000
Decommissioning liabilities (Note 13)	196,171	168,747	-
Deferred income tax liabilities (Note 14)	4,583,602	5,013,674	3,119,153
<b>Total liabilities</b>	<b>26,991,559</b>	<b>21,860,133</b>	<b>10,893,390</b>
Commitments and contingencies (Note 17)			
<b>EQUITY</b>			
Common shares (Note 15)	57,252,812	47,233,937	40,506,340
Contributed surplus (Note 15)	2,373,989	2,619,582	1,465,871
Equity portion of convertible debentures (Note 10)	2,943,934	1,440,321	734,500
Retained earnings (deficit)	(1,949,040)	737,944	(10,751,251)
	<b>60,621,695</b>	<b>52,031,784</b>	<b>31,955,460</b>
Non-controlling interest	1,065,699	2,302,999	292,254
<b>Total liabilities and equity</b>	<b>\$ 88,678,953</b>	<b>\$ 76,194,916</b>	<b>\$ 43,141,104</b>

**Approved by the Board**

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**49 North Resources Inc.**  
**Condensed Consolidated Interim Statement of Income**  
(unaudited)

	For the three months ended June 30		For the six months ended June 30	
	2011	2010	2011	2010
<b>Revenues</b>				
Geological and other consulting	\$ 1,520,068	\$ 616,515	\$ 2,221,228	\$ 1,524,808
Oil and gas sales	1,433,125	61,740	3,086,724	61,740
Realized gains (losses)	2,313,102	553,755	5,212,477	16,047,532
Unrealized (losses) gains	(7,222,460)	(5,753,026)	(5,473,983)	(12,972,785)
Royalty income	32,540	183,404	60,685	282,608
Interest and dividend income	259,604	-	409,510	-
	<b>(1,664,021)</b>	<b>(4,337,612)</b>	<b>5,516,641</b>	<b>4,943,903</b>
<b>Expenses</b>				
Amortization and depletion	510,078	178,376	1,011,987	203,042
Business and investor relations	307,256	246,495	566,565	456,967
Finance	487,596	207,483	945,260	439,905
Management fees (Note 9)	303,502	207,240	595,929	432,305
General and administration	449,471	242,839	776,015	542,398
Oil and gas operations	459,041	-	1,096,421	-
Professional fees	168,525	433,517	345,662	576,215
Project costs	575,012	-	667,084	-
Share based compensation (Note 15)	564,248	78,388	564,248	635,781
Transaction costs	39,818	47,023	861,384	85,940
Wages and benefits	618,316	567,770	1,164,689	1,009,927
	<b>4,482,863</b>	<b>2,209,131</b>	<b>8,595,244</b>	<b>4,382,480</b>
<b>(Loss) Income before income taxes</b>	<b>(6,146,884)</b>	<b>(6,546,743)</b>	<b>(3,078,603)</b>	<b>561,423</b>
Current income tax (recovery)	51,040	(172,173)	64,040	1,296,092
Deferred income tax (recovery)	(1,031,636)	(2,362,538)	(520,730)	(1,218,092)
<b>Net (loss) income</b>	<b>\$ (5,166,288)</b>	<b>\$ (4,012,032)</b>	<b>\$ (2,621,913)</b>	<b>\$ 483,423</b>
Net (loss) income to common shareholders	(5,218,307)	(4,067,701)	(2,686,984)	458,827
Net income (loss) to non-controlling interest	52,019	(55,669)	65,071	(24,596)
<b>Net income</b>	<b>\$ (5,166,288)</b>	<b>\$ (4,012,032)</b>	<b>\$ (2,621,913)</b>	<b>\$ 483,423</b>
<b>Basic (loss) earnings per share</b>	<b>\$ (0.34)</b>	<b>\$ (0.32)</b>	<b>\$ (0.18)</b>	<b>\$ 0.04</b>
<b>Diluted (loss) earnings per share</b>	<b>\$ (0.34)</b>	<b>\$ (0.32)</b>	<b>\$ (0.18)</b>	<b>\$ 0.04</b>
<b>Weighted average number of shares outstanding</b>	<b>15,420,007</b>	<b>12,526,052</b>	<b>14,733,305</b>	<b>11,849,076</b>

**49 North Resources Inc.**  
**Condensed Consolidated Interim Statement of Changes in Equity**  
(unaudited)

	<b>Common Shares</b>	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Equity portion of convertible debentures</b>	<b>Deficit</b>	<b>Equity attributable to shareholders</b>
<b>Balance, January 1, 2010</b>	<b>8,345,572</b>	<b>\$ 40,506,340</b>	<b>\$ 1,465,871</b>	<b>\$ 734,500</b>	<b>\$ (10,751,251)</b>	<b>\$ 31,955,460</b>
Exchange of units of the 2009 Fund	4,351,810	7,572,149	-	-	-	7,572,149
Shares repurchased and cancelled	(271,399)	(623,099)	-	-	-	(623,099)
Share based compensation expense	-	-	635,781	-	-	635,781
Net loss and comprehensive loss	-	-	-	-	458,828	458,828
<b>Balance, June 30, 2010</b>	<b>12,425,983</b>	<b>\$ 47,455,390</b>	<b>\$ 2,101,652</b>	<b>\$ 734,500</b>	<b>\$ (10,292,423)</b>	<b>\$ 39,999,119</b>

	<b>Common Shares</b>	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Equity portion of convertible debentures</b>	<b>Retained Earnings</b>	<b>Equity attributable to shareholders</b>
<b>Balance, January 1, 2011</b>	<b>12,298,483</b>	<b>\$ 47,233,937</b>	<b>\$ 2,619,582</b>	<b>\$ 1,440,321</b>	<b>\$ 737,944</b>	<b>\$ 52,031,784</b>
Exchange of units of the 2010 Fund	2,714,122	8,105,809	-	-	-	8,105,809
Warrants exercised	508,474	1,914,908	(350,268)	-	-	1,564,640
Stock options exercised	33,510	136,706	(66,710)	-	-	69,996
Investment in subsidiary	-	-	(385,828)	-	-	(385,828)
Stock options issued	-	-	557,213	-	-	557,213
Shares repurchased and cancelled	(42,700)	(114,860)	-	-	-	(114,860)
Share issue costs (net of tax)	-	(23,688)	-	-	-	(23,688)
Issue of convertible debentures	-	-	-	1,503,613	-	1,503,613
Net loss and comprehensive loss	-	-	-	-	(2,686,984)	(2,686,984)
<b>Balance, June 30, 2011</b>	<b>15,511,889</b>	<b>\$ 57,252,812</b>	<b>\$ 2,373,989</b>	<b>\$ 2,943,934</b>	<b>\$ (1,949,040)</b>	<b>\$ 60,621,695</b>

**49 North Resources Inc.**  
**Condensed Consolidated Interim Statement of Cash Flows**  
(unaudited)

	For the three months ended June 30		For the six months ended June 30	
	2011	2010	2011	2010
<b>Cash flows from Operating Activities</b>				
Net (loss) income	\$ (5,166,288)	\$ (4,012,032)	\$ (2,621,913)	\$ 483,423
Items not affecting cash				
Realized gains	(2,313,102)	(553,755)	(5,212,477)	(16,047,532)
Amortization and depletion	510,078	178,376	1,011,987	203,042
Deferred income tax (recovery)	(1,031,636)	(2,362,538)	(520,730)	(1,218,092)
Accretion of convertible debentures	173,092	157,736	346,184	78,868
Stock based compensation	564,248	78,388	564,248	635,781
Goodwill impairment	-	-	253,321	-
Unrealized losses	7,222,460	5,753,026	5,473,983	12,972,785
Net changes in non-cash working capital items related to operations:	(771,666)	(651,950)	(2,064,886)	1,066,378
	<b>(812,814)</b>	<b>(1,412,749)</b>	<b>(2,770,283)</b>	<b>(1,825,347)</b>
<b>Cash flows from Investing Activities</b>				
Purchase of capital assets	(627,882)	(4,235,401)	(3,755,068)	(4,363,499)
Purchase of investments	(6,073,766)	(7,746,608)	(11,185,512)	(14,870,000)
Proceeds from disposal of investments	6,034,273	3,668,767	14,682,665	24,581,230
Purchase of mineral property and deposits	(1,583,659)	(1,414,060)	(4,190,979)	(1,416,186)
Loan repayments	305,130	(320,204)	1,046,555	589,366
Cash received on amalgamation	-	-	4,846,692	-
Cash received on consolidation	-	(348,936)	-	(234,811)
	<b>(1,945,904)</b>	<b>(10,396,442)</b>	<b>1,444,353</b>	<b>4,286,100</b>
<b>Cash flows from Financing Activities</b>				
Issuance of common shares	804,801	-	1,634,636	-
Issuance of convertible debenture	9,885,400	-	9,885,400	-
Repurchase of common shares	-	(522,121)	(114,860)	(623,099)
Repayment of long-term debt	(416,259)	-	(2,144,913)	-
Share and debenture issue costs	(492,455)	-	(501,181)	-
Redemption of preferred shares	-	(50,000)	-	(50,000)
	<b>9,781,487</b>	<b>(572,121)</b>	<b>8,759,082</b>	<b>(673,099)</b>
<b>Net increase in cash during the period</b>	<b>7,022,769</b>	<b>(12,381,312)</b>	<b>7,433,152</b>	<b>1,787,654</b>
Cash, beginning of period	1,936,798	12,145,888	1,526,415	(2,023,078)
Cash, end of period	\$ <b>8,959,567</b>	\$ <b>(235,424)</b>	\$ <b>8,959,567</b>	\$ <b>(235,424)</b>
<b>Cash consists of:</b>				
Cash and cash equivalents	\$ 10,250,102	\$ -		
Bank indebtedness	(1,290,535)	(235,424)		
	\$ <b>8,959,567</b>	\$ <b>(235,424)</b>		

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

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**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.

**2010 Fund Roll-over Transaction**

During 2010, 49 North 2010 Resource Flow-Through Limited Partnership (the “2010 Fund”) raised \$8,980,210 on the issuance of 898,021 limited partnership units (the “2010 Units”) in an initial public offering and a private placement. Prior to December 31, 2010, the 2010 Fund invested a substantially equal amount in a portfolio of flow-through shares. Effective February 1, 2011, the 2010 Fund transferred substantially all of their respective assets - valued at \$8,088,084 on a tax deferred "roll-over" basis to the Corporation in exchange for 2,714,122 common shares of the Corporation. Following these transfers, the 2010 Fund was wound up and dissolved and these 2,714,122 common shares of the Corporation were distributed amongst the (former) partners of the 2010 Fund. As a result, each (former) limited partner of the 2010 Fund received approximately 3.022 shares of the Corporation for each 2010 Unit they previously held. The transaction resulted in the number of outstanding common shares of the Corporation increasing to 15,012,605 immediately after the transaction.

**2. Significant accounting policies**

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

**Statement of compliance**

These consolidated interim financial statements are unaudited and have been prepared in accordance with IAS 34, Interim Financial Reporting (“IAS 34”) issued by the International Accounting Standards Board (“IASB”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) which the Corporation expects to adopt in its annual consolidated financial statements as at and for the year ended December 31, 2011.

These are the Corporation’s second IFRS unaudited interim consolidated financial statements for part of the period covered by the Corporation’s first IFRS consolidated annual financial statements for the year ending December 31, 2011. Previously, the Corporation prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian Generally Accepted Accounting Principles (“CGAAP”).

As these are the Corporation’s second set of interim consolidated financial statements in accordance with IFRS, the Corporation’s disclosures exceed the minimum requirements under IAS 34. The Corporation has elected to exceed the minimum requirements in order to present the Corporation’s accounting policies in accordance with IFRS and the additional disclosures required under IFRS, which also highlight the changes from the Corporation’s 2010 annual consolidated financial statements prepared in accordance with CGAAP.

In fiscal 2012 and beyond, the Corporation may not provide the same amount of disclosure in the Corporation’s interim consolidated financial statements under IFRS as the reader will be able to rely on the annual consolidated financial statements which will be prepared in accordance with IFRS. The disclosures that accompany these interim consolidated financial statements are limited to the significant accounting policies applied and significant judgements and estimates applicable to the preparation of the consolidated financial statements and the other disclosure requirements of IFRS 1, First Time Adoption of International Financial Reporting Standards relevant to the consolidated financial statements (see Note 21).

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

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**2. Significant accounting policies (continued)**

**Basis of preparation**

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments which have been measured at fair value. These interim 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 89.5% owned subsidiary Allstar Energy Limited ("Allstar"), its 80% owned subsidiary Kimpar Resources Inc. ("Kimpar"), its 50% joint interest in Vicarage Capital Corp. ("Vicarage") and its special purpose entity Newsk Emerging Resources Ltd. ("Newsk"). All inter-company 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.

**Valuation of investments**

Investments (which are designated as held for trading) are recorded in the financial statements at their fair value at the end of the period, determined as follows:

**Publicly traded companies**

The fair value of any security which is listed or traded upon a stock exchange is estimated by taking the latest bid price (Level 1). The quoted bid price value of securities that are subject to a hold period will be valued with an appropriate discount (Level 2).

The market values can be impacted by trading volumes, restrictions and market price fluctuations, and the quoted market price may not be indicative of what the Corporation could realize on the immediate sale as it may take an extended period of time to liquidate positions without causing a significant negative impact on the market price.

**Privately held companies**

The fair value of any shares which are not listed or traded upon a stock exchange are originally recorded at cost, unless the shares are flow-through shares, in which case they are originally recorded either on an assessment of the most recent price at which the investee company issued common equity without flow-through characteristics or at management's estimated fair value. After the initial transaction, adjustments are made to reflect any changes in value as a result of an independent third party transaction. Downward adjustments to the carrying values are also made when there is evidence of a decline in value, as indicated by an assessment of the financial condition of the investment based on operational results, forecasts and other developments (Level 3).

**Warrants**

Warrants are valued at nil during the period in which they are not exercisable and valued based on either quoted market values if traded or the amount by which the warrant is in the money when they become exercisable. A warrant is in the money when the stock price is greater than the exercise price of the warrant (Level 1).

Any difference between the estimated fair value and the cost of the investments is treated as unrealized gains or losses in the statement of operations.

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

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**2. Significant accounting policies (continued)**

**Exploration and evaluation assets**

**Pre-license costs**

Pre-license costs are costs incurred before the legal rights to explore a specific area have been obtained. These costs are expensed in the period in which they are incurred as exploration and evaluation expense.

**Exploration and evaluation ("E&E") costs**

Once the legal right to explore has been acquired, costs directly associated with the exploration project are capitalized as either tangible or intangible exploration and evaluation assets according to the nature of the asset acquired. Such E&E costs may include undeveloped land acquisition, geological, geophysical and seismic, exploratory drilling and completion, testing, decommissioning and directly attributable internal costs. E&E costs are not depleted and are carried forward until technical feasibility and commercial viability of extracting a mineral resource is considered to be determined. The technical feasibility and commercial viability of a mineral resource is considered to be established when proved and/or probable reserves are determined to exist. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the exploratory activity. When this is no longer the case, impairment costs are charged to exploration and evaluation expense. Upon determination of proved and/or probable reserves, E&E assets attributed to those reserves are first tested for impairment and then reclassified to development and production assets within property, plant and equipment, net of any impairment. Expired land costs are also expensed to exploration and evaluation expense as they occur.

E&E assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount, and upon transfer to property, plant and equipment whereby they are allocated to cash-generating units based on geographical proximity and other factors.

**Property, plant and equipment ("PP&E")**

Property, plant and equipment include the costs of development and production that are not E&E assets, and costs for corporate (office) assets. PP&E is recorded at cost less accumulated depletion and depreciation and accumulated impairment losses, net of recovered impairment losses.

**Oil and gas development and production assets**

Development and production assets are capitalized on an area-by-area basis and include all costs associated with the development and production of oil and natural gas reserves. These costs may include proved property acquisitions, development drilling (including unsuccessful or delineation wells), completion, gathering and infrastructure, decommissioning costs, amounts transferred from E&E assets and directly attributable internal costs. Borrowing costs are capitalized during the construction phase of qualifying assets.

Expenditures related to renewals or betterments that improve the productive capacity or extend the life of an asset are capitalized. Maintenance and repairs are expensed as incurred.

Any gains or losses from the divestiture of development and production assets are recognized in earnings. Accumulated costs are depleted using the unit-of-production method based on estimated proved plus probable reserves. Costs subject to depletion include estimated future costs to be incurred in developing proved plus probable reserves and exclude residual amounts. Depletion is calculated based on individual components (i.e. fields or combinations thereof and other major components with different useful lives).



**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

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**2. Significant accounting policies** (continued)

**Property, plant and equipment ("PP&E")** (continued)

**Other assets**

Other capital assets are recorded at cost and are amortized using the declining balance method. On acquisitions during the year, amortization is calculated at one-half the annual rate. Annual amortization rates are as follows:

Automotive	30%
Buildings	10%
Computers	30% and 35%
Computer software	100%
Furniture and equipment	30%
Gas line	4%
Leasehold improvements	20%
Processing facility	10%

**Impairment of non-current assets**

The carrying amounts of the Corporation's property, plant and equipment are reviewed at each reporting date for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment, if any. The recoverable amount of an asset is evaluated at the Cash Generating Unit ("CGU") level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized in earnings for the period to the extent that the carrying amount of the asset (or CGU) exceeds the recoverable amount.

Impairment losses recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset (or CGU) does not exceed the carrying amount that would have been determined, net of depletion and depreciation, had no impairment loss been recognized for the asset (or CGU).

A reversal of an impairment loss is recognized immediately in earnings.

E&E assets are assessed for impairment when they are reclassified to property, plant and equipment, or if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

**Provisions**

Provisions are recorded when the Corporation has a present obligation as a result of a past event, it is probable that an outflow of resources will be required and a reliable estimate can be made of the amount of the obligation. Provisions are measured based on the discounted expected cash flows.

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

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**2. Significant accounting policies** (continued)

**Provisions** (continued)

Decommissioning liabilities are recognized for the future legal or constructive obligation to abandon and reclaim the Corporation's oil and natural gas properties. The amount of the decommissioning liabilities represents the net present value of the estimated future expenditures required to abandon and reclaim the Corporation's net ownership in wells and facilities determined in accordance with local conditions, current technology and current requirements. The liabilities are calculated using currently estimated abandonment and reclamation costs inflated to the estimated decommissioning date and then discounted using a risk free discount rate. A liability is recorded in the period in which an obligation arises with a corresponding decommissioning cost added to the carrying amount of the related asset. The liability is progressively accreted over time as the effect of discounting unwinds, creating an accretion expense which is recognized as part of finance expense. The related decommissioning cost capitalized in property, plant and equipment is depreciated in a manner consistent with the depletion and depreciation of the underlying asset.

Changes in the estimated liability resulting from revisions to estimated timing of decommissioning, expected amount of cash flows or changes in the discount rate are recognized as a change in the decommissioning liability and the related decommissioning cost. Actual decommissioning expenditures incurred are charged against the accumulated liability to the extent recorded.

**Goodwill**

Goodwill represents the excess of the purchase price of the Corporation's interest in businesses acquired over the fair value of the underlying net identifiable tangible and intangible assets arising on acquisitions. The Corporation determines, at least once annually, whether the fair value of the business to which goodwill has been attributed is less than the carrying value of the business's net assets including goodwill, thus indicating impairment.

**Deferred income taxes**

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current tax assets and liabilities on a net basis.

The recognition of deferred income tax assets is limited to the amount that is considered to be probable to be realized. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on income tax rates and income tax laws that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects to recover or settle the carrying amount of its assets and liabilities.

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

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**2. Significant accounting policies (continued)**

**Share capital**

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a reduction of equity, net of any tax effects.

**Share based payments**

Options and warrants granted are accounted for using the fair value method. Under this method, the fair value of stock options and warrants granted are measured at estimated fair value at the grant date and recognized over the vesting period. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus on options granted is transferred to share capital.

The Corporation uses the Black-Scholes option-pricing method to determine the fair value of these incentives taking into consideration terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

**Earnings per share**

Basic per share amounts are calculated using the weighted average number of shares outstanding during the period. Diluted per share amounts are calculated based on the “treasury-stock” method for stock options and warrants, which assumes that any proceeds received on exercise of options, or conversion of debentures would be used to purchase common shares at the average market price during the period. The weighted average number of shares outstanding is then adjusted by the net change. Diluted earnings per share amounts also include exchangeable shares using the “if-converted” method to determine the dilutive effect of convertible debentures, whereby it is assumed the conversion of the exchangeable shares occurs at the beginning of the reporting period (or at the time of issuance, if later) where applicable.

**Revenue recognition**

Security transactions are recorded on a trade basis. Realized gains and losses on the disposal of investments and unrealized gains and losses in the value of investments are reflected in the statement of operations and are calculated on an average cost basis. Upon disposal of an investment, previously recognized unrealized gains or losses are reversed, so as to recognize the full realized gain or loss in the period of disposition. All transaction costs are expensed as incurred.

- 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.
- Dividend income is recognized when the dividends are declared.
- Interest and rental income are recognized on an accrual basis.
- Royalty income received from projects in which the Corporation has an interest is recorded when received or receivable if the amount can be reasonably estimated.

**Business combinations**

Business combinations are accounted for using the acquisition method. The acquired identifiable net assets are measured at their fair value at the date of acquisition. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Any deficiency of the purchase price below fair value is recognized as a gain in earnings. Associated transaction costs are expensed when incurred though the statement of earnings.

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

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**2. Significant accounting policies** (continued)

**Significant accounting judgments, estimates and assumptions**

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period.

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. The information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements are:

- fair value of investment in securities not quoted in an active market or private company investments;
- the recoverable amounts of cash-generating units used in impairment testing of long-lived assets including estimates of reserves and resources, future commodity prices, production costs, foreign exchange rates, discount rates, inflation and income tax rates;
- the determination of useful lives, units of production and residual values of property, plant and equipment;
- the fair value of stock-based compensation determined using the Black-Scholes option pricing model using estimates for expected forfeitures, useful life and stock volatility;
- the provision for deferred income taxes based on estimated tax bases using substantively enacted tax rates expected to apply to taxable income during the years in which the differences are expected to be recovered or settled; and
- amounts recorded for decommissioning liabilities including estimates around timing and amount of expenditures required to settle liabilities and the risk free discount rate used.

**Future accounting pronouncements**

The following are new and revised accounting pronouncements that have been issued but are not yet effective:

- IFRS 9 – “Financial Instruments”
- IFRS 7 – “Disclosures – Transfers of Financial Assets”
- IAS 12 – “Income Taxes”
- IFRS 10 – “Consolidated Financial Instruments”
- IFRS 11 – “Joint Arrangements”
- IFRS 12 – “Disclosure of Interests in other Entities”
- IFRS 13 – “Fair Value Measurement”
- IAS 27 – “Separate Financial Statements”
- IAS 28 – “Investments in Associates and Joint Ventures”

The Corporation is currently evaluating the impact of the above standards on its financial performance and financial statement disclosures but expects that such impact will not be material.

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

**3. Equity investments**

As at June 30, 2011, the Corporation's investments consist of the following:

<b>Name of Security</b>	<b>Type</b>	<b>Shares / Warrants</b>	<b>Cost</b>	<b>Fair Value</b>
<b><u>Mining</u></b>				
Aguila American Gold Ltd.		(1) 270,556	96,293	67,639
Aguila American Gold Ltd.	Warrants	102,778	-	-
Altiplano Minerals Ltd.		(1) 100,000	15,000	23,500
Archean Star Resources Inc.		(1) 746,250	78,115	52,238
Argus Metals Corp.	Warrants	250,000	-	-
Armadillo Resources Ltd.		(4) 250,000	37,500	30,000
Armadillo Resources Ltd.	Warrants	250,000	-	-
Aura Silver Resources Inc.	Warrants	1,100,000	-	-
Aurvista Gold Corp.		(3) 250,000	37,500	37,500
Bacanora Minerals Ltd.		(1) 2,660,000	977,633	1,170,400
Bacanora Minerals Ltd.	Warrants	250,000	-	-
Bannerman Resources Ltd.		(2) 25,000	21,400	6,750
Batero Gold Corp.		(1) 400,000	603,203	1,008,000
Bending Lake Iron Group Ltd.		(3) 1,500,000	1,378,570	1,378,570
Bending Lake Iron Group Ltd.	Warrants	50,000	-	-
Blind Creek Resources Ltd.		(3) 400,000	200,000	200,000
Bralorne Gold Mines Ltd.	Warrants	160,000	-	-
Canada Gold Corp.	Warrants	37,500	-	-
Carlisle Goldfields Ltd.		(2) 200,000	50,000	68,000
Carlisle Goldfields Ltd.	Warrants	100,000	-	-
Celeste Copper Corp.		(1) 500,000	50,000	85,000
Celeste Copper Corp.	Warrants	250,000	-	5,000
Claude Resources Inc.		(2) 20,000	36,260	36,600
Cliffmont Resources Ltd.		(1) 120,000	30,000	60,000
Cliffmont Resources Ltd.	Warrants	60,000	-	6,000
Colombia Crest Gold Corp.		(1) 166,667	50,000	36,667
Colombia Crest Gold Corp.	Warrants	166,667	-	-
Colombian Mines Corp.		(1) 98,000	50,822	49,980
Colonial Coal International Corp.	Warrants	25,000	-	7,250
Colorado Resources Ltd.		(1) 35,000	34,600	33,250
Colorado Resources Ltd.	Warrants	375,000	-	243,750
Copper Reef Mining Corp.		(4) 8,845,500	1,193,249	884,550
Copper Reef Mining Corp.	Warrants	278,000	-	-
Cuoro Resources Corp.		(1) 200,000	200,000	390,000

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

**3. Equity investments (continued)**

<b>Name of Security</b>	<b>Type</b>	<b>Shares / Warrants</b>	<b>Cost</b>	<b>Fair Value</b>
Cuoro Resources Corp.	Warrants	100,000	-	65,000
CVG Mining Ltd.	(3)	80	4,000,000	4,000,000
Dawson Gold Corp.	(1)	1,115,500	167,325	105,973
Dawson Gold Corp.	Warrants	1,250,000	-	-
Diamcor Mining Inc.	Warrants	167,500	-	-
DNI Metals Inc.	(1)	7,335,899	916,707	1,944,013
DNI Metals Inc.	Warrants	416,667	-	27,083
Eagle Plains Resources Ltd.	(1)	4,195,500	1,090,583	1,090,830
Eagle Plains Resources Ltd.	Warrants	1,075,000	-	-
Ecuador Capital Corp.	(3)	166,667	25,000	25,000
El Tigre Silver Corp.	Warrants	229,000	-	-
Ely Gold & Minerals Inc.	(1)	247,000	74,284	76,570
EMC Metals Corp.	(2)	556,631	104,180	105,760
Entourage Metals Ltd.	(1)	55,000	27,500	34,100
ESO Uranium Corp.	(1)	1,375,000	137,500	96,250
ESO Uranium Corp.	Warrants	2,000,000	-	-
Foran Mining Corp.	(1)	141,200	60,463	112,960
Formation Metals Inc.	Warrants	100,000	-	-
Goldcliff Resources Corp.	(1)	9,453,000	1,049,663	567,180
Goldcliff Resources Corp.	Warrants	1,250,000	-	-
Guyana Frontier Mining Corp.	(1)	25,500	9,685	7,140
Halo Resources Ltd.	(1)	1	5	0
Hana Mining Ltd.	(1)	25,000	49,288	35,750
Harmony Gold Corp.	(1)	214	75	25
Hinterland Metals Inc.	(1)	49,041	4,904	7,356
Jiminex Inc.	(1)	80,000	14,600	11,600
Kent Exploration Inc.	(1)	4,983,000	522,058	298,980
Kent Exploration Inc.	Warrants	3,250,000	-	-
Kimpar Resources Inc.	Warrants	552,000	-	-
Kirrin Resources Inc.	(1)	997,929	139,710	49,896
Kirrin Resources Inc.	Warrants	1,671,429	-	-
La Ronge Gold Corp.	(1)	560,000	102,200	112,000
Lakota Resources Inc.	(5)	4,918,441	326,110	-
Laurion Mineral Exploration Inc.	(1)	802,665	86,540	44,147
Miocene Metals Ltd.	Warrants	18,796	-	-
Nebu Resources Inc.	(1)	300,167	45,025	19,511

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

**3. Equity investments (continued)**

<b>Name of Security</b>	<b>Type</b>	<b>Shares / Warrants</b>	<b>Cost</b>	<b>Fair Value</b>
Nevada Sunrise Gold Corp.		(1) 250,000	50,000	12,500
Nevada Sunrise Gold Corp.	Warrants	250,000	-	-
Niogold Mining Corp.	Warrants	234,900	-	-
North Country Gold Corp.	Warrants	25,000	-	23,250
Novagold Resources Inc.		(2) 100,206	1,105,238	888,827
NuCoal Energy Corp.		(3) 2,446,770	1,688,804	1,688,804
Omineca Mining & Metals Ltd.		(1) 674,633	234,547	141,673
Otis Gold Corp.	Warrants	38,462	-	-
Playfair Mining Ltd.		(1) 2,196,167	345,788	164,713
Portage Minerals Inc.		(4) 953,097	364,721	100,075
Puget Ventures Inc.		(1) 51,667	17,571	25,317
Puget Ventures Inc.	Warrants	83,333	-	7,500
QRS Capital Corp.		(1) 222,385	140,725	131,207
QRS Capital Corp.	Warrants	57,692	-	-
Red Rock Energy Inc.		(1) 3,410,500	1,117,351	579,785
Red Rock Energy Inc.	Warrants	850,000	-	-
Rio Grande Mining Corp.		(1) 35,000	14,974	14,000
Rio Novo Gold Inc.	Warrants	(2) 125,000	-	56,250
Roca Mines Inc.		(1) 300,000	79,697	69,000
Rock Tech Lithium Inc.	Warrants	500,000	-	-
Salazar Resources Ltd.	Warrants	25,000	-	-
Senator Minerals Inc.		(1) 2,451,000	127,135	159,315
Sheltered Oak Resources Corp.		(1) 1,587,000	142,830	63,480
Sheltered Oak Resources Corp.	Warrants	500,000	-	-
Shore Gold Inc.		(2) 1,511,500	1,303,470	1,069,080
Silver Bull Resources Inc.		(2) 50,000	68,335	31,000
Skeena Resources Ltd.		(1) 3,187,500	295,146	175,313
Solomon Resources Ltd.		(1) 119,500	19,576	14,340
Stakeholder Gold Corp.		(1) 46,288	2,436	16,664
Tanzania Minerals Corp.		(1) 150,000	46,859	66,750
Tanzania Minerals Corp.	Warrants	300,000	-	-
Terrax Minerals Inc.		(1) 83,333	25,000	14,583
Terrax Minerals Inc.	Warrants	41,667	-	-
Thelon Capital Ltd.		(1) 65,000	28,284	29,250
Threegold Resources Inc.		(1) 513,000	132,493	97,470
Unity Energy Corp.		(1) 2,450,000	612,500	857,500

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

**3. Equity investments (continued)**

<b>Name of Security</b>	<b>Type</b>	<b>Shares / Warrants</b>	<b>Cost</b>	<b>Fair Value</b>
Unity Energy Corp.	Warrants	200,000	-	-
Vantex Resources Ltd.	(1)	25,000	9,815	4,250
Virginia Energy Resources Inc.	(1)	356,000	173,321	58,740
Wescan Goldfields Inc.	(1)	5,876,133	1,301,166	440,710
Westcore Energy Ltd.	(1)	7,865,000	3,826,803	3,539,250
White Gold Corp.	(3)	2,000,000	500,000	500,000
Wildcat Exploration Ltd.	(1)	1,155,000	285,929	51,975
Xmet Inc.	(1)	250,000	62,500	28,750
Xmet Inc.	Warrants	125,000	-	-
<b><u>Oil &amp; Gas</u></b>				
Anglo Canadian Oil Corp.	(1)	447,000	111,750	67,050
Petro One Energy Corp.	(1)	2,095,500	638,235	1,341,120
Prairie First Energy Inc.	(3)	1,111,611	1,602,000	1,602,000
Skywest Energy Corp.	(1)	50,000	26,000	23,500
Admiralty Oils Ltd.	(3)	1,600,000	350,000	350,000
Archer Petroleum Corp.	(1)	931,777	396,200	41,930
Archer Petroleum Corp.	Warrants	77,000	-	-
Canadian Phoenix Resources Corp.	(1)	28,000	38,563	36,960
Deloro Resources Ltd.	(1)	3,387,500	522,000	372,625
Deloro Resources Ltd.	Warrants	781,250	-	-
Energulf Resources Inc.	(1)	15,000	17,150	11,250
Kenosee Resources Ltd.	(3)	8,547	44,643	44,643
KFG Resources Ltd.	(1)	125,000	9,907	12,500
KFG Resources Ltd.	Warrants	270,000	-	-
Lex Energy Partners LP	(3)	820	369,000	369,000
Nickel Oil & Gas Corp.	(3)	2,000,000	500,000	500,000
Nordic Oil & Gas Ltd.	(1)	1,133,999	91,184	90,720
Nordic Oil & Gas Ltd.	Warrants	506,667	-	-
Panterra Resources Corp.	(1)	1,241,000	298,387	217,175
Panterra Resources Corp.	Warrants	117,500	-	-
Porto Energy Corp.	(1)	11,000	11,000	8,580
Rallyemont Energy Inc.	(3)	11,823,535	3,813,237	8,276,475
Shoreline Oil & Gas Ltd.	(3)	76,923	100,000	100,000
Simba Energy Inc.	(1)	50,000	10,100	6,250
Stikine Energy Corp.	(1)	239,000	65,073	59,750



**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

**3. Equity investments (continued)**

<b>Name of Security</b>	<b>Type</b>	<b>Shares / Warrants</b>	<b>Cost</b>	<b>Fair Value</b>
Titanium Corp. Inc.	(1)	455,200	816,620	978,680
Torquay Oil Corp. Class A	(1)	419,500	344,589	650,225
Torquay Oil Corp. Class A	Warrants	250,000	-	37,500
Torquay Oil Corp. Class B	(1)	21,500	215,000	123,840
Valeura Energy Inc.	(1)	800,000	312,917	192,000
Volcanic Metals Corp.	(1)	1,640,000	306,863	254,200
<b><u>Other</u></b>				
Augen Capital Corp.	(1)	3,168,000	225,912	190,080
Augen Capital Corp.	Warrants	1,429,000	-	-
Clear Creek Resources Ltd.	(3)	500,000	50,000	50,000
Deep Earth Energy Productions Corp.	(3)	4,000,000	400,000	400,000
Discovery Air Inc.	(2)	397,500	178,875	164,963
Discovery Harbour Resources Corp.	(3)	100,000	10,000	10,000
Gilead Power Corp.	(3)	233,333	300,000	300,000
Grafton Resource Investments Ltd.	(3)	22,450	1,000,002	598,517
Kenna Capital Corp.	(1)	1,000,000	100,000	110,000
Kobex Minerals Inc.	(1)	631,100	581,103	473,325
Lex Capital Partners LP	(3)	1,000	700,000	700,000
Meize Energy Industries Holdings Ltd.	(3)	60,000	300,000	300,000
Minerva Minerals Ltd.	(4)	1,292,000	92,950	77,520
NovaDx Ventures Corp.	(1)	480,000	241,881	206,400
Olympic Resources Ltd.	(1)	4,000,000	380,000	880,000
Troy Energy Corp.	(1)	3,390,000	792,442	678,000
<b>Total equity instruments</b>			<b>\$ 44,580,147</b>	<b>\$ 46,745,867</b>

- (1) Listed on TSX Venture Exchange
- (2) Listed on TSX
- (3) Private
- (4) Listed on CNQ Exchange
- (5) Defunct/Delisted

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

**3. Equity investments** (continued)

As at December 31, 2010, the Corporation's investments consist of the following:

	<u>Shares/Warrants</u>	<u>Cost</u>	<u>Fair Value</u>
<b>Mineral exploration</b>			
Alix Resources Corp. (1)	13,333	\$ 14,264	\$ 2,933
Aguila American Resources Ltd. (1)	323,500	100,720	131,018
Aguila American Resources Ltd. - Warrants	75,000	-	375
Argus Metals Corp. (1)	280,000	31,845	72,800
Argus Metals Corp. - Warrants	250,000	-	27,500
Augen Gold Corp. (1)	227,500	56,875	103,513
Aura Silver Resources Inc. (1)	800,000	146,909	432,000
Aura Silver Resources Inc. - Warrants	1,100,000	-	319,000
Aurvista Gold Corp. (3)	250,000	37,500	37,500
Bacanora Minerals Ltd. (1)	1,672,500	454,234	426,488
Barkerville Gold Mines Ltd. (1)	100,000	100,000	142,000
Barkerville Gold Mines Ltd. - Warrants	212,500	-	89,250
Batero Gold Corp. (1)	372,700	185,990	1,006,290
Batero Gold Corp. - Warrants	170,000	-	299,500
Bending Lake Iron Group Ltd. (3)	1,400,000	1,178,570	1,178,570
Bending Lake Iron Group Ltd. - Warrants	50,000	-	-
Blind Creek Resources Ltd. (3)	400,000	200,000	200,000
Bralorne Gold Mines Ltd. (1) – Warrants	423,000	-	4,230
Canada Gold Corp. (1)	75,000	24,750	12,000
Canada Gold Corp. - Warrants	37,500	-	-
Carpathian Gold Inc. (1)	100,000	56,470	66,000
Cliffmont Resources Ltd. (1)	120,000	30,000	93,600
Cliffmont Resources Ltd. - Warrants	60,000	-	22,800
Colonial Coal International Corp. (1)	225,000	209,841	344,250
Colonial Coal International Corp. - Warrants	25,000	-	10,750
Colorado Resources Ltd. (1)	596,000	133,878	423,160
Colorado Resources Ltd. - Warrants	375,000	-	153,750
Copper Canyon Resources Ltd. (1)	2,638,535	467,396	1,926,131
Copper Reef Mines Ltd. (4)	7,838,000	1,013,687	627,040

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

**3. Equity investments (continued)**

	<u>Shares/Warrants</u>	<u>Cost</u>	<u>Fair Value</u>
Copper Reef Mines Ltd. - Warrants	850,000	\$ -	\$ -
Dawson Gold Corp. (1)	1,227,500	184,125	233,225
Dawson Gold Corp. - Warrants	1,250,000	-	-
Diamcor Mining Inc. (1)	142,500	42,750	39,900
Diamcor Mining Inc. - Warrants	167,500	-	-
DNI Metals Inc. (1)	5,477,733	690,707	657,328
DNI Metals Inc. - Warrants	535,714	-	-
Eagle Plains Resources Ltd. (1)	3,338,500	638,220	2,136,640
Eagle Plains Resources Ltd. - Warrants	1,555,000	-	528,700
Eaglecrest Exploration Inc. (1)	166,667	50,000	60,000
Ecuador Capital Corp. (3)	166,667	25,000	25,000
El Nino Ventures Inc. (1)	296,500	24,942	17,790
El Nino Ventures Inc. - Warrants	1,250,000	-	-
El Tigre Silver Corp. (1)	229,000	80,150	98,470
El Tigre Silver Corp. - Warrants	229,000	-	-
EMC Metals Corp. (2)	1,052,631	200,000	394,733
ESO Uranium Corp. (1)	1,000,000	127,321	120,000
ESO Uranium Corp. - Warrants	4,000,000	-	80,000
Estrella Gold Corp. (1)	313,000	250,400	259,790
Estrella Gold Corp. - Warrants	156,500	-	-
Foran Mining Corp. (1)	143,000	39,270	122,980
Formation Metals Inc. - Warrants	100,000	-	-
Gobimin Inc. (1)	200,000	174,033	168,000
Goldcliff Resources Corp. (1)	9,190,000	1,029,413	735,200
Goldcliff Resources Corp. - Warrants	3,000,000	-	-
GoldQuest Mining Corp. (1)	100,000	12,500	35,000
GoldQuest Mining Corp. - Warrants	200,000	-	30,000
Goldsource Mines Inc. (1)	70,000	104,424	55,300
Halo Resources Ltd. (1)	75,001	347,139	44,251
Harmony Gold Corp. (1)	285,714	100,000	40,000
Harmony Gold Corp. - Warrants	142,857	-	-
Hinterland Metals Inc. (1)	200,832	13,063	35,146
Hinterland Metals Inc. - Warrants	416,666	-	31,250
Kent Exploration Ltd. (1)	3,845,000	496,270	499,850
Kent Exploration Ltd. - Warrants	250,000	-	-
Kirrin Resources Inc. (1)	1,671,429	234,000	225,643
Kirrin Resources Inc. - Warrants	1,671,429	-	-
Lakota Resources Inc. (1)	4,918,441	326,110	-
Laurion Mineral Exploration Inc. (1)	1,087,665	120,808	114,205
Miocene Metals Limited - Warrants	18,796	-	-
Nebu Resources Inc. (1)	300,167	45,025	43,524
Nebu Resources Inc. - Warrants	283,333	-	-
Nevada Sunrise Gold Corp. (1)	250,000	50,000	32,500
Nevada Sunrise Gold Corp. - Warrants	250,000	-	-
Niogold Mining Corp. (1)	400,000	124,542	150,000
Niogold Mining Corp. - Warrants	234,900	-	-
North Country Gold Corp. (1)	100,000	55,126	135,000
North Country Gold Corp. - Warrants	25,000	-	18,750

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

**3. Equity investments (continued)**

	<u>Shares/Warrants</u>	<u>Cost</u>	<u>Fair Value</u>
Northern Freegold Resources Ltd. (1)	73,300	\$ 33,190	\$ 24,922
NuCoal Energy Corp. (3)	2,446,770	1,688,804	978,708
Otis Gold Corp. - Warrants	38,462	-	-
Playfair Mining Ltd. (1)	1,911,500	183,887	430,088
Portage Minerals Inc. (4)	953,097	364,721	104,841
Puget Ventures Inc. (1)	51,667	17,571	25,317
Puget Ventures Inc. - Warrants	83,333	-	7,500
Red Rock Energy Inc. (1)	3,425,500	1,122,266	445,315
Red Rock Energy Inc. - Warrants	850,000	-	-
Rio Novo Gold Inc. (2)	43,900	91,980	97,458
Rio Novo Gold Inc. - Warrants	125,000	-	118,750
Rock Tech Resources Inc. - Warrants	500,000	-	10,000
Romios Gold Resources Inc. (1)	200,000	40,320	48,000
Roxgold Inc. (1)	129,666	166,507	40,845
Salazar Resources Ltd. (1)	135,000	137,644	175,500
Salazar Resources Ltd. - Warrants	25,000	-	-
Senator Minerals Inc. (1)	2,451,000	127,135	147,060
Sheltered Oak Resources Corp. (1)	2,000,000	180,000	200,000
Sheltered Oak Resources Corp. - Warrants	500,000	-	-
Shore Gold Inc. (2)	1,030,000	902,567	927,000
Shoreham Resources Ltd. (1)	15,500	5,485	5,735
Skeena Resources Ltd. (1)	2,187,500	195,146	218,750
Skeena Resources Ltd. - Warrants	1,000,000	-	-
Stikine Gold Corp. (1)	610,667	164,291	241,213
Tanzania Minerals Corp. (1)	300,000	93,717	219,000
Tanzania Minerals Corp. - Warrants	300,000	-	24,000
Terra Ventures Inc. (1)	50,000	27,512	25,500
Terrax Minerals Inc. (1)	83,333	25,000	28,333
Terrax Minerals Inc. - Warrants	41,667	-	-
Unity Energy Corp. (1)	1,250,000	312,500	262,500
Unity Energy Corp. - Warrants	200,000	-	-
Uranium North Resources Corp. (1)	497,000	34,790	91,945
Virginia Energy Resources Inc. (1)	662,000	322,299	317,760
Wescan Goldfields Inc. (1)	5,931,133	1,315,434	563,458
Wescan Goldfields Inc. - Warrants	961,539	-	-
Westcore Energy Inc. (1)	6,365,000	2,826,803	2,546,000
Western Potash Corp. (1)	50,000	37,500	116,000
Western Potash Corp. - Warrants	50,000	-	20,500
White Gold Corp. (3)	2,000,000	500,000	360,000
Wildcat Exploration Ltd. (1)	1,155,000	285,929	127,050
<b>Oil &amp; Gas</b>			
Admiralty Oils Ltd. (3)	1,600,000	350,000	350,000
Anglo Canadian Oil Corp. (1)	500,000	125,000	187,500
Archer Petroleum Corp. (1)	931,777	396,200	83,860
Archer Petroleum Corp. - Warrants	77,000	-	-

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

**3. Equity investments (continued)**

	<u>Shares/Warrants</u>	<u>Cost</u>	<u>Fair Value</u>
Deloro Resources Ltd. (1)	1,387,500	\$ 222,000	\$ 194,250
Deloro Resources Ltd. - Warrants	781,250	-	-
Kenosee Resources Ltd. (3)	8,547	44,643	44,643
KFG Resources Ltd. (1)	600,000	47,555	48,000
KFG Resources Ltd. - Warrants	270,000	-	-
Lex Energy Partners LP (3)	820	287,000	287,000
Lion Energy Corp. (1)	990,500	214,398	227,815
Nickel Oil & Gas Corp. (3)	2,000,000	500,000	400,000
Nordic Oil & Gas Ltd. (1)	2,809,999	225,950	533,900
Nordic Oil & Gas Ltd. - Warrants	1,405,000	-	116,317
Nuloch Resources Inc. (1)	450,000	427,351	927,000
Panterra Resources Corp. (1)	1,247,000	300,000	249,400
Panterra Resources Corp. - Warrants	117,500	-	-
Petro One Energy Corp. (1)	2,840,000	843,610	1,050,800
Prairie First Energy Inc. (3)	370,437	370,437	370,437
Rallyemont Energy Inc. (3)	11,573,535	3,613,237	8,101,475
Redwater Energy Corp. (1)	496,667	149,000	173,833
Renegade Petroleum Ltd. (1)	165,021	395,201	668,335
Ruby Energy Inc. (3)	916,996	550,198	229,249
Skywest Energy Corp. (1)	100,000	52,000	68,000
Titanium Corp. Inc. (1)	226,200	288,047	420,732
Torquay Oil Corp. Class A (1)	500,000	410,714	920,000
Torquay Oil Corp. Class B (1)	45,000	450,000	281,250
Torquay Oil Corp. - Warrants	250,000	-	110,000
Valeura Energy Inc. (1)	1,400,000	546,852	518,000
Volcanic Metals Corp. (1)	1,490,000	266,035	327,800
<b>Other</b>			
Augen Capital Corp. (1)	3,043,000	216,520	228,225
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)	233,333	300,000	300,000
Grafton Resource Investments Ltd. (3)	22,450	1,000,002	682,480
Kenna Capital Corp. (1)	1,000,000	100,000	200,000
Kobex Minerals Inc. (1)	364,000	330,731	342,160
Lex Capital Partners Inc. (3)	1,000	700,000	700,000
Meize Energy Industries Holdings Ltd. (3)	60,000	300,000	300,000
Minerva Minerals Ltd. (1)	1,292,000	92,950	64,600
NovaDX Ventures Corp. (1)	50,000	23,775	22,500
Troy Energy Corp. (1)	3,390,000	792,442	678,000
Vicarage Capital Corp. (3)	12,500	383,475	383,475
		<b><u>\$ 36,956,588</u></b>	<b><u>\$ 45,470,707</u></b>

- (1) Listed on TSX Venture Exchange  
(2) Listed on TSX  
(3) Private  
(4) Listed on CNQ Exchange  
(5) Defunct/Delisted

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

**4. Loans and advances receivable**

	<b>June 30 2011</b>	<b>December 31 2010</b>
CVG Mining Ltd.	\$ 5,132,240	\$ 5,132,240
Hillcrest Resources Ltd.	-	207,680
How 2 Energy Ltd.	170,000	230,000
49 North 2010 Resource Flow-Through LP	-	766,344
Unrelated individuals	30,126	42,657
	<b>\$ 5,332,366</b>	<b>\$ 6,378,921</b>

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 loans to unrelated individuals bear interest at rates between prime plus 2% and prime plus 5%.

**5. Exploration and evaluation assets**

	<b>Manitoba</b>	<b>Saskatchewan</b>	<b>British Columbia</b>	<b>Quebec</b>	<b>Total</b>
<b>Balance, January 1, 2010</b>	<b>\$ 309,432</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 309,432</b>
Acquisition (refund)	(16,217)	967	-	1,680,566	<b>1,665,316</b>
Disposal	(153,886)	-	-	-	<b>(153,886)</b>
Exploration	6,939	12,400	4,000,000	140,871	<b>4,160,210</b>
<b>Balance, December 31, 2010</b>	<b>\$ 146,268</b>	<b>\$ 13,367</b>	<b>\$ 4,000,000</b>	<b>\$ 1,821,437</b>	<b>\$ 5,981,072</b>
Acquisition (refund)	-	-	-	-	-
Disposal	-	-	-	-	-
Exercise of option agreement	-	-	(4,000,000)	-	<b>(4,000,000)</b>
Exploration	-	-	4,009,064	181,915	<b>4,190,979</b>
<b>Balance, June 30, 2011</b>	<b>\$ 146,268</b>	<b>\$ 13,367</b>	<b>\$ 4,009,064</b>	<b>\$ 2,003,352</b>	<b>\$ 6,172,051</b>

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

**5. Exploration and evaluation assets (continued)**

**Manitoba properties**

In the prior year, 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 \$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. Westcore is obliged to expend not less than \$500,000 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 \$1,000,000 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 \$100,000 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. During the quarter, the Corporation exercised its option agreement and converted \$4,000,000 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.

**Quebec properties**

Through its acquisition of an 80% interest in Kimpar, the Corporation acquired an 80% interest in certain mineral rights related to highly prospective copper, molybdenum, industrial minerals and quarry product properties located in the Gaspé region of the Province of Quebec.

**6. Goodwill**

	<b>June 30 2011</b>	<b>December 31 2010</b>
Balance, beginning of period	\$ 1,621,222	\$ 394,740
Acquisitions	649,293	1,226,482
Impairment of goodwill	(253,321)	-
<b>Balance, end of period</b>	<b>\$ 2,017,194</b>	<b>\$ 1,621,222</b>

At June 30, 2011, goodwill represents the excess of total purchase price over the net identifiable assets and liabilities of North Rim, Allstar, Newsk and Vicarage. The acquisition is from the joint venture proportionate consolidation of Vicarage Capital Limited. 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 no adjustment for impairment resulted.

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

**7. Property, plant and equipment**

	<b>Total</b>	<b>Oil &amp; gas interests</b>	<b>Processing facility, equipment, and gas line</b>	<b>Other Corporate Assets</b>
<b>Cost:</b>				
Balance at January 1, 2010	485,053	-	-	485,053
Acquisitions	7,949,588	7,478,438	471,150	-
Additions	8,764,079	6,627,657	1,921,616	214,806
Dispositions	(8,794)	-	(8,794)	-
Balance at December 31, 2010	17,189,926	14,106,095	2,383,972	699,859
Additions	3,755,068	3,251,131	462,123	41,814
Dispositions	(72,492)	-	-	(72,492)
<b>Balance at June 30, 2011</b>	<b>20,872,502</b>	<b>17,357,226</b>	<b>2,846,095</b>	<b>669,181</b>
<b>Accumulated depletion and depreciation</b>				
Balance at January 1, 2010	254,245	-	-	254,245
Acquisitions	2,570,292	2,332,670	237,622	-
Depletion/depreciation expense	1,639,619	1,500,848	27,938	110,833
Dispositions	(1,441)	-	(1,441)	-
Balance at December 31, 2010	4,462,715	3,833,518	264,119	365,078
Depletion/depreciation expense	1,011,987	800,389	119,483	92,115
Dispositions	(71,425)	-	-	(71,425)
<b>Balance at June 30, 2011</b>	<b>5,403,277</b>	<b>4,633,907</b>	<b>383,602</b>	<b>385,768</b>
<b>Total balance at June 30, 2011</b>	<b>15,469,225</b>	<b>12,723,319</b>	<b>2,462,493</b>	<b>283,413</b>

**Petroleum properties**

The Corporation, through its subsidiary, Allstar has an interest in 6,360 acres of crown and freehold land in the Viking oil field in Kindersley, Saskatchewan, as well as exclusive exploration rights over 22,000 acres of heavy oil lands on the Red Pheasant First Nation in Saskatchewan, including an Indian Oil and Gas Canada subsurface permit covering 10,566 acres. 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 company, 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.



**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

**7. Property, plant and equipment (continued)**

**Petroleum properties (continued)**

The Corporation performed a ceiling test calculation at June 30, 2011 to assess the recoverability of its petroleum and natural gas interest. It was determined that there was no impairment using the following projected prices for oil and natural gas:

<b>Year</b>	<b>Oil Price</b>	<b>Natural Gas Price</b>
2011	83.36	3.59
2012	85.36	4.05
2013	87.96	4.73
2014	90.51	5.19
2015	92.56	5.69
2016	94.41	5.80
2017	96.30	5.92
2018	98.23	6.04
2019	100.19	6.16
2020	102.19	6.28
2021	104.24	6.41
2022	106.32	6.53
2023	108.45	6.66
2024	110.62	6.80
2025	112.83	6.93

**8. Bank indebtedness**

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. As at June 30, 2011, the Corporation had margin borrowings of nil. The Corporation has guaranteed Allstar's line of credit. As at June 30, 2011 Allstar's bank indebtedness was \$1,290,535 (2010 - \$547,165).

**9. Related party transactions**

Compensation of key executive personnel

	<b>June 30 2011</b>	<b>June 30 2010</b>	<b>December 31 2010</b>
Management fees to TMM Portfolio Management Inc.	\$ 592,995	\$ 432,335	\$ 951,333
Salaries to officers	90,000	40,000	80,000
Consulting fees	-	-	21,000
Directors fees	31,500	19,250	51,000
Stock based compensation to directors and officers	400,050	466,572	528,589
	<b>\$ 1,114,545</b>	<b>\$ 958,157</b>	<b>\$ 1,631,922</b>

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

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**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, 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.

Related party transactions

During the 6 month period ended June 30, 2011 reimbursements of \$153,974 (2010 - \$62,596) were incurred or accrued to 1381613 Alberta Ltd., a company controlled by the CEO of the Corporation.

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

**10. Convertible debentures**

On June 29, 2011 the Corporation raised proceeds of \$9,885,400 on the private placement 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.

On September 23, 2010 and October 13, 2010, the Corporation raised proceeds of \$4,690,800 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

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

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**10. Convertible debentures** (continued)

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.

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.

On July 24, 2008, the Corporation raised proceeds of \$5,000,000 on the private placement of 9% convertible unsecured subordinate debentures. The debentures have a three-year term, maturing July 24, 2011, and bear interest from the date of issue at 9% per annum which, unless the debentures are earlier converted or redeemed in accordance with their terms, will be paid on July 24 in each of 2009 and 2010 and on maturity.

The debentures are convertible, at the option of the respective holders, at any time or from time to time prior to 5:00 p.m. (Toronto time) on July 23, 2011, into fully paid, non-assessable common shares of the Corporation at a conversion price of: (i) \$11.00 per share if converted prior to July 24, 2009; (ii) \$11.75 per share if converted on or after July 24, 2009 and before July 24, 2010; and, (iii) \$12.50 per share if converted on or after July 24, 2010 and prior to the conversion expiry time.

Subject to certain conditions precedent, the Corporation may redeem the debentures prior to maturity at a redemption price equal to their principal amount plus interest accruing to but otherwise unpaid to the date preceding the redemption date plus a premium equal to 6% of the outstanding principal amount if redeemed prior to July 24, 2009, 4% of the outstanding principal amount if redeemed on or after July 24, 2009 but before July 24, 2010, or 2% of the outstanding principal amount if redeemed on or after July 24, 2010 and prior to maturity. These conditions precedent include the requirement that: (i) the Corporation send notice of its intent to redeem the debentures and of the proposed redemption date to all debenture holders at least 60 days and not more than 90 days prior to such redemption date; (ii) at the time of sending such notice, the weighted average trading price of the Corporation's common shares for the 60 days preceding the date of the notice is equal to or exceeds the then applicable conversion price of the debentures; and, (iii) on the redemption date, the Corporation must redeem all of the outstanding debentures that have not then been converted into common shares.

For accounting purposes, the debentures contain both a liability component and an equity component, being the holders' conversion rights, which have been separately presented on the balance sheet. The Corporation allocated the face value of the debentures to the liability and equity components. At issuance, the Corporation estimated the fair value of the conversion option by deducting the present value of the future cash outflows of the debentures, if no conversion rights are attached, from the face value of the principal of the debentures. The fair value of the liability component was determined by discounting the stream of future payments of loan principal and interest at the estimated prevailing market rates of between 15.00% and 15.74% for a comparable debt instrument that excluded any conversion privilege by the holders. The residual carrying value of the debentures is to be accreted to the redemption value of the debenture to the redemption date of the debenture based on an effective annual interest rate.

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

**10. Convertible debentures** (continued)

	<b>June 30 2011</b>	<b>December 31 2010</b>	<b>January 1 2010</b>
Face value of convertible debentures	\$ 19,576,200	\$ 9,690,800	\$ 5,000,000
Plus: accretion	1,111,549	765,365	379,149
Less: debt issue costs	(912,181)	(434,688)	(160,000)
Equity portion of convertible debenture	(2,943,934)	(1,440,321)	(734,500)
<b>Less, current portion of convertible debenture</b>	<b>(4,900,060)</b>	<b>(4,800,199)</b>	<b>-</b>
	<b>\$11,931,574</b>	<b>\$ 3,780,957</b>	<b>\$ 4,484,649</b>

**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 have been classified as a current liability.

**12. Promissory notes payable**

As part of the acquisition of North Rim, the Corporation issued a \$375,000 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 June 30, 2011, \$140,696 of principle payments had been made on the promissory note.

As a part of the acquisition of Kimpar, promissory notes were issued to various creditors in the amount of \$193,970 in total by Kimpar. The notes are unsecured, non-interest bearing and are due November 7, 2012.

**13. Decommissioning liabilities**

	<b>June 30 2011</b>	<b>December 31 2010</b>
<b>Balance, beginning of period</b>	<b>\$ 168,747</b>	<b>\$ -</b>
Liabilities incurred	21,943	145,345
Liabilities acquired	-	14,535
Accretion expense	5,481	8,867
<b>Balance, end of period</b>	<b>\$ 196,171</b>	<b>\$ 168,747</b>

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

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

**13. Decommissioning liabilities** (continued)

\$328,380. 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.

**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:

	<b>June 30</b>	<b>December 31</b>
	<b>2011</b>	<b>2010</b>
Non-capital loss carryforwards	\$ 38,220	\$ 533,211
Deferred share issue costs	363,564	308,352
Mineral properties	(2,377,307)	(2,266,949)
Property and equipment	(3,024)	-
Investments	(2,605,055)	(3,588,288)
<b>Long-term deferred income tax liability</b>	<b>\$ (4,583,602)</b>	<b>\$ (5,013,674)</b>

**15. Common shares and contributed surplus**

Authorized an unlimited number of common shares without par value.

**Common shares issued**

	<b>Common</b>	<b>Share</b>
	<b>Shares</b>	<b>Capital</b>
<b>Balance, January 1, 2010</b>	<b>8,345,572</b>	<b>\$40,506,340</b>
Exchanged for units of the 2009 Fund	4,351,810	7,572,149
Shares repurchased and cancelled	(398,899)	(844,552)
<b>Balance, December 31, 2010</b>	<b>12,298,483</b>	<b>\$47,233,937</b>
Exchanged for units of the 2010 Fund	2,714,122	8,105,809
Warrants and broker warrants exercised	508,474	1,914,908
Stock options exercised	33,510	136,706
Shares repurchased and cancelled	(42,700)	(114,860)
Share issue costs	-	(23,688)
<b>Balance, June 30, 2011</b>	<b>15,511,889</b>	<b>\$57,252,812</b>

**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 Option Plan is to attract, retain and motivate directors,

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

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

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 year is presented below.

	<b>June 30, 2011</b>		<b>December 31, 2010</b>	
	<b>Options</b>	<b>Price</b>	<b>Options</b>	<b>Price</b>
<b>Outstanding, beginning of period</b>	630,000	2.20	295,000	2.03
Options exercised	(33,510)	(2.09)	-	-
Options cancelled	-	-	(25,000)	(2.00)
Options granted	195,000	3.60	300,000	2.35
Options granted	-	-	60,000	2.00
<b>Outstanding, end of period</b>	<b>791,490</b>	<b>\$ 2.61</b>	<b>630,000</b>	<b>\$ 2.20</b>

During the quarter, the board of directors of the Corporation approved the grant of 195,000 stock options pursuant to the Corporation's 2008 Option Plan. 144,000 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 Plan and applicable policies of the TSX Venture Exchange.

During 2010, the board of directors of the Corporation approved the grant of 360,000 stock options pursuant to the Corporation's 2008 Option Plan. 255,000 of the options were granted to directors and executive officers with the balance granted to employees. 295,000 of the options are exercisable at \$2.00 per share and, if not exercised, expire April 2, 2019, subject to earlier expiration in accordance with the Plan and applicable policies of the TSX Venture Exchange. 25,000 of the options are exercisable at \$2.38 per share and, if not exercised, expire September 9, 2019, subject to earlier expiration in accordance with the Plan and applicable policies of the TSX Venture Exchange. 300,000 of the options are exercisable at \$2.35 per share. 280,000 of these options, if not exercised, expire March 25, 2020, while 20,000 of these options, if not exercised, expire June 18, 2020. 60,000 of the options are exercisable at \$2.00 per share and, if not exercised, expire October 15, 2010.

During 2010, and prior to the Corporation acquiring its 89.5% interest, the board of directors of Allstar approved a grant of 200,000 stock options pursuant to Allstar's stock option plan. 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 during the quarter, using the Black-Scholes option-pricing model, was \$564,248 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 between 2.25%, expected life of options 10 years, annualized volatility 83.74% and dividend rate of nil.

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

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

The value of options issued in 2010, using the Black-Scholes option-pricing model, was \$767,883 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 between 2.40% and 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:

	June 30, 2011		December 31, 2010	
	Warrants	Price	Warrants	Price
<b>Outstanding, beginning of period</b>	3,942,041	\$ 3.50	3,942,041	\$ 3.50
Warrants exercised	(221,340)	\$ (3.50)	-	\$ -
Warrants granted	287,134	\$ 3.50	-	-
Warrants expired	(3,785,973)	\$ (3.50)		
<b>Outstanding, end of period</b>	<b>221,862</b>	<b>\$ 3.50</b>	<b>3,942,041</b>	<b>\$ 3.50</b>

**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

	June 30, 2011		December 31, 2010	
	Warrants	Price	Warrants	Price
<b>Outstanding, beginning of period</b>	312,992	\$ 2.75	312,992	\$ 2.75
Broker warrants exercised	(287,134)	(2.75)	-	-
Broker warrants expired	(23,795)	(2.75)		
<b>Outstanding, end of period</b>	<b>2,063</b>	<b>\$ 2.75</b>	<b>312,992</b>	<b>\$ 2.75</b>

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 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:

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

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

**Contributed surplus** (continued)

	<b>June 30</b>	<b>December 31</b>
	<b>2011</b>	<b>2010</b>
Balance, beginning of period	\$ 2,619,582	\$ 1,465,871
Stock options exercised	(66,710)	-
Broker warrants exercised	(350,268)	-
Fair value of stock options granted	557,213	767,883
Change in ownership of subsidiary	(385,828)	385,828
Balance, end of period	<b>\$ 2,373,989</b>	<b>\$ 2,619,582</b>

**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**

**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 acquisition method and the following table summarizes the fair value of the assets acquired and liabilities assumed at the date of purchase.

**Net assets acquired**

Current assets	\$ 55,192
Property, plant and equipment	4,029,954
Other long term assets	62,025
Goodwill	<u>933,992</u>
	<b>4,983,093</b>
Current liabilities	405,587
Future income taxes	387,624
Other long-term liabilities	398,560
Non-controlling interest	<u>408,386</u>
	<b><u>\$ 3,481,005</u></b>
<b><u>Consideration</u></b>	
Cash	<b><u>\$ 3,481,005</u></b>



**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

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**16. Acquisitions (continued)**

**Purchase of Kimpar Resources Inc.**

On December 13, 2010, the Corporation agreed to purchase a total of 45,246,000 common shares of Kimpar for a purchase price of \$0.025 per share.

The acquisition was accounted for using the acquisition method and the following table summarizes the fair value of the assets acquired and liabilities assumed at the date of purchase.

**Net assets acquired**

Current assets	\$ 492,907
Exploration and evaluation assets	<u>1,710,301</u>
	<b>2,175,033</b>
Current liabilities	595,140
Non-controlling interest	<u>321,614</u>
	<b><u>\$ 1,286,454</u></b>

**Consideration**

Cash	\$ 500,000
Conversion of existing loan to common shares	646,000
Previous purchase	27,600
Settlement of loans receivable	<u>112,854</u>
<b>Total consideration</b>	<b><u>\$ 1,286,454</u></b>

**Purchase of Vicarage Capital Corp.**

On May 13, 2011, the Corporation purchased an additional 25% of Vicarage for a total of 50% of the common voting shares of Vicarage.

The acquisition was accounted for using the acquisition method and the following table summarizes the fair value of the assets acquired and liabilities assumed at the date of purchase.

**Net assets acquired**

Current assets	\$ 169,758
Goodwill	<u>649,293</u>
	<b>819,051</b>
Current liabilities	<u>44,825</u>
	<b><u>\$ 774,226</u></b>

**Consideration**

<b>Cash</b>	<b><u>\$ 774,226</u></b>
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**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

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**17. Commitments**

The Corporation's subsidiary is committed to spend \$7,180,210 in qualifying cumulative exploration expenditures by December 31, 2011. As at June 30, 2011 the balance to be expensed was \$3,171,135.

The Corporation has committed to invest an additional \$751,000 in the Lex Capital Limited Partnerships.

The Corporation has guaranteed one of its subsidiary's line of credit. As at June 30, 2011 the bank indebtedness of the subsidiary was \$1,290,535.

The Corporation, through its subsidiary Kimpar, entered into nine asset purchase agreements under which the Corporation is committed to conduct exploration work representing capital expenditures in the amount of \$2,900,000 over the next four years. Kimpar has minimum annual statutory obligations of \$13,052 and annual minimum work commitments of \$173,993 in order to keep its various claims in good standing.

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 Company'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 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) 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);
- (c) raising capital through equity financings;
- (d) borrowing funds in the form of advances from related parties; and,
- (e) purchasing the Corporation's own shares for cancellation pursuant to its normal course issuer bid.

The Corporation is not subject to any capital requirements imposed by a regulator. There were no changes in the Corporation's approach to capital management during the period. To date, the Corporation has not declared any cash dividends to its common shareholders as part of its capital management program. The Corporation's management is responsible for the management of capital and monitors the Corporation's use of various forms of leverage on a daily basis. The Corporation expects that its current capital resources will be sufficient to discharge its liabilities as at June 30, 2011.

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

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**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.

**(c) Interest rate risk:**

Interest rate risk is the impact that changes in interest rates could have on the Corporation's earnings and liabilities. As at June 30, 2011, 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.

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

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**19. Financial instruments (continued)**

**(d) Credit risk:**

Credit risk is the risk associated with the inability of a third party to fulfill its payment obligations. The Corporation is exposed to the risk that third parties that owe it money or securities (in connection with its loans receivable, for example) will not perform their underlying obligations. At June 30, 2011 the Corporation had loans and advances receivable from companies, totaling \$5,332,366 (2010 - \$6,378,921) which represents approximately 6.3% (2010 – 8.37%) 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 June 30, 2011 – Financial (swap) of Light Crude with a price of \$82.76. The fair value of the contract as of June 30, 2011 is a liability of \$224,069 (2010 - \$249,204).

**(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 June 30, 2011 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>\$ 24,132,850</u>	<u>\$ 1,805,585</u>	<u>\$20,807,432</u>	<u>\$46,745,867</u>

For the period ended June 30, 2011, a reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

Beginning balance as at December 30, 2010	\$13,669,056
Additional investments	7,912,602
Transferred out of investments	<u>(774,226)</u>
Balance at June 30, 2011	<u>\$20,807,432</u>

During the period ended June 30, 2011, Vicarage was transferred out of the Level 3 investments.

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

**20. 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 June 30, 2011, the Corporation has three reportable segments: merchant banking and resource investment, brokerage, extractive and geological advisory.

	<b>Resource Investment</b>	<b>Geological Advisory</b>	<b>Brokerage</b>	<b>Extractive Industries</b>	<b>Total</b>
<b>Total assets</b>	<b>\$ 63,329,737</b>	<b>\$ 1,181,852</b>	<b>\$ 890,707</b>	<b>\$23,276,657</b>	<b>\$88,678,953</b>
<b>Revenues</b>					
Geological and other consulting	-	2,037,587	183,641	-	2,221,228
Realized gains	5,212,477	-	-	-	5,212,477
Oil and gas sales	-	-	-	3,086,724	3,086,724
Unrealized gains	(5,473,983)	-	-	-	(5,473,983)
Royalty income	-	-	-	60,685	60,685
Interest, rent and dividend income	176,942	117,134	2,756	112,678	409,510
	<b>(84,564)</b>	<b>2,154,721</b>	<b>186,397</b>	<b>3,260,087</b>	<b>5,516,641</b>
<b>Expenses</b>					
Amortization and depletion	56,221	24,243	-	931,523	1,011,987
Business and investor relations	483,511	81,163	-	1,891	566,565
Finance	759,124	12,229	-	173,907	945,260
Management fees	592,895	-	-	3,034	595,929
General and administration	110,280	240,650	91,365	334,600	776,895
Oil and gas operations	-	-	-	1,096,421	1,096,421
Professional fees	235,032	65,697	-	44,933	345,662
Project costs	-	610,807	55,397	-	666,204
Stock based compensation	564,248	-	-	-	564,248
Transaction costs	861,384	-	-	-	861,384
Wages and benefits	233,186	931,503	-	-	1,164,689
	<b>3,895,881</b>	<b>1,966,292</b>	<b>146,762</b>	<b>2,586,309</b>	<b>8,595,244</b>
<b>Income before income taxes</b>	<b>(3,980,445)</b>	<b>188,429</b>	<b>39,635</b>	<b>673,778</b>	<b>(3,078,603)</b>
Current income tax	25,093	38,947	-	-	64,040
Deferred income tax	(663,481)	-	-	142,751	(520,730)
<b>Net loss</b>	<b>(3,342,057)</b>	<b>149,482</b>	<b>39,635</b>	<b>531,027</b>	<b>(2,621,913)</b>

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

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**21. First time adoption of International Financial Reporting Standards**

As disclosed in note 2, these are the Corporation's second financial statements prepared in accordance with IFRS. The Corporation has adopted IFRS effective January 1, 2011. The Corporation's annual financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply fully with IFRS. The Corporation's transition date is January 1, 2010 and the Corporation has prepared its first statement of financial position at that date.

The accounting policies set out in note 2 have been applied in preparing the financial statements for the period ended June 30, 2011, the comparative information presented in these financial statements for the period ended June 30, 2010 and December 31, 2010 and the preparation of the opening IFRS statement of financial position at January 1, 2010. The Corporation will ultimately prepare its opening statement of financial position and financial statements for 2010 and 2011 by applying existing IFRS effective as at December 31, 2011. Accordingly, the opening statement of financial position and financial statements for 2010 and 2011 may differ from these financial statements.

In preparing its opening IFRS statement of financial position, the Corporation has adjusted amounts reported previously in financial statements prepared in accordance with Previous CGAAP. An explanation of how the transition from Previous CGAAP to IFRS has affected the Corporation's financial position, financial performance and cash flows is set out in a number of reconciliation tables including the accompanying notes.

Under IFRS 1 "First time adoption of International Financial Reporting Standards", the IFRS standards are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under CGAAP taken to retained earnings, with IFRS 1 providing certain optional exemptions and exceptions from full retrospective application of IFRS. The elected exemptions include the following:

- Business combinations – the Corporation has applied the business combination exemption in IFRS 1 to not apply IFRS 3 retrospectively to past business combinations. Accordingly, the Corporation has not restated business combinations that occurred prior to January 1, 2010.
- Share based payment transactions – the Corporation has elected not to apply IFRS 2 to share based payments to awards that vested prior to January 1, 2010. Awards that were unvested at the date of transition were restated retroactively.
- Oil and gas property cost basis – IFRS 1 allows an entity that used full cost accounting under its previous CGAAP to elect, at the time of adoption of IFRS, to measure oil and natural gas assets in the development and production phases by allocating the amount determined under the entity's previous CGAAP for those assets to the underlying assets on a pro rata basis using reserve volumes or reserve values as of that date. The Corporation has used reserve values at January 1, 2010 to allocate the cost of development and production assets.
- Decommissioning liabilities – as the Corporation elected to use the full cost accounting exemption for oil and gas, a decommissioning obligation exemption was also used that allows for the adjustment of decommissioning obligations on transition to IFRS to be offset to the Corporation's opening deficit on the statement of financial position on the transition date.

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

**21. First time adoption of International Financial Reporting Standards (continued)**  
**Reconciliation of assets, Liabilities and Equity**  
**January 1, 2010**

	Note	CGAAP	IFRS Adjustment	IFRS
<b>ASSETS</b>				
Equity investments, at fair value		\$ 37,140,911	-	\$ 37,140,911
Loans and advances receivable		3,109,195	-	3,109,195
Management fees and reimbursements		11,183	-	11,183
Accounts receivable and prepaids		883,881	-	883,881
Mineral properties and deposits		309,432	-	309,432
Goodwill		394,740	-	394,740
Property, plant and equipment		222,394	-	222,394
<b>Total assets</b>		<b>\$ 42,071,736</b>	<b>-</b>	<b>\$ 42,071,736</b>
<b>LIABILITIES</b>				
Bank indebtedness		\$ 2,023,078	-	\$ 2,023,078
Accounts payable and accrued liabilities		891,510	-	891,510
Promissory note payable		375,000	-	375,000
Convertible debentures		4,484,649	-	4,484,649
Deferred tax liabilities		2,049,785	-	2,049,785
<b>Total liabilities</b>		<b>9,824,022</b>	<b>-</b>	<b>9,824,022</b>
Minority interest	<b>1</b>	<b>292,254</b>	<b>(292,254)</b>	<b>-</b>
<b>EQUITY</b>				
Common shares		40,506,340	-	40,506,340
Contributed surplus		1,465,871	-	1,465,871
Equity portion of convertible debentures		734,500	-	734,500
Deficit		(10,751,251)	-	(10,751,251)
		<b>31,955,460</b>	<b>-</b>	<b>31,955,460</b>
Non-controlling interest	<b>1</b>	-	292,254	292,254
<b>Total liabilities and equity</b>		<b>\$ 42,071,736</b>	<b>-</b>	<b>\$ 42,071,736</b>

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

**21. First time adoption of International Financial Reporting Standards (continued)**

**Reconciliation of assets, liabilities and equity**  
**June 30, 2010**

	Note	CGAAP	IFRS Adjustment	IFRS
<b>ASSETS</b>				
Cash and cash equivalents		\$ -	-	\$ -
Equity investments at fair value		33,138,886	-	33,138,886
Loans and advances receivable		1,217,948	-	1,217,948
Accounts receivable and prepaids		870,236	-	870,236
Mineral properties and deposits		6,365,372	-	6,365,372
Goodwill		1,523,154	-	1,523,154
Property, plant and equipment		6,540,340	-	6,540,340
		<b>\$ 49,655,936</b>	<b>-</b>	<b>\$ 49,655,936</b>
<b>LIABILITIES</b>				
Bank indebtedness		\$ 235,424	-	\$ 235,424
Accounts payable and accrued liabilities		939,198	-	939,198
Income tax payable		1,269,092	-	1,269,092
Management fees and reimbursements payable		37,625	-	37,625
Promissory note payable		375,000	-	375,000
Convertible debentures		4,642,385	-	4,642,385
Asset retirement obligations		149,778	-	149,778
{referred shares		201,000	-	201,000
Deferred tax liabilities		1,219,317	-	1,219,317
		<b>9,068,819</b>	<b>-</b>	<b>9,068,819</b>
<b>Minority interest</b>	<b>1</b>	<b>587,998</b>	<b>(587,998)</b>	<b>-</b>
<b>EQUITY</b>				
Common shares		47,455,390	-	47,455,390
Contributed surplus		2,101,652	-	2,101,652
Equity portion of convertible debentures		734,500	-	734,500
Deficit		(10,292,423)	-	(10,292,423)
		<b>39,999,119</b>	<b>-</b>	<b>39,999,119</b>
Non-controlling interest	<b>1</b>	-	587,998	587,998
<b>Total liabilities and equity</b>		<b>\$ 49,655,936</b>	<b>-</b>	<b>\$ 49,655,936</b>



**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

**21. First time adoption of International Financial Reporting Standards (continued)**

**Reconciliation of net income**  
**June 30, 2010**

	For the three months ended June 30			For the six months ended June 30		
	CGAAP	IFRS Adjustment	IFRS	CGAAP	IFRS Adjustment	IFRS
<b>Revenues</b>						
Geological consulting	\$ 616,515	\$ -	\$ 616,515	\$ 1,524,808	\$ -	\$ 1,524,808
Oil and gas sales	61,740	-	61,740	61,740	-	61,740
Realized gains (losses)	553,755	-	553,755	16,047,532	-	16,047,532
Unrealized (losses) gains	(5,753,026)	-	(5,753,026)	(12,972,785)	-	(12,972,785)
Investment and royalty income	183,404	-	183,404	282,608	-	282,608
	<b>(4,337,612)</b>	<b>-</b>	<b>(4,337,612)</b>	<b>4,943,903</b>	<b>-</b>	<b>4,943,903</b>
<b>Expenses</b>						
Amortization and depletion	178,376	-	178,376	203,042	-	203,042
Business and investor relations	246,495	-	246,495	456,967	-	456,967
Finance	207,483	-	207,483	439,905	-	439,905
Management fees	207,240	-	207,240	432,305	-	432,305
General and administration	190,392	-	190,392	339,595	-	339,595
Oil and gas operations	52,447	-	52,447	202,803	-	202,803
Professional fees	433,517	-	433,517	576,215	-	576,215
Share based compensation	78,388	-	78,388	635,781	-	635,781
Transaction costs	47,023	-	47,023	85,940	-	85,940
Wages and benefits	567,770	-	567,770	1,009,927	-	1,009,927
	<b>2,209,131</b>	<b>-</b>	<b>2,209,131</b>	<b>4,382,480</b>	<b>-</b>	<b>4,382,480</b>
<b>Income before income taxes</b>	<b>(6,546,743)</b>	<b>-</b>	<b>(6,546,743)</b>	<b>561,423</b>	<b>-</b>	<b>561,423</b>
Current income tax (recovery)	(172,173)	-	(172,173)	1,296,092	-	1,296,092
Future income tax (recovery)	(2,362,538)	-	(2,362,538)	(1,218,092)	-	(1,218,092)
<b>Net income</b>	<b>\$ (4,012,032)</b>	<b>\$ -</b>	<b>\$ (4,012,032)</b>	<b>\$ 483,423</b>	<b>\$ -</b>	<b>\$ 483,423</b>
Net income to common shareholders	(3,956,363)	-	(3,956,363)	458,827	-	458,827
Net income to non-controlling interest	(55,669)	-	(55,669)	24,596	-	24,596
<b>Net income</b>	<b>\$ (4,012,032)</b>	<b>\$ -</b>	<b>\$ (4,012,032)</b>	<b>\$ 483,423</b>	<b>\$ -</b>	<b>\$ 483,423</b>
<b>Basic (loss) earnings per share</b>	<b>\$ (0.32)</b>	<b>\$ -</b>	<b>\$ (0.32)</b>	<b>\$ 0.004</b>	<b>\$ -</b>	<b>\$ 0.004</b>
<b>Diluted (loss) earnings per share</b>	<b>\$ (0.32)</b>	<b>\$ -</b>	<b>\$ (0.32)</b>	<b>\$ 0.004</b>	<b>\$ -</b>	<b>\$ 0.004</b>
<b>Weighted average number of shares</b>	<b>12,366,132</b>		<b>12,366,132</b>	<b>12,080,157</b>		<b>12,080,157</b>

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

**21. First time adoption of International Financial Reporting Standards (continued)**

**Reconciliation of assets, liabilities and equity**  
**December 31, 2010**

	Note	CGAAP	IFRS Adjustment	IFRS
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents		\$ 1,526,415	-	\$ 1,526,415
Equity instruments, at fair value		45,470,707	-	45,470,707
Loans and advances receivable		6,378,921	-	6,378,921
Accounts receivable and prepaid expenses	2	2,380,387	108,981	2,489,368
		<b>55,756,430</b>	<b>108,981</b>	<b>55,865,411</b>
<b>Non-current assets</b>				
Exploration and evaluation assets	3	5,952,897	28,175	5,981,072
Goodwill	3	1,523,152	98,070	1,621,222
Property, plant and equipment	2	12,696,285	30,926	12,727,211
<b>Total assets</b>		<b>\$ 75,928,764</b>	<b>266,152</b>	<b>\$ 76,194,916</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities	2	\$ 3,979,528	\$ 244,199	\$ 4,223,727
Management fees and reimbursements payable		116,624	-	116,624
Current portion of convertible debentures		4,800,119	-	4,800,119
Current portion of loans payable		1,815,773	-	1,815,773
Income taxes payable		123,409	-	123,409
Deferred income tax liabilities	4	3,588,288	(3,588,288)	-
		14,423,741	(3,344,089)	11,079,652
<b>Non-current liabilities</b>				
Convertible debentures		3,780,957	-	3,780,957
Loans payable		1,275,800	-	1,275,800
Promissory note payable		541,303	-	541,303
Decommissioning liabilities		168,747	-	168,747
Deferred income tax liabilities	4	1,425,386	3,588,288	5,013,674
<b>Total liabilities</b>		<b>21,615,934</b>	<b>244,199</b>	<b>21,860,133</b>
Minority interest	1	<b>2,176,754</b>	<b>(2,176,754)</b>	-
<b>EQUITY</b>				
Common shares		47,233,937	-	47,233,937
Contributed surplus	5	2,233,754	385,828	2,619,582
Equity portion of convertible debentures		1,440,321	-	1,440,321
Retained earnings (deficit)	2, 5	1,228,064	(490,120)	737,944
		<b>52,136,076</b>	<b>(104,292)</b>	<b>52,031,784</b>
Non-controlling interest	1, 3	-	2,302,999	2,302,999
<b>Total liabilities and equity</b>		<b>\$ 75,928,764</b>	<b>\$ 266,152</b>	<b>\$ 76,194,916</b>

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

**21. First time adoption of International Financial Reporting Standards (continued)**

**Reconciliation of net income**  
**December 31, 2010**

	Note	CGAAP	IFRS Adjustment	IFRS
<b>Revenue</b>				
Realized net gains		\$ 18,376,900	-	\$ 18,376,900
Unrealized net gains		1,291,934	-	1,291,934
Geological consulting fees		3,035,970	-	3,035,970
Oil and gas sales		1,062,699	-	1,062,699
Royalty income		336,453	-	336,453
Interest, rent and dividend income		427,793	-	427,793
		<b>24,531,749</b>	<b>-</b>	<b>24,531,749</b>
<b>Expenses</b>				
Amortization and depletion		1,639,619	-	1,639,619
Business development and investor relations		865,997	-	865,997
Finance		1,118,930	-	1,118,930
Management fees		968,155	-	968,155
Office and administration		900,470	-	900,470
Oil and gas operating expense	2	415,797	367,595	783,392
Professional fees		851,538	-	851,538
Project expenses		318,585	-	318,585
Stock-based compensation		767,883	-	767,883
Transaction costs		244,612	-	244,612
Wages and benefits		2,063,319	-	2,063,319
		<b>10,154,905</b>	<b>367,595</b>	<b>10,522,500</b>
Gain on disposal of asset	4	-	263,103	263,103
<b>Income before income taxes</b>		<b>14,376,844</b>	<b>(104,492)</b>	<b>14,272,352</b>
Current income tax		752,144	-	752,144
Future income tax		1,857,354	-	1,857,354
<b>Net income before non-controlling interest</b>		<b>11,767,346</b>	<b>(104,492)</b>	<b>11,662,854</b>
Non-controlling interest	5	211,969	(385,628)	(173,659)
<b>Net income</b>		<b>11,979,315</b>	<b>(490,120)</b>	<b>11,489,195</b>
Deficit, beginning of year		(10,751,251)	-	(10,751,251)
<b>Retained earnings (deficit), end of year</b>	<b>2, 4, 5</b>	<b>\$ 1,228,064</b>	<b>\$ (490,120)</b>	<b>\$ 737,944</b>
<b>Basic earnings per share</b>		<b>\$ 0.99</b>	<b>\$ (0.04)</b>	<b>\$ 0.95</b>
<b>Diluted earnings per share</b>		<b>\$ 0.96</b>	<b>\$ (0.04)</b>	<b>\$ 0.92</b>

**49 North Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
(unaudited)

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**21. First time adoption of International Financial Reporting Standards (continued)**

1. **Reclassification of non-controlling interests to shareholders equity**  
Under IFRS any non-controlling interests is to be classified as a component of equity. Under previous CGAAP non-controlling interest was classified outside of equity.
2. **Reclassification to exploration and evaluation assets**  
Under IFRS, costs incurred prior to obtaining the legal right to explore must be expensed. Under CGAAP, these costs were capitalized. For the year ended December 31, 2010, the Corporation recorded \$367,595 of pre-license expenditures with a corresponding decrease in PP&E
3. **Business combinations and non-controlling interests**  
Under IFRS, non-controlling interests are recognized at the non-controlling interest's proportionate share of the acquiree's identifiable net assets as reflected in the purchase price allocation. Under CGAAP non-controlling interests are recognized in the subsidiary's assets and liabilities in terms of carrying values recorded in the subsidiary's accounting records. For the year ended December 31, 2010, the Corporation recorded \$28,175 of exploration and evaluation assets, \$98,070 of goodwill and a corresponding \$126,245 in non-controlling interest.
4. **Divestitures - gain on sale of property, plant and equipment**  
Under IFRS, gains and losses are recorded on divestitures and are calculated as the difference between the proceeds and the net book value of the asset disposed of. Under CGAAP, proceeds from divestitures were deducted from the full cost pool without recognition of a gain or loss. For the year ended December 31, 2010, the Corporation recorded a \$263,103 gain on disposition of oil and gas properties for IFRS as compared to nil under previous CGAAP.
5. **Deferred income taxes**  
Under IFRS, all deferred tax assets and liabilities are classified as long-term. Under CGAAP, deferred tax assets and liabilities were presented according to the classification of the underlying asset or liability that created the difference in the deferred tax amount. For the year ended December 31, 2010, the Corporation reclassified \$3,588,288 of current deferred income tax liability to long term.
6. **Change in subsidiary ownership interest that do not result in loss of control**  
Under IFRS any change in subsidiary ownership where the parent does not cease to have control is accounted for as an equity transaction, within contributed surplus. Under CGAAP, the change in ownership was recorded as an income transaction. For the year ended December 31, 2010, the Corporation's ownership of NEWSK Emerging Resources Ltd. decreased by 26.4% due to a private share offering in 2010. This resulted in an increase in contributed surplus of \$385,628 for IFRS with a corresponding decreased in net income by \$385,628.

The transition from CGAAP to IFRS had no material impact on the net cash flows of the Corporation.

**22. Comparative figures**

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