



**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**June 30, 2013**

**(Unaudited - Prepared by Management)**

**NOTICE OF NO AUDITOR REVIEW**

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

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

**49 North Resources Inc.**  
**Condensed Consolidated Interim Statement of Financial Position**  
(unaudited - in thousands of Canadian dollars)  
(See Note 1 – Description of business and going concern)

	June 30 2013	December 31 2012
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,767	\$ 8,098
Equity instruments, at fair value (Note 3)	17,729	20,529
Loans and advances receivable (Note 4)	212	1,425
Management fees receivable (Note 9)	-	85
Accounts receivable and prepaid expenses	779	1,472
	<b>21,487</b>	<b>31,609</b>
<b>Non-current assets</b>		
Equity investment in associate (Note 5)	9,343	9,313
Exploration and evaluation assets (Note 6)	23,386	19,318
Goodwill (Note 7)	531	531
Property, plant and equipment (Note 8)	863	886
<b>Total assets</b>	<b>\$ 55,610</b>	<b>\$ 61,657</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 4,498	\$ 8,267
Management fees and reimbursements payable (Note 9)	73	-
Current portion of convertible debentures (Note 10)	-	4,411
Income taxes payable	-	155
	<b>4,571</b>	<b>12,833</b>
<b>Non-current liabilities</b>		
Convertible debentures (Note 10)	14,752	10,170
Loans payable (Note 11)	12	1,054
Promissory note payable (Note 12)	-	59
Decommissioning liabilities (Note 13)	715	741
Other Liability	77	105
Deferred income tax liabilities (Note 14)	1,659	2,335
<b>Total liabilities</b>	<b>21,786</b>	<b>27,297</b>
Contingencies and commitments (Note 17)		
Description of business and going concern (Note 1)		
<b>EQUITY</b>		
Common shares (Note 15)	65,871	57,862
Contributed surplus (Note 15)	2,208	2,533
Equity portion of convertible debentures (Note 10)	1,929	1,516
Deficit	(37,807)	(30,602)
<b>Equity attributable to common shareholders</b>	<b>32,201</b>	<b>31,309</b>
Minority interest	1,623	3,051
<b>Total liabilities and equity</b>	<b>\$ 55,610</b>	<b>\$ 61,657</b>

**Approved by the Board**

“Tom MacNeill”  
\_\_\_\_\_  
Director

“Norman Betts”  
\_\_\_\_\_  
Director

**49 North Resources Inc.****Condensed Consolidated Interim Statement of Loss and Comprehensive Loss**

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

	For the three months ended June 30		For the six months ended June 30	
	2013	2012	2013	2012
<b>Continuing operations</b>				
<b>Revenues</b>				
Oil and gas sales	\$ 146	\$ -	\$ 286	\$ -
Geological and other consulting	527	2,067	1,588	3,605
Realized gains (losses)	(533)	60	(462)	(1,200)
Unrealized (losses) gains on portfolio investments (note 3)	(1,516)	(6,235)	(4,424)	(3,314)
Royalty income	-	39	-	60
Interest and dividend income	72	145	204	355
	<b>(1,304)</b>	<b>(3,924)</b>	<b>(2,808)</b>	<b>(494)</b>
<b>Expenses</b>				
Oil and gas operations	572	-	879	-
Amortization and depletion	30	45	56	64
Business and investor relations	150	125	341	371
Finance	649	767	1,292	1,628
Management fees (Note 9)	58	332	279	705
General and administration	469	581	973	1,040
Professional fees	176	201	253	438
Project costs on geological and other consulting activities	192	1,503	640	1,990
Transaction costs	4	16	14	685
Wages and benefits	534	898	1,186	1,593
	<b>2,834</b>	<b>4,468</b>	<b>5,913</b>	<b>8,514</b>
Gain on debenture restructure	426	-	426	-
Impairment of exploration and evaluation asset (Note 6)	(1,630)	-	(1,630)	-
<b>Loss before income taxes</b>	<b>(5,342)</b>	<b>(8,392)</b>	<b>(9,925)</b>	<b>(9,008)</b>
Current income tax	32	31	43	79
Deferred income tax (recovery)	(926)	(359)	(1,748)	(355)
<b>Net loss from continuing operations</b>	<b>\$ (4,448)</b>	<b>\$ (8,064)</b>	<b>\$ (8,220)</b>	<b>\$ (8,732)</b>
<b>Discontinued operations</b>				
Profit for the period from discontinued operations after tax (Note 6)	\$ -	\$ 234	\$ -	\$ 873
<b>Loss and comprehensive loss for the year</b>	<b>5,020</b>	<b>(7,830)</b>	<b>(8,220)</b>	<b>(7,859)</b>
Loss to common shareholders from continuing operations	(3,501)	(7,900)	(7,205)	(8,450)
Income to common shareholders from discontinued operations	-	-	-	873
Loss to non-controlling interest from continuing operations	(947)	(164)	(1,015)	(282)
Income to non-controlling interest from discontinued operations	-	-	-	-
<b>Net loss and comprehensive loss</b>	<b>\$ (4,448)</b>	<b>\$ (8,064)</b>	<b>\$ (8,220)</b>	<b>\$ (7,859)</b>
<b>Basic and diluted loss per share</b> (Note 15)	<b>\$ (0.17)</b>	<b>\$ (0.50)</b>	<b>\$ (0.36)</b>	<b>\$ (0.48)</b>
<b>Weighted average number of shares outstanding</b>	<b>21,053,077</b>	<b>15,781,508</b>	<b>20,109,902</b>	<b>15,704,121</b>

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

	Attributable to the common shareholders							Minority Interest	Total Equity
	Common Shares	Share Capital	Contributed Surplus	Equity portion of convertible debentures	Deficit	Total			
<b>Balance, January 1, 2012</b>	<b>15,505</b>	<b>\$ 57,235</b>	<b>\$ 3,958</b>	<b>\$ 1,516</b>	<b>\$ (10,070)</b>	<b>\$ 52,639</b>	<b>\$ 2,705</b>	<b>\$ 55,344</b>	
(Investment) disinvestment in subsidiary	-	-	(1,014)	-	-	(1,014)	(239)	(1,253)	
Shares issued	288	938	-	-	-	938	-	938	
Shares cancelled under normal course issuer bid (Note 15)	(12)	(36)	-	-	-	(36)	-	(36)	
Dividends paid	-	-	-	-	(631)	(631)	-	(631)	
Net loss and comprehensive loss	-	-	-	-	(7,577)	(7,577)	(282)	(7,859)	
<b>Balance, June 30, 2012</b>	<b>15,781</b>	<b>\$ 58,137</b>	<b>\$ 2,944</b>	<b>\$ 1,516</b>	<b>\$ (18,278)</b>	<b>\$ 44,319</b>	<b>\$ 2,184</b>	<b>\$ 46,503</b>	
	Common Shares	Share Capital	Contributed Surplus	Equity portion of convertible debentures	(Deficit)	Total	Minority Interest	Total Equity	
<b>Balance, January 1, 2013</b>	<b>15,628</b>	<b>\$ 57,862</b>	<b>\$ 2,533</b>	<b>\$ 1,516</b>	<b>\$ (30,602)</b>	<b>\$ 31,309</b>	<b>\$ 3,051</b>	<b>\$ 34,360</b>	
2011 Fund unit exchange (Note 16)	3,416	5,022	-	-	-	5,022	-	5,022	
2012 Fund unit exchange (Note 16)	2,149	3,158	-	-	-	3,158	-	3,158	
2011 Debenture restructure	-	-	-	413	-	413	-	413	
(Investment) disinvestment in subsidiary	-	-	(325)	-	-	(325)	(413)	(738)	
Shares cancelled under normal course issuer bid (Note 15)	(141)	(171)	-	-	-	(171)	-	(171)	
Net loss and comprehensive loss	-	-	-	-	(7,205)	(7,205)	(1,015)	(8,220)	
<b>Balance, June 30, 2013</b>	<b>21,052</b>	<b>\$ 65,871</b>	<b>\$ 2,208</b>	<b>\$ 1,929</b>	<b>\$ (37,807)</b>	<b>\$ 32,201</b>	<b>\$ 1,623</b>	<b>\$ 33,824</b>	

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

	For the three months ended June 30		For the six months ended June 30	
	2013	2012	2013	2012
<b>Cash flows from Operating Activities</b>				
Net loss	\$ (4,448)	\$ (7,730)	\$ (8,220)	\$ (7,859)
Items not affecting cash				
Realized (gains) losses	(391)	(60)	(462)	1,200
Amortization and depletion	30	726	56	1,342
Deferred income tax (recovery) expense	(926)	(408)	(1,748)	(172)
Accretion of convertible debentures	308	247	617	494
Impairment	1,630	-	1,630	649
Unrealized losses (gains)	1,515	6,235	4,424	3,314
Net changes in non-cash working capital items related to operations:	2,670	(3,927)	(1,098)	(4,772)
	<b>388</b>	<b>(4,917)</b>	<b>(4,801)</b>	<b>(5,804)</b>
<b>Cash flows from Investing Activities</b>				
Purchase of capital assets	(30)	(2,073)	(33)	(4,149)
Proceeds from disposal of capital assets	-	-	-	250
Purchase of investments	(287)	(646)	(807)	(1,794)
Proceeds from disposal of investments	300	3,703	1,036	5,155
Exploration and development	(174)	-	(252)	(1,322)
Loan advances (repayments)	(1,421)	756	206	575
Acquisition of subsidiary (net of cash)	-	-	-	(312)
	<b>(1,612)</b>	<b>1,740</b>	<b>150</b>	<b>(1,597)</b>
<b>Cash flows from Financing Activities</b>				
Repurchase of common shares	-	-	(171)	(36)
Repayment of Promissory notes	(509)	-	(509)	-
Dividends paid	-	(315)	-	(631)
	<b>(509)</b>	<b>(315)</b>	<b>(680)</b>	<b>(667)</b>
<b>Net change in cash during the period</b>	<b>(1,733)</b>	<b>(3,492)</b>	<b>(5,331)</b>	<b>(8,068)</b>
Cash, beginning of period	4,500	(4,136)	8,098	440
Cash, end of period	\$ <b>2,767</b>	\$ <b>(7,628)</b>	\$ <b>2,767</b>	\$ <b>(7,628)</b>
<b>Cash consists of:</b>				
Cash and cash equivalents			\$ 2,767	\$ 2,574
Bank indebtedness			-	(10,202)
			\$ <b>2,767</b>	\$ <b>(7,628)</b>
<b>Non cash transactions</b>				
Common shares issued for acquisition of subsidiaries	\$ -	\$ -	\$ 8,180	\$ 938
Loan repayments via acquisition of subsidiaries	\$ -	\$ -	\$ (1,035)	\$ -

## **49 North Resources Inc.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

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

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#### **1. Description of business and going concern**

##### **Description of business**

49 North Resources Inc. (the "Corporation" or "49 North") is a publicly traded company incorporated under the laws of Saskatchewan. 49 North is a diversified corporation with operations principally in oil and gas exploration, development and production, resource investment, financial, managerial and geological advisory services.

Alongside its interest in oil and gas properties in Saskatchewan, the Corporation owns and aggressively trades a diversified portfolio of common shares 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 in the portfolio.

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

##### **Going concern**

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes the Corporation will be able to realize its assets and discharge its liabilities in the ordinary course of business. To date, the Corporation has incurred losses totalling \$37,807. The recoverability of the accumulated costs shown for mineral properties, oil and gas working interests and capital assets is dependent upon the existence of economically recoverable reserves, future profitable production and on the Corporation's ability to obtain the necessary financing to fund its operations. The Corporation relies on debt and equity financing, active portfolio trading and cash from oil and gas activities to fund its operations, including the exploration and evaluation of its properties. The Corporation's continuance as a going concern is dependent upon regaining its ability to generate cash flow from its portfolio of investments and sustain profitable operations in its oil and gas activities. Management is addressing the going concern issue through corporate cost cutting measures.

There can be no certainty as to the ability of the Corporation to recover its exploration and evaluation assets or to obtain sufficient financing to continue its operations. Accordingly, there is significant uncertainty as to the ability of the Corporation to continue as a going concern. These financial statements do not reflect any adjustments or other changes that may be required should the Corporation be unable to continue as a going concern. Such adjustments and changes could be material.

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

##### **Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with IFRS 34, Interim Financial Reporting. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Corporation's annual consolidated financial statements as at and for the year ended December 31, 2012.

These condensed consolidated interim financial statements were authorized for issuance by the Corporation's Board of Directors on August 27, 2013.

## **49 North Resources Inc.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

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

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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 financial statements are prepared in Canadian dollars, which is the Corporation's functional currency.

##### **Basis of consolidation**

These condensed consolidated interim financial statements include the accounts of the Corporation's 50% owned subsidiary North Rim Exploration Ltd. ("North Rim"), its 100% owned subsidiary Allstar Energy Limited ("Allstar"), its 55.97% owned subsidiary Gespeg Copper Resources Inc. ("Gespeg"), its 50% joint interest in Vicarage Capital Corp. ("Vicarage"), its 60% owned subsidiary Purcell Range Exploration Inc. ("Purcell"), its 100% owned subsidiary Big Island Energy Ltd. ("Big Island") and its special purpose entities 101197159 Saskatchewan Ltd. (101197165 SK), 101197165 Saskatchewan Ltd. (101197165 SK), 101197166 Saskatchewan Ltd. (101197166 SK) and Newsk Emerging Resources Ltd. ("Newsk") all of which are used to invest in working interest in exploration projects (collectively, the "SPEs"). The corporation holds 100% of the non-voting common shares of each SPEs. All inter-Corporation accounts have been eliminated on consolidation. Investments are consolidated where the Corporation has the ability to exercise control. Control is achieved when the Corporation has the power to govern the financial and operating policies of the entity. For non wholly-owned subsidiaries, the net assets attributable to outside equity shareholders are presented as "non-controlling interests" in the equity section of the consolidated statement of financial position.

The corporation and its associates account for its 40% equity interest in CVG Mining Ltd. (CVG) using the equity method.

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may vary from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2012.

##### **Accounting changes**

The Corporation applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 19 (Revised 2011) Employee Benefits, IFRS 13 Fair Value Measurement and amendments to IAS 1 Presentation of Financial Statements. As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 Disclosure of Interest in Other Entities would result in additional disclosures in the annual consolidated financial statements.

## **49 North Resources Inc.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

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

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

##### **Accounting changes** (continued)

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Corporation.

##### **IFRS 10 Consolidated Financial Statements**

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Corporation.

##### **IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures**

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. The application of the new standard had no impact on the Corporation's financial statements.

##### **IFRS 12 Disclosure of Interests in Other Entities**

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period requires that they are provided. Accordingly, the Corporation has not made such disclosures

##### **IFRS 13 Fair Value Measurement**

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Corporation.



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

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

**3. Equity instruments**

As at June 30, 2013 and December 31, 2012, the Corporation's investments consist of the following:

	<b>June 30, 2013</b>		<b>December 31, 2012</b>	
	<b>Cost</b>	<b>FMV</b>	<b>Cost</b>	<b>FMV</b>
Base and Precious Metals	14,981	3,863	14,978	8,043
Coal	5,885	263	5,881	932
Diamonds	352	84	469	173
Oil & Gas	8,582	10,349	7,763	9,343
Other	4,216	2,944	3,325	1,723
Uranium	881	226	781	315
	<b>\$ 34,897</b>	<b>\$ 17,729</b>	<b>\$ 33,197</b>	<b>\$ 20,529</b>

The equity investments consist of investment in common shares of corporations of which 75.57% of the fair value are private, 22.53% are listed on the TSXV, 1.42% are listed on the CNSX and 0.48% are listed on the TSX.

As in prior periods, an analysis of fair value was prepared for the private investments held in the portfolio. The analysis used comparable entities public company stock prices, observable index comparisons, transaction prices for same or similar instruments and information for brokers and other analysis. Because of this review, management has recorded a \$49 (2012 - \$nil) unrealized loss on certain level 2 private company investments.

**4. Loans and advances receivable**

	<b>June 30, 2013</b>	<b>December 31, 2012</b>
Unrelated corporations	\$ 116	\$ 134
How 2 Energy Ltd.	85	110
Unrelated individuals	11	15
49 North 2011 Resource Flow-Through LP (Note 16)	-	674
49 North 2012 Resource Flow-Through LP (Note 16)	-	492
	<b>\$ 212</b>	<b>\$ 1,425</b>

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 and unrelated corporations bear interest at rates between prime plus 2% and prime plus 5%.

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

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

**5. Investment in associate**

	<b>June 30, 2013</b>	<b>December 31, 2012</b>
Loan receivable	\$ 5,400	\$ 5,400
Equity investment in associate	4,030	4,000
Accumulated losses in associate	(87)	(87)
	<b>\$ 9,343</b>	<b>\$ 9,313</b>

The loan receivable from associate bears interest at 4.25% per annum, is due on demand and is secured by certain mineral claims.

**6. Exploration and evaluation assets**

	<b>Saskatchewan oil &amp; gas</b>		<b>British Columbia</b>		<b>Quebec</b>	<b>Total</b>
<b>Balance, January 1, 2012</b>	<b>\$ 851</b>	<b>\$ 146</b>	<b>\$ 7,302</b>	<b>\$ 2,802</b>	<b>\$ 11,101</b>	
Exploration	4,852	16	2,275	540	7,683	
Reclass from property, plant & equipment	3,132	-	-	-	3,132	
Impairment	(2,500)	-	-	-	(2,500)	
Disposal	(98)	-	-	-	(98)	
<b>Balance, December 31, 2012</b>	<b>\$ 6,237</b>	<b>\$ 162</b>	<b>\$ 9,577</b>	<b>\$ 3,342</b>	<b>\$ 19,318</b>	
Acquisition of subsidiaries	3,139	-	2,307	-	5,446	
Exploration	140	-	-	112	252	
Impairment	-	-	-	(1,630)	(1,630)	
<b>Balance, June 30, 2013</b>	<b>\$ 9,516</b>	<b>\$ 162</b>	<b>\$ 11,884</b>	<b>\$ 1,824</b>	<b>\$ 23,386</b>	

**Saskatchewan oil & gas**

The Corporation owns approximately 52,000 acres of land with 100% of the rights to explore for, and develop petroleum and natural gas, as well as approximately 640 acres of land where the Corporation owns 50% of the natural gas rights.

## **49 North Resources Inc.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

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

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#### **6. Exploration and evaluation assets (continued)**

##### **Manitoba properties**

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

On April 27, 2010, the Corporation and Westcore Energy Inc. (“Westcore”) entered into a binding agreement for the sale of an interest in the permits. Under the agreement, Westcore initially acquired a 50% interest in the property covered by the permits, together with all rights attaching to them with the ability to increase this interest to as much as 80%. The consideration payable to the Corporation under the agreement consisted of the issuance of an aggregate of 1,000,000 common shares in the capital of Westcore, together with an unsecured demand promissory note in the amount of \$257, which was subsequently received. Under the agreement, Westcore will operate all exploration and drilling activities in respect of the property and will bear responsibility for all exploration expenditures and related costs until such time as a bankable feasibility study is completed.

Westcore is obliged to expend not less than \$500 on exploration expenses in respect of the properties during its 2010 – 2011 exploration program and will earn additional interest in these property based upon the following: (a) provided that Westcore incurs and pays exploration expenditures in excess of \$1,000 on or before December 31, 2012 (met), Westcore will earn a further 10% interest in the property; and (b) provided that Westcore completes a bankable feasibility study in respect of the property on or before December 31, 2013, Westcore will earn a further 20% interest in the property. As Westcore has met the 2012 exploration requirement, it now holds a 60% interest in the property.

##### **British Columbia properties**

The Corporation has an option agreement to acquire up to a 60% undivided interest in certain mineral rights located in the Province of British Columbia in exchange for cash and common share consideration. The Corporation has committed to incur \$3,000 in exploration expenditures on the property before December 31, 2015, \$300 of which was spent since signing the option agreement. In 2012 the Corporation requested and was granted a two year extension to incur \$3,000 in exploration expenditures.

The Corporation entered into an option agreement to acquire up to a 40% undivided interest in certain mineral rights located in the province of British Columbia. Under the terms of the agreement, for every \$100 of expenditures incurred during the option period, the Corporation will acquire a 1% undivided interest in the property. In addition, the Corporation was granted a 2.5% net smelter returns royalty on the mineral claims covered under the agreement. The Corporation exercised its option agreement and converted \$4,000 of exploration assets for a 40% equity interest in CVG Mining Ltd. The Corporation has entered into a new agreement with CVG Mining Ltd. under substantially similar terms as the previous option agreement stated above.

In January 2011, CVG agreed to give a second option to Newsk to earn up to a 34.5% undivided interest and a 6.65% net smelter royalty with the following terms: a 7.5% undivided interest and a 1.25% net smelter royalty in and to all the Properties for the first \$1,795 of expenditures incurred free and clear of any encumbrances, save and except for the permitted encumbrances and the royalty, and a 1% undivided property interest and a 0.2% net smelter royalty, in and to all the Properties for every additional \$200 of expenditures incurred to a maximum of a 27.00% undivided interest and 5.40% net smelter royalty, free and clear of any encumbrances, save and except for the permitted encumbrances and the royalty.

## **49 North Resources Inc.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

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

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#### **6. Exploration and evaluation assets (continued)**

##### **British Columbia properties (continued)**

During 2012, the Corporation and its associates entered into three separate option agreements with the following terms:

On January 1, 2012, CVG agreed to give an additional option to earn up to a 13% undivided interest to 101197168 SK, with the following terms: a 1% undivided property interest to all the properties for every \$100 of expenditures incurred to a maximum of a 13.00% undivided interest, free and clear of any encumbrances, save and except for the permitted encumbrances and the royalty. On June 26, 2012, the option was exercised for a 12.987% interest.

On January 3, 2012, CVG agreed to give an additional option to earn up to a 13% undivided interest to 101197166 SK, with the following terms: a 1% undivided property interest to all the properties for every \$100 of expenditures incurred to a maximum of a 13.00% undivided interest, free and clear of any encumbrances, save and except for the permitted encumbrances and the royalty. On June 26, 2012, the option was exercised for a 11.800% interest.

On February 1, 2012, the CVG agreed to give an additional option to earn up to a 11.4% undivided interest to Newsk, with the following terms: a 1% undivided property interest to all the properties for every \$100 of expenditures incurred to a maximum of a 11.40% undivided interest, free and clear of any encumbrances, save and except for the permitted encumbrances and the royalty. On June 26, 2012, the option was exercised for a 10.300% interest. As of December 31, 2012, the Optionee has advanced \$3,509.

On October 4, 2013 the Corporation and its associates entered into a non-binding letter of intent to dispose of its exploration and evaluation assets in British Columbia with Omineca Mining and Metals Ltd. ("OMM"). The proposed transaction envisages payment in the amount of \$16,615 comprised of 47,472 common shares of OMM at a deemed price of \$0.35 per share as well as the issuance by OMM of a \$5,400 convertible debenture.

OMM will have its shareholder meeting on September 4, 2013 to vote on the proposed transaction. Anticipated closing of this transaction is expected five days after the OMM shareholder vote.

##### **Quebec properties**

The Corporation, through its 55.97% ownership of its subsidiary Gespeg, holds an interest in certain mineral rights related to copper, molybdenum, industrial metals and quarry product properties in the Gaspé region of the Province of Quebec, inclusive of nine asset purchase agreements. Under these asset purchase agreements, the Corporation is committed to conduct exploration work representing capital expenditures in the amount of \$2,900 over the next four years, and has minimum annual statutory obligations of \$13 and annual minimum work commitments of \$174 in order to keep its various claims in good standing.

Subsequent to the period, Gespeg dropped 529 of its claims encompassing a geological area of 298.1 sq. km. This resulted in an impairment of \$1,630.

## 49 North Resources Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

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

#### 7. Goodwill

	June 30, 2013	December 31, 2012
Balance, beginning of year	\$ 531	\$ 2,017
Acquisitions	-	600
Disposition of Viking CGU	-	(837)
Impairment	-	(1,249)
<b>Balance, end of period</b>	<b>\$ 531</b>	<b>\$ 531</b>

At June 30, 2013, goodwill represents the excess of total purchase price over the net identifiable assets and liabilities of North Rim. As North Rim is considered to be a separate CGU, goodwill was tested in conjunction with the long lived assets of the reporting unit and it was determined that a write down was not required. The Corporation used the value in use method to evaluate the carrying amount of goodwill.

#### 8. Property, plant and equipment

	Total	Oil & gas interests	Processing facility, equipment, and gas line	Other Corporate Assets
<b>Cost:</b>				
Balance at January 1, 2012	26,614	21,503	4,431	680
Additions	251	-	-	251
Reclass to Exploration & evaluation	(4,051)	(2,869)	(1,182)	-
Dispositions	(20,926)	(17,500)	(3,249)	(177)
Write down of carry amount	(582)	(582)	-	-
Balance at December 31, 2012	1,306	552	-	754
Additions	33	30	-	3
Dispositions	-	-	-	-
<b>Balance at June 30, 2013</b>	<b>1,339</b>	<b>582</b>	<b>-</b>	<b>757</b>
<b>Accumulated depletion and depreciation</b>				
Balance at January 1, 2012	5,793	4,669	663	461
Reclass to Exploration & evaluation	(918)	(404)	(514)	-
Depletion/depreciation expense	868	723	-	145
Dispositions	(5,323)	(4,988)	(149)	(186)
Balance at December 31, 2012	420	-	-	420
Depletion/depreciation expense	56	-	-	56
Dispositions	-	-	-	-
<b>Balance at June 30, 2013</b>	<b>476</b>	<b>-</b>	<b>-</b>	<b>476</b>
<b>Total balance at June 30, 2013</b>	<b>863</b>	<b>582</b>	<b>-</b>	<b>281</b>

## 49 North Resources Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

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

#### 8. Property, plant and equipment (continued)

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

On November 9, 2012, the Corporation disposed of its working interests in oil lands, wells and equipment and gas processing facility in the Kindersley Viking area for \$16,222 cash proceeds, after closing adjustments and settlement with joint venture partners.

#### 9. Related party transactions

##### Compensation of key executive personnel

	Six months ended	
	June 30, 2013	June 30, 2012
Management fees to TMM Portfolio Management Inc.	\$ 219	\$ 507
Salaries to officers	95	100
Directors fees	4	29
Stock based compensation to directors and officers	-	-
	\$ 318	\$ 636

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

##### Related party transactions

During the period ended June 30, 2013 reimbursements of \$nil (2012 - \$42) were incurred or accrued to 1381613 Alberta Ltd., a corporation controlled by the CEO of the Corporation. As at June 30, 2013, the Corporation had a \$73 payable to TMM (2012 - \$85 receivable).

These transactions are recorded at fair value.

## **49 North Resources Inc.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

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

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#### **10. Convertible debentures**

a) On June 6, 2013 the Corporation received debenture holder approval to restructure the terms of the debentures originally issued on June 29, 2011 and July 11, 2011. The revised debentures have a 4 year term, maturing June 29, 2017 and bear interest from the date of issuance at 9% per annum (previously 8%) which, unless the debentures are earlier converted or redeemed in accordance with their terms, will be paid on June 29 in each of 2014, 2015, 2016 and on maturity. The interest on the debentures otherwise payable on June 29, 2013 was capitalized to the principal of the revised debenture.

The revised debentures are convertible, at the option of the respective holders, at any time or from time to time prior to 5:00 p.m. (Toronto time) on June 29, 2017, into fully paid, non-assessable common shares of the Corporation at a conversion price of \$1.50 per common share (previously \$4.50 per share).

Subject to certain condition 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.

The revised and restructured debentures represent an extinguishment of the original debentures. The difference between the fair value of the revised debentures and its related balances and the carrying value of the outstanding debentures and its related balances resulted in a gain on extinguishment of debt of \$426.

A market discount rate of 15% was used to estimate the fair value of the liability portion of the restructured debentures.

b) On June 6, 2013 the Corporation received debenture holder approval to restructure the terms of the debentures originally issued on September 23, 2010 and October 13, 2010. The revised debenture has a 3 year term, maturing on September 23, 2016 and bear interest from the date of issuance at 9% per annum which, unless the debentures are earlier converted or redeemed in accordance with their terms, will be paid on September 23, 2014, 2015 and on maturity. Interest otherwise payable on September 23, 2013 will be capitalized to principal of the revised debenture.

The revised debentures are convertible, at the option of the respective holders, at any time or from time to time prior to 5:00 p.m. (Toronto time) on September 23, 2016, into fully paid, non-assessable common shares of the Corporation at a conversion price of \$1.50 per 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.

With the exception of the revised interest rate of 9%, the above terms are not effective until September 23, 2013.

A reconciliation from the amounts reported in the December 31, 2012 audited financial statements is as follows:

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

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

**10. Convertible debentures**

Carry amount as at December 31, 2012	\$	14,581
Plus: accretion		617
Less: Valuation adjustment on restructure of 2011 debenture		(446)
<hr/>		
Less, current portion of convertible debenture		-
<hr/>		
<b>Carry amount as as at June 30, 2013</b>	<b>\$</b>	<b>14,752</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 are classified as a current liability.

**12. Promissory notes payable**

On March 27, 2013, the Corporation acquired 19.74% of the remaining 20% of Kimpar shares. As consideration the corporation issued a promissory note payable to each former Kimpar shareholder of \$509 in total. On June 18, 2013, The promissory notes were settled in conjunction with the windup of Kimpar. As consideration the Corporation transferred shares of Gespeg.

As part of the acquisition of North Rim, the Corporation issued a \$375 promissory note payable to the vendor. Interest was charged at the Royal Bank of Canada prime rate plus 2%. Principal and interest payments were repaid in no more than eight semi-annual consecutive installments which were based on a percentage of net earnings of North Rim. The promissory note was secured by the North Rim shares acquired. As at March 31, 2013, the balance of the promissory note was retired in full.

**13. Decommissioning liabilities**

	<b>June 30,</b>	<b>December 31,</b>
	<b>2013</b>	<b>2012</b>
<b>Balance, beginning of year</b>	<b>\$ 741</b>	<b>\$ 525</b>
Liabilities incurred	-	1,105
Liabilities disposed	-	(913)
Revision of estimates	(36)	-
Accretion expense	10	24
<hr/>		
<b>Balance, end of year</b>	<b>\$ 715</b>	<b>\$ 741</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 \$1,690. The obligations have been discounted using a credit adjusted risk free rate of 4% and an inflation rate of 2% per year. Most of these obligations are not expected to be paid until approximately 15 years in the future and will be funded from general Corporation resources at that time.



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

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

**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 2013</b>	<b>December 31, 2012</b>
Non-capital loss carryforwards	\$ 1,457	\$ 932
Share issue costs	217	204
Exploration and evaluation assets	(3,620)	(3,373)
Convertible debentures	(648)	(432)
Property and equipment	(3)	(3)
Investments	938	337
<b>Deferred income tax liability</b>	<b>\$ (1,659)</b>	<b>\$ (2,335)</b>

**15. Common shares and contributed surplus****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 options vest immediately upon issuance. The purpose of the 2008 Option Plan is to attract, retain and motivate directors, employees and consultants of the Corporation and its subsidiaries and to advance the interests of the Corporation by providing such persons with the opportunity, through stock options, to acquire an equity interest in the Corporation.

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

	<b>June 30, 2013</b>		<b>December 31, 2012</b>	
	<b>Options</b>	<b>Price</b>	<b>Options</b>	<b>Price</b>
<b>Exercisable, beginning of year</b>	780,000	2.56	811,490	2.56
Options forfeited	-	-	(16,490)	2.35
Options forfeited	-	-	(15,000)	3.60
<b>Exercisable, end of year</b>	<b>780,000</b>	<b>\$ 2.16</b>	<b>780,000</b>	<b>\$ 2.56</b>

## 49 North Resources Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

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

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

##### Contributed surplus

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

A summary of the contributed surplus activity is as follows:

	<b>June 30,</b>	<b>December 31,</b>
	<b>2013</b>	<b>2012</b>
<b>Balance, beginning of year</b>	\$ 2,533	\$ 3,958
<b>Change in ownership of subsidiary</b>	(325)	(1,425)
<b>Balance, end of year</b>	<b>\$ 2,208</b>	<b>\$ 2,533</b>

##### **Minority interest**

During the second quarter of 2013, the Corporation wound up its investment in Kimpar, and settled the promissory notes by transferring a portion of the Gespeg shares previously held by Kimpar to each of the promissory note holders. As a result of the windup, the Corporation now holds its investment in Gespeg directly. This transaction resulted in a \$463 decrease to minority interest.

During the first quarter of 2013, the Corporation purchased an additional 19.74% share of Kimpar for \$509, and the remaining 8% of Newsk for \$1,000. These transactions resulted in a \$235 and \$687 decrease to minority interest, respectively.

During 2012, the Corporation purchased the remaining 10.5% shares of Allstar for \$1,250, which resulted in an adjusted to contributed surplus. Also in 2012 Gespeg, a subsidiary of Kimpar sold shares to third parties for \$705 reducing the Corporation's interest in the subsidiary from 72% to 56%. The change in ownership of subsidiary adjustment above reflects the net book value of the ownership dilution. These transactions resulted in \$201 decrease and a \$859 increase, respectively to minority interest.

##### **Earnings per share and diluted earnings per share**

Basic earnings per share are calculated by dividing the net profit for the period by the weighted average number of ordinary shares outstanding during the period.

## 49 North Resources Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

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

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

##### Earnings per share and diluted earnings per share

The basic and diluted earnings per share are the same, as the conversion of the convertible debentures (note 10) nor the exercise of the stock options would not have a dilutive effect on earnings.

	<b>June 30, 2013</b>	<b>June 30, 2012</b>
Net loss attributable to common shareholders	(7,205)	(7,577)
Weighted average number of common shares	20,109	15,704
Basic and diluted earnings per common share	(0.36)	(0.48)

#### 16. Acquisitions

##### Follow-on Purchase of Kimpar Resources Ltd.

March 27 2013, the Corporation purchased 19.74% of the remaining 20% of the common shares of Kimpar in exchange for promissory note payable totaling \$509. After this purchase, the Corporation owns 99.74% of the equity of Kimpar. (see Note 15)

##### Acquisition of the 49 North 2011 Resource Flow-Through Limited Partnership ("2011 FTLP") and the 49 North 2012 Resource Flow-Through Limited Partnership ("2012 FTLP")

February 1, 2013, the Corporation acquired all of the net assets of the 49 North 2011 Resource Flow-Through Limited Partnership and the 49 North 2012 Resource Flow-Through Limited Partnership. The acquisition was accounted for using the acquisition method and the following table summarizes the fair value of the assets acquired and the liabilities assumed at the date of purchase. As a result 101197159 Sk, Big Island and Purcell are now consolidated in the financial statements of the Corporation.

	<b>2011 FTLP</b>	<b>2012 FTLP</b>	<b>Total</b>
<b><u>Net assets acquired</u></b>			
Assets	\$ 5,139	\$ 3,343	\$ 8,482
Liabilities	117	51	168
Minority interest	-	133	133
<b>Net fair value</b>	<b>\$ 5,022</b>	<b>\$ 3,159</b>	<b>\$ 8,181</b>
<b><u>Consideration Given</u></b>			
Common share issued	3,416	2,149	5,565
Price per share at date of agreement	\$ 1.47	\$ 1.47	\$ 1.47
<b>Total consideration</b>	<b>\$ 5,022</b>	<b>\$ 3,159</b>	<b>\$ 8,181</b>

The number of shares issued to acquire the FTLP's has been determined based on the 30 day weighted average trading price of the Corporation as the date of the agreement of \$1.62 per share.

## **49 North Resources Inc.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

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

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#### **17. Commitments**

The Corporation, through its subsidiary Gespeg, is committed to conduct exploration work representing capital expenditures in the amount of \$850 in total over the next two years, and annual lease and work commitments of \$184 in total annually.

The Corporation, through its subsidiary Purcell, is committed to conduct exploration work representing capital expenditures in the amount of \$2,700 in total over the next five years. Purcell requested and was granted an extension; therefore, no work commitments are required for 2013 and 2014.

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

#### **18. Capital management**

The Corporation's objectives when managing capital are:

- (a) to ensure that the Corporation maintains the level of capital necessary to meet the requirements of its brokers and bank;
- (b) to allow the Corporation to respond to changes in economic and/or marketplace conditions by maintaining the Corporation's ability to purchase new investments;
- (c) to provide sustained growth and value by increasing equity; and,
- (d) to maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Corporation manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its underlying assets. The Corporation maintains or adjusts its capital level to enable it to meet its objectives by:

- (a) realizing proceeds from the disposition of its investments;
- (b) creates cash flow from its oil & gas operations
- (c) utilizing leverage in the form of margin (due from brokers) and the Corporation's bank credit line (bank indebtedness);
- (d) raising capital through equity financings;
- (e) borrowing funds in the form of advances from related parties; and,
- (f) purchasing the Corporation's own shares for cancellation pursuant to its normal course issuer bid.

The Corporation is subject to financial covenant calculations in conjunction with its operating line of credit. Specifically, the Corporation must maintain a quick ratio of not less than 10:1 reported bi-weekly, a current ratio of not less than 1.50:1 reported quarterly and maintain a tangible net worth of not less than \$25,000 reported annually. The Corporation was not in compliance with the quick ratio, current ratio or tangible net worth, in anticipation of such, the Corporation repaid the line of credit in 2012 and has maintained a cash balance since. There is no effect on the financial statements and the Corporation's ability to use the \$1.5 line of credit is limited, if at all.

The payment of cash dividends ceased and now does not form part of the Corporation's current capital management. The Corporation is not subject to any capital requirements imposed by a regulator. There were no changes in the Corporation's approach to capital management during the period. The Corporation's management is responsible for the management of capital and monitors the Corporation's use of various forms of leverage on a daily basis.

## 49 North Resources Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

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

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#### 19. Financial instruments

The investment operations of the Corporation's business involve the purchase and sale of securities and, accordingly, a significant portion of the Corporation's assets are currently comprised of financial instruments. The use of financial instruments can expose the Corporation to several risks, including market, credit, interest rate, commodity price and liquidity risks. A discussion of the Corporation's use of financial instruments and their associated risks is provided below.

##### (a) Liquidity risk:

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

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

## 49 North Resources Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

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

#### 19. Financial instruments (continued)

##### (c) Interest rate risk:

Interest rate risk is the impact that changes in interest rates could have on the Corporation's earnings and liabilities. As at June 30, 2013, the Corporation had liabilities payable (collectively "interest risk liabilities"), which bear interest at rates fluctuating with the prime rate. All of the interest rate risk liabilities can be repaid by the Corporation at any time, without notice or penalty, which provides the Corporation with some ability to manage and mitigate its interest rate risk.

##### (d) Credit risk:

Credit risk is the risk associated with the inability of a third party to fulfill its payment obligations. The Corporation is exposed to the risk that third parties that owe it money or securities (in connection with its loans receivable, for example) will not perform their underlying obligations. At June 30, 2013 the Corporation had loans and advances receivable from companies, totaling \$5,612 (2012 - \$6,825) which represents approximately 10.0% (2012 - 10.4%) of the Corporation's total assets. As at June 30, 2013 an impairment loss of \$124 (2012 - \$94) and an allowance for doubtful accounts provision of \$nil (2012 - \$124) was recorded.

##### (e) Commodity price risk:

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted not only by the relationship between the Canadian and United States dollar, but also by world economic events that dictate the levels of supply and demand.

In the past, and from time to time, the Corporation has attempted to mitigate a portion of its commodity price risk through the use of the futures contract, As at June 30, 2013 – there were no futures contracts in place.

##### (f) Fair value:

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

#### Fair value hierarchy

The following is a summary of the fair value of investments segregated based on the various levels of inputs:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments, at fair value	<u>\$ 4,332</u>	<u>\$ 2,512</u>	<u>\$ 10,885</u>	<u>\$ 17,729</u>

For the period ended June 30, 2013, a reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

Beginning balance as at December 31, 2012	\$10,222
Additional investments	814
Return of capital	(151)
Balance at June 30, 2013	<u>\$10,885</u>

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

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

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**20. Subsequent event**

Subsequent to period-end, on July 12, 2013, the Corporation issued 1,175,000 stock options pursuant to the Company's 2008 Stock Option Plan. The options are exercisable at \$0.30 per share and, if not exercised, expire on July 12, 2023. 900,000 of these options were issued to directors and executive officers, with the balance being granted to employees and consultants.

**21. Discontinued operations**

In late 2012, 49 North disposed of all its assets relating the Viking oil & gas property, near Kindersley Saskatchewan, for proceeds of \$16,222.

The results for Viking property for the six month period ending June 30, 2013 and 2012 are presented below

	2013	2012
Revenue	\$ -	\$ 3,847
Expenses	-	2,788
Gross profit	-	1,059
Finance costs	-	3
Profit before tax on discontinued operation	-	1,056
Taxes	-	183
<b>Profit for the year from a discontinued operation</b>	<b>-</b>	<b>873</b>

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The net cash flows incurred with respect to Viking property are consistent with its results from operations.

Basic and diluted, profit per share for the year, from discontinued operations is \$nil and \$0.06, respectively.

## 49 North Resources Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

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

#### 22. Segmented information

The Corporation is a resource investment, financial, managerial and geological advisory entity 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, 2013, the Corporation has four reportable segments: Resource investment, extractive and geological advisory in Canada and brokerage services in the United Kingdom (“UK”).

	Resource Investment	Geological Advisory	UK Brokerage	Extractive Industries	Total
<b>Total assets</b>	<b>\$ 29,698</b>	<b>\$ 1,240</b>	<b>\$ 134</b>	<b>\$ 24,538</b>	<b>\$ 55,610</b>
<b>Continuing operations</b>					
<b>Revenues</b>					
Oil and gas sales	-	-	-	286	286
Geological and other consulting	-	1,380	208	-	1,588
Realized (losses) gains	(462)	-	-	-	(462)
Unrealized losses	(4,432)	-	8	-	(4,424)
Interest, rent and dividend income	78	125	-	1	204
	<b>(4,816)</b>	<b>1,505</b>	<b>216</b>	<b>287</b>	<b>(2,808)</b>
<b>Expenses</b>					
Oil and gas operations	-	-	-	879	879
Amortization and depletion	17	35	-	4	56
Business and investor relations	287	22	-	32	341
Finance	1,274	1	-	17	1,292
Management fees	219	-	-	60	279
General and administration	119	289	123	442	973
Professional fees	142	58	-	53	253
Project costs on geological and other consulting activities	-	623	17	-	640
Transaction costs	14	-	-	-	14
Wages and benefits	233	953	-	-	1,186
	<b>2,305</b>	<b>1,981</b>	<b>140</b>	<b>1,487</b>	<b>5,913</b>
Gain on debenture restructure	<b>426</b>	-	-	-	426
Impairment of exploration and evaluation asset (Note 6)	-	-	-	(1,630)	(1,630)
<b>Income (loss) before income taxes</b>	<b>(6,695)</b>	<b>(476)</b>	<b>76</b>	<b>(2,830)</b>	<b>(9,925)</b>
Current income tax	-	29	14	-	43
Deferred income tax	(1,293)	-	-	(455)	(1,748)
<b>Comprehensive (loss) income</b>	<b>(5,402)</b>	<b>(505)</b>	<b>62</b>	<b>(2,375)</b>	<b>(8,220)</b>



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

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

**22. Segmented information** (continued)

As at June 30, 2012, the Corporation had four reportable segments: Resource investment, extractive and geological advisory in Canada and brokerage services in the United Kingdom (“UK”).

	<b>Resource Investment</b>	<b>Geological Advisory</b>	<b>UK Brokerage</b>	<b>Extractive Industries</b>	<b>Total</b>
<b>Total assets</b>	<b>\$ 42,656</b>	<b>\$ 3,007</b>	<b>\$ 169</b>	<b>\$ 35,568</b>	<b>\$ 81,400</b>
<b>Continuing operations</b>					
<b>Revenues</b>					
Geological and other consulting	-	3,402	203	-	3,605
Realized gains	(988)	-	-	(212)	(1,200)
Unrealized losses	(3,314)	-	-	-	(3,314)
Royalty income	-	-	-	60	60
Interest, rent and dividend income	89	151	-	115	355
	<b>(4,213)</b>	<b>3,553</b>	<b>203</b>	<b>(37)</b>	<b>(494)</b>
<b>Expenses</b>					
Amortization and depletion	24	40	-	-	64
Business and investor relations	261	23	-	87	371
Finance	1,047	2	1	578	1,628
Management fees	507	-	-	198	705
General and administration	145	334	151	410	1,040
Professional fees	309	29	-	100	438
Project costs	-	1,428	10	552	1,990
Transaction costs	685	-	-	-	685
Wages and benefits	315	1,278	-	-	1,593
	<b>3,293</b>	<b>3,134</b>	<b>162</b>	<b>1,925</b>	<b>8,514</b>
<b>Income (loss) before income taxes</b>	<b>(7,506)</b>	<b>419</b>	<b>41</b>	<b>(1,962)</b>	<b>(9,008)</b>
Current income tax	-	79	-	-	79
Deferred income tax	(347)	-	-	(8)	(355)
<b>Net loss from continuing operations</b>	<b>(7,159)</b>	<b>340</b>	<b>41</b>	<b>(1,954)</b>	<b>(8,732)</b>
<b>Discontinued operations</b>					
Profit from discontinued operations	-	-	-	873	873
<b>Comprehensive (loss) income</b>	<b>(7,159)</b>	<b>340</b>	<b>41</b>	<b>(1,081)</b>	<b>(7,859)</b>