



Management's Discussion and Analysis

For the three months ended June 30, 2011

Date of Report: August 26, 2011

Overview:

This Management's Discussion and Analysis of the financial condition and results of operation ("MD&A") of 49 North Resources Inc. (the "Corporation" or "49 North") has been prepared based upon information available to the Corporation as at August 26, 2011 and should be read in conjunction with the interim unaudited financial statements and the notes thereto as at and for the three and six months ended June 30, 2011 (the "current statements") and annual audited financial statements and the notes thereto as at and for the year ended December 31, 2010.

On January 1, 2011, the Corporation transitioned from financial reporting under Canadian Generally Accepted Accounting Principles ("GAAP") to the International Financial Reporting Standards ("IFRS") for periods commencing on and after that date. Prior to the transition, the Corporation prepared its interim and annual financial statements in accordance with GAAP. The unaudited interim consolidated financial statements as at and for the three and six months ended June 30, 2011, which are discussed in this MD&A, have been prepared in accordance with IFRS accounting policies, unless otherwise indicated (see "Non-IFRS Measures") which the Corporation expects to adopt in its annual consolidated financial statements as at and for the year ended December 31, 2011, including all comparative financial information contained in these statements which has been restated from GAAP.

Caution Regarding Forward-Looking Information:

Certain information contained in this MD&A may constitute forward-looking information, which is information regarding possible events, conditions or results of operations of the Corporation that is based upon assumptions about future economic conditions and courses of action and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, without limitation, our expectations regarding anticipated investment activities and results and financing activities and other factors on our operating results, and the performance of global capital markets and interest rates.

Forward-looking information involves known and unknown risk, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Corporation believes the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to: risks relating to investment performance and our ability to generate taxable income from operations, market fluctuations, fluctuations in prices of commodities underlying our interest and equity investments, the strength of the Canadian, U.S. and other economies, foreign exchange fluctuations, political and economic conditions in the countries in which the interests of the Corporation's portfolio investments are located, and other risks included elsewhere in this MD&A under the headings "Risks" and "Financial Instruments" and in the Corporation's current annual information form and other public disclosure documents filed with certain Canadian securities regulatory authorities and available under the Corporation's profile at www.sedar.com.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Although the Corporation has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The Corporation undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, excepts as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Nature of the Business:

The Corporation is currently a corporation under the laws of Saskatchewan whose common shares are listed on the TSX Venture Exchange (“TSXV”) under the trading symbol “FNR”. It is a reporting issuer in all of the provinces and territories of Canada.

49 North is a resource investment, financial and managerial advisory and merchant banking company. The Corporation’s subsidiary, North Rim Exploration Ltd. (“North Rim”), provides independent geological consulting services. The Corporation’s subsidiary, Allstar Energy Limited (“Allstar”) is involved in oil and gas exploration and extraction in Saskatchewan. The Corporation’s subsidiary, Kimpar Resources Inc. (“Kimpar”) is involved in mineral exploration in Quebec. The Corporation’s subsidiary Vicarage Capital Ltd. (“VCL”) is involved with corporate development, investor relations and stock brokering in the United Kingdom. Currently, 49 North’s principal business is to acquire and aggressively manage a diversified portfolio of shares and other securities of resource companies including, without limitation, resource companies engaged in mineral or oil and gas exploration and development, with a view to achieving capital appreciation in the portfolio. In addition, the Corporation is continuing to expand its business into a broader range of activities, including but not limited to an increased role in the management of larger positions (including, potentially, control positions) in selected resource issuers and/or becoming directly or indirectly (through one or more subsidiaries, joint ventures, farm-ins or other arrangements that may be established for that purpose) involved in the acquisition, development and/or commercialization of resource properties. 49 North increasingly provides managerial, administrative, property development and other advice and/or assistance to individuals and companies at the very early, start-up stages and/or in some cases acquires a controlling interest in certain investee companies, or direct interests in resource properties, all with a view to developing resource properties, creating the appropriate corporate vehicle for that development, raising exploration funds and, more generally, moving a resource property from a concept to a properly capitalized operating entity. The overall business strategy of the Corporation is to enhance shareholder value by positioning 49 North to take advantage of early stage and/or undervalued opportunities that exist in the resource sector.

The Corporation owns 50% of the issued and outstanding voting shares of North Rim, a Saskatchewan corporation, with the remaining 50% of the voting shares being held by key employees and exclusive consultants of North Rim Exploration Ltd.

The Corporation owns 89.5% of the issued and outstanding voting shares of Allstar, a Saskatchewan corporation, with the remaining 10.5% of the voting shares being held by the founders and operators of Allstar Energy Limited.

The Corporation owns 80% of the issued and outstanding voting shares of Kimpar, a Canada corporation.

The Corporation owns 50% of the issued and outstanding voting shares of VCL, a UK corporation, with the remaining 50% of the voting shares being held by the founders of VCL.

As discussed in the Corporation’s annual financial statements for its fiscal year ended December 31, 2010, the Corporation’s investment in Newsk Emerging Resources Ltd. constitutes a special purpose entity (“SPE”) in which the Corporation has control other than voting. Therefore, the Corporation is required under applicable accounting standards to consolidate the SPE.

Overall Performance:

The economic climate in 2011 began with continued positive sentiment, as was seen through upward trends in both stock indices and commodity prices through the end of the first quarter. This positive upward trend in stock prices reversed in the second quarter, as was evidenced by sharp downward trends on all of the Canadian stock market indices. The Corporation believes that the downward pressure on stock prices that was experienced in the second quarter and subsequent two months will temper and begin to regain positive momentum as we enter the fall months, which will begin to move both share prices and commodity prices upward.

The Company realized net gains on the sale of investments in the second quarter of \$2,313,102. This realization was offset by unrealized losses in the portfolio of \$7,222,460, which was attributable to the general market decline. The Corporation continues to aggressively manage the portfolio of investments, and continues to redeploy capital received from the realization of early stage investments in a number of new investments, in accordance with the business plan, with the goal of repeating this cycle.

Operationally, the Corporation continues to post positive results. Operational net income for the quarter, which excludes unrealized gains or losses, was \$2,056,172, a 18.1% increase from the same period in 2010.

Outside of the investment portfolio, the Corporation continues to focus on the recently completed strategic acquisitions. These investments have given the Corporation a direct interest in: (i) highly prospective oil and gas properties in Saskatchewan; (ii) potentially world class copper, molybdenum, dimension stone and aggregate exploration properties in Quebec; (iii) a highly prospective gold exploration property in British Columbia; and (iv) an established brokerage and investment relations firm in the United Kingdom.

The Corporation has consolidated the financial results of its subsidiaries North Rim, Allstar, Kimpar and VCL, as well as its investee company Newsk. Due to this consolidation the Corporation is reporting geological and other consulting revenue and production revenue on its statement of operations in addition to income resulting from realizations on its portfolio of investments.

As at June 30, 2011 the fair value of the Corporation's investment portfolio was \$46,745,867 as compared to \$48,330,935 as at March 31, 2011 (a 3.28% decrease) and \$45,470,707 as at December 31, 2010 (a 2.80% increase) and shareholders' equity and minority interest stood at \$61,687,394 compared to \$64,003,216 as at March 31, 2011 (a 3.62% decrease) and \$54,334,783 as at December 31, 2010 (a 13.53% increase).

49 North remains committed to its investment strategy and long-term objectives. The Corporation believes that the upward trend in stock and commodity prices will remain in the near term as a result of increasing global demand for base and precious metals, energy, alternative energy and potash.

Selected Financial Information:

As the Corporation continues to grow and diversify its business strategy, the Corporation's financial results, as mentioned, are now required to consolidate the financial results of North Rim, Allstar, Kimpar and Newsk.

Balance Sheet Information In \$ 000's except for per share data	June 30, 2011	December 31, 2010
Equity investments, at fair value	\$ 46,746	\$ 45,471
Total assets	88,679	76,195
Liabilities	26,992	21,860
Shareholders Equity and non-controlling interest	61,687	54,335
Earnings per share, basic	(\$0.34)	\$ 0.99
Earnings per share, diluted	(\$0.34)	\$ 0.96

Statement of Operations Information In \$ 000's except per share data	Three Months ended June 30,		Six Months ended June 30,	
	2011	2010	2011	2010
Geological and other consulting services	1,520	617	2,221	1,525
Production revenue	1,433	62	3,087	62
Net realized investment gains (losses)	2,313	554	5,212	16,048
Net unrealized investment gains (losses)	(7,222)	(5,753)	(5,474)	(12,973)
Interest, rent, dividend and royalty income	292	183	470	283
	(\$1,664)	(\$4,337)	\$5,516	(\$4,944)
Expenses	4,483	2,209	8,595	4,382
Income (loss) before income taxes	(6,147)	(6,547)	(3,079)	561
Future and current income taxes (recovery)	(981)	(2,535)	(457)	78
Minority interest	52	(56)	65	(25)
Net Income	(\$5,166)	(\$4,012)	(\$2,622)	\$483
Earnings (loss) per share, basic	(\$0.34)	\$0.32	(\$0.18)	\$0.04
Earnings (loss) per share, diluted	(\$0.34)	\$0.32	(\$0.18)	\$0.04

Significant Events:

Apart from the general economic factors and specific financial information mentioned above, the following events and developments occurred during and subsequent to the six months ended June 30, 2011 that changed or affected the organizational structure, capitalization, operations and/or result of operation of 49 North.

➤ **Rollover Transaction with 2010 Fund:**

At two closings held December 15, 2010 and December 23, 2010, 49 North 2010 Resource Flow-Through Limited Partnership (the "2010 Fund") raised \$8,980,210 on the sale of 898,021 flow-through units (the "2010 Units"), at \$10.00 per 2010 Unit, in an initial public offering and a private placement that was carried out in the Provinces of Saskatchewan, Manitoba, Alberta, British Columbia and Ontario pursuant to a prospectus dated December 1, 2010. Pursuant to a transfer agreement made December 1, 2010, effective February 1, 2011, the 2010 Fund transferred substantially all of its 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 the transfer, the 2010 Fund was wound up and dissolved and the common shares were distributed to the partners of the 2010 Fund. As a result, each (former) limited partner of the 2010 Fund received approximately 3.022 common shares for each limited partnership unit they formerly held in the 2010 Fund. The transaction also resulted in the number of outstanding common shares of the Corporation increasing to 15,012,605 immediately after the transaction.

➤ **Oil and Gas Activity:**

On February 10, 2011, the Corporation announced that Allstar had completed Phase 2 of its drill program, consisting of an additional five horizontal Viking oil and gas wells in the Kindersley, Saskatchewan area. These five wells are now on production and are tied into Allstar's oil and gas processing facility. The Corporation plans to drill up to an additional 18 horizontal oil wells in the Viking formation in the Kindersley area and an additional 5 vertical heavy oil wells on the Red Pheasant First Nation in the remainder of 2011. Now that the Allstar production facility is fully operational, all new production can be effectively tied in to fully realize maximum field netbacks. The Corporation is currently benefiting from field netbacks of approximately \$50/BOE from the Viking field at Kindersley.

Reserves

Fekete Associates Inc. has prepared a report evaluating Allstar's reserves as at December 31, 2010. The following is a summary of the Corporation's interest in those reserves, prepared from that report. For further information, please see the Corporation's annual information form for the fiscal year ended December 31, 2010.

	Gross Oil - Mbbbl	Gross Gas - MMcf	Gross Total - Mboe	NPV 5% (before tax)	NPV 10% (before tax)	NPV 15% (before tax)
Proved	1,165	3,106	1,682.7	\$30,532,690	\$22,371,950	\$17,180,010
Probable	263.5	694	379.2	9,463,460	6,255,750	4,648,870
Proved plus probable	1,428.5	3,800	2,061.9	\$39,996,150	\$28,627,700	\$21,828,880

Conversion ratio of 1Mbbbl:6 MMCF

➤ **Stock Option Plan:**

On May 5, 2011, the board of directors of the Corporation approved a grant of 195,000 stock options. 140,000 of the options were granted to directors and executive officers, with the balance granted to employees and consultants. These options are exercisable at \$3.60 per share, and if not exercised, expire May 5, 2021, subject to earlier expiration in accordance with the 2008 Stock Option Plan and applicable policies of the TSXV.

➤ **Normal Course Issuer Bids:**

On August 4, 2010 the Corporation disclosed its intention to make a normal course issuer bid (the "2010 NCIB") for up to 1,009,345 of its common shares, representing approximately 10% of the Company's public float. The 2010 NCIB commenced on August 7, 2010 and will continue until the earlier of August 6, 2011 and the date by which the Corporation has acquired the maximum 1,009,345 common shares which may be purchased under the 2010 NCIB. The 2010 NCIB will be made through the facilities of the TSXV and the purchase and payment for the securities will be made in accordance with TSXV requirements at the market price of the common shares at the time of acquisition. In the period of August 7, 2010 to June 30, 2011 the Company purchased 162,900 common shares under this program as a cost of \$324,622 (on average, \$1.99 per share). In the first quarter of 2011, the Corporation purchased 42,700 common shares under this program at a cost of \$114,860 (on average, \$2.69 per share). All common shares purchased by the Company under the 2010 NCIB have been cancelled. The NCIB expired on August 6, 2011.

➤ **Follow on Investment in Vicarage Capital Limited of London, England:**

On May 12, 2011, the Corporation announced that it has acquired an additional 25% interest in Vicarage Capital Limited (“VCL”), a private corporate development, investor relations and stock brokering firm based in London, England that focuses on supporting small and mid cap natural resource companies. The Corporation had acquired an initial 25% stake in VCL in June of 2010. VCL provides a wide range of corporate development, debt, equity, hedge-structuring, pre-IPO advice and capital raising services for junior resource companies who “fall beneath the radar” of larger brokers in the United Kingdom and European market. VCL is authorized and regulated by the United Kingdom’s Financial Services Authority.

➤ **Debenture Offering:**

On May 27, 2011 the Corporation announced that it had engaged MGI Securities Inc. to act as agent in connection with the offer and sale of a minimum \$2,000,000 and maximum \$10,000,000 principal amount of 8% convertible unsecured subordinated debentures (the “2011 Debentures”). The 2011 Debentures will have a three year term, maturing on the third anniversary of the closing date. The outstanding principal amount of the 2011 Debentures will be convertible at the option of the holder, exercisable at any time prior to 5:00 pm (Toronto time) on the business day immediately preceding the maturity date or the business day immediately preceding the date the 2011 Debentures are converted, into common shares of 49 North at a conversion price of \$4.50 per common share.

On June 29, 2011, the Corporation completed the initial close of the 2011 Debentures, raising gross proceeds of \$9,885,400 on the sale of 988,540 units. Subsequent to quarter end, on July 11, 2011, the Corporation announced that its agent exercised its overallotment option and the Corporation completed its second closing on the 2011 Debentures, raising additional proceeds of \$1,614,600 on the sale of an additional 161,460 units, bringing the total gross proceeds raised on the debenture to \$11,500,000.

Results of Operations:

Summary of Results:

The Corporation’s operating results for the six months ended June 30, 2011 and for fiscal year ended December 31, 2010 is stated below; with the subsequent table representing selected quarterly results for the eight most recently completed quarters.

Results of Operation	June 30, 2011	December 31, 2010
Revenues	\$5,516,641	\$ 24,531,749
Net income for the period	(2,621,913)	11,979,315
Earnings (loss) per share – basic	(0.18)	0.99
Earnings (loss) per share – diluted	(0.18)	0.96
Total assets	88,678,953	76,194,916
Total liabilities	26,991,559	21,860,133
Shareholders’ equity and minority interest	61,687,394	54,334,783

Quarterly Results of Operations (unaudited)				
In \$ 000's except per share data	Quarter ended			
	IFRS June 30, 2011	IFRS March 31, 2011	IFRS Dec 31, 2010	GAAP Sept. 30, 2010
Revenues	\$(1,664)	\$7,181	\$16,272	\$3,316
Net income (loss)	(5,166)	2,545	11,482	38
Earnings (loss) per share – basic	\$(0.34)	\$0.18	\$0.96	\$0.00
Earnings (loss) per share – diluted	\$(0.34)	\$0.17	\$0.90	\$0.00
	IFRS June 30, 2010	IFRS March 31, 2010	GAAP Dec. 31, 2009	GAAP Sept. 30, 2009
Revenues	\$(4,338)	\$9,282	\$822	\$6,707
Net income (loss)	(4,012)	4,495	51	5,248
Earnings (loss) per share – basic	\$(0.32)	\$0.40	\$0.01	\$0.63
Earnings (loss) per share – diluted	\$(0.32)	\$0.39	\$0.01	\$0.61

Any disclosure of financial information prior to December 31, 2010 is recorded under GAAP, with the exception of the period ended March 31, 2010. All subsequent period are recorded in accordance with IFRS.

Six Months Ended June 30, 2011

For the six months ended June 30, 2011, the Corporation recorded a pre-tax loss of \$3,078,603 and a net loss, after tax, of \$2,621,913 (\$0.18 per share), compared to net income of \$483,423 (\$0.04 per share) in the six months ended June 30, 2010.

The Corporations pre-tax loss in the first six months of 2011 was based on revenue \$5,516,641 less recorded expenses of \$8,595,244, compared to pre-tax income of \$561,423 on revenues of \$4,943,903 and expenses of \$4,382,480. The decrease in pre-tax income year over year is the result of a net decrease of \$3,336,253 between net investment gains (realized and unrealized) in 2011 versus 2010.

The \$5,516,641 of revenues in 2011 is comprised of \$2,221,228 of consulting services, \$3,086,724 of oil and gas production revenue, \$5,212,477 of realized gains, \$5,473,983 of unrealized losses and \$470,195 of royalty, interest and dividend income. By comparison, in 2010, the Corporation had revenue from consulting services of \$1,524,808, \$61,740 of oil and gas production revenue, \$16,047,532 of realized gains, \$12,972,785 of unrealized losses and \$282,608 of interest and royalty income. The unrealized losses recognized in 2011 are generally attributable to a general decrease in stock market indices in Canada.

Expenses for the six months ended June 30, 2011 were \$8,595,244, compared to \$4,382,480 in the six months ended June 30, 2010. The following table provides a list of all expenses incurred by the Company for the six months ended June 30, 2011 and 2010. Additional information about these expenses including the main reasons for year-over-year changes in expenses is provided in the notes to the table.

	Six Months Ended June 30	
	2011	2010
Amortization and depletion ¹	1,011,987	203,042
Business development and investor relations ²	566,565	456,967
Finance ³	945,260	439,905
Oil and gas operating expense ⁴	1,096,421	-
Management fees and performance bonus ⁵	595,929	432,305
Wages and benefits ²	1,164,689	1,009,927
Office and administration ²	776,015	542,398
Professional fees ⁶	345,662	576,215
Stock compensation ⁷	564,248	635,781
Project expenses ²	667,084	-
Transaction costs ⁸	861,384	85,940
	8,595,244	4,382,480

Notes:

1. Amortization and depletion expense is related primarily to the depletion of the oil and gas properties held by the Corporation directly and through its subsidiary Allstar. Amortization is also related to the amortization of the Corporation's leasehold improvements and capital assets at its corporate office, as well as the leasehold improvements and equipment held by North Rim, Kimpar, Allstar and Newsk, which are consolidated in the results.
2. Business development and investor relations costs, wages and benefits, office and administration expenses, and project expenses totaled \$3,174,353 in the first six months of 2011 compared to \$2,009,292 for the first six months of 2010. The increase related primarily to the consolidated subsidiary companies. Of the total, \$2,347,376 relates to the operations of the subsidiary companies.
3. Finance expense consists of interest and royalties of \$945,260 for the six months ended June 30, 2011 compared to \$439,905 in 2010. The majority of interest relates to the \$5,000,000 principal amount of 9% convertible debentures issued by the Corporation in 2008 and the \$4,690,800 principal amount of 8% convertible debentures issued by the Corporation in 2010. In addition, the interest expense for the six months ended June 30, 2011 includes the accretion of the liability component of the debentures in the amount of \$332,068.
4. In the six months ended June 30, 2011, the Corporation incurred \$1,096,421 in oil and gas operating expenses related to the operations of the Corporation's subsidiary, Allstar, as well as the various working interest arrangements. These represent the ongoing monthly costs of operating the producing wells.
5. The management fees expense for the six months ended June 30, 2011 was \$595,929 while being \$432,305 in 2010. The increase is due to the increased net asset value of the Corporation year-over-year.
6. Professional fees for the six months ended June 30, 2011 were \$345,662 an decrease of \$230,553 over first six months of 2010. The decrease is attributable to the timing of when the Corporation is involved in transactions requiring professional consulting services.
7. The stock based compensation expense of \$564,248 relates to stock options issued in the second quarter.
8. Transactions costs in the first six months of 2011 were higher than 2010 due to the increased trading activity and the transaction costs related to the consolidation of Newsk. Transaction costs arise from purchases and dispositions of investments through brokers, which are expensed immediately in accordance with the Corporation's accounting policy for investments.

The Corporation also recorded an income tax recovery in the six months ended June 30, 2011 of \$456,690 compared to an expense of \$78,000 in 2010.

Three Months Ended June 30, 2011 and 2010:

For the three months ended June 30, 2011, the Corporation recorded a pre-tax loss of \$6,146,884 and a net loss, after tax, of \$5,166,288 (\$0.34 per share), compared to a net loss of \$4,012,032 (\$0.32 per share) in the three months ended June 30, 2010.

The Corporation's pre-tax loss in the second quarter of 2011 of \$6,146,884 was based on revenue and net investment losses of \$(1,664,021) less recorded expenses of \$4,482,863; compared to 2010 pre-tax loss of \$(6,546,743) on revenues and net investment gains of \$(4,337,612) and expenses of \$2,209,131. The increase in pre-tax income year over year is primarily a result of a net increase of \$309,913 between net investments (realized and unrealized) gains in 2011 versus 2010.

The \$(1,664,021) of revenues in the second quarter of 2011 is comprised of \$1,520,068 of consulting services, \$1,433,125 of production revenue, \$2,313,102 of realized gains, \$7,222,460 of unrealized losses and \$292,144 of investment, rent, dividend and royalty income. By comparison, in 2010, the Corporation had realized net investment gains of \$553,755, unrealized losses of \$5,753,026, consulting fees of \$616,515, production revenue of \$61,740 and interest and royalty income of \$183,404. The realized investment gains in the three months ended June 30, 2011 were attributable to both selling investments to fund operations and to continue the strategy of consistently reviewing and monitoring the investments the Corporation holds in the portfolio. The \$1,560,878 of consulting income is generated in North Rim for providing consulting services for third party resource companies and VCL. The \$1,433,125 of oil and gas sales was attributable to the operations of the Corporations subsidiary, Allstar, as well as the Corporations working interest arrangement with Allstar.

Expenses for the three months ended June 30, 2011 were \$4,482,863, compared to \$2,209,131 in the three months ended June 30, 2010. The following table provides a list of all expenses incurred by the Company for the three months ended June 30, 2011 and 2010. Additional information about these expenses including the main reasons for year-over-year changes in expenses is provided in the notes to the table.

	Three Months Ended June 30	
	2011	2010
Amortization and depletion ¹	510,078	178,376
Business development and investor relations ²	307,256	246,495
Finance ³	487,596	207,483
Oil and gas operating expense ⁴	459,041	-
Management fees and performance bonus ⁵	303,502	207,240
Wages and benefits ²	618,316	567,770
Office and administration ²	449,471	242,839
Professional fees ⁶	168,525	433,517
Stock compensation ⁷	564,248	78,388
Project expenses ²	575,012	-
Transaction costs ⁸	39,818	47,023
	4,482,863	2,209,131

Notes:

1. Amortization and depletion expense is related primarily to the depletion of the oil and gas properties held by the Corporation directly and through its subsidiary Allstar. Amortization is also related to the amortization of the Corporation's leasehold improvements and capital assets at its corporate office, as well as the leasehold improvements and equipment held by North Rim, Kimpar, Allstar, VCL and Newsk, which are consolidated in the results.
2. Business development and investor relations costs, wages and benefits, office and administration expenses, and project expenses totaled \$1,950,055 in the second quarter of 2011 compared to \$1,057,104 for the second quarter of 2010. The increase related primarily to the consolidated subsidiary companies. Of the total, \$1,535,891 relates to the operations of the subsidiary companies.
3. Finance expense consists of interest and royalties of \$487,596 for the three months ended June 30, 2011 compared to \$207,483 in 2010. The majority of interest relates to the \$5,000,000 principal amount of 9% convertible debentures issued by the Corporation in 2008 and the \$4,690,800 principal amount of 8% convertible debentures issued by the Corporation in 2010. In addition, the interest expense for the three months ended June, 2011 includes the accretion of the liability component of the debentures in the amount of \$173,173.
4. In the quarter, the Corporation incurred \$459,041 in oil and gas operating expenses related to the operations of the Corporations subsidiary, Allstar, as well as the various working interest arrangements. These represent the ongoing monthly costs of operating the producing wells.
5. The management fees expense for the three months ended June 30, 2011 was \$303,502 while being \$207,240

in 2010. The increase is due to the increased net asset value of the Corporation.

6. Professional fees for the three months ended June 30, 2011 were \$168,525 a decrease of \$264,992 over first three months of 2010. The decrease is attributable to the timing of when the Corporation is involved in transactions requiring professional consulting services. In addition, the amount includes professional fees related to North Rim, Allstar, Kimpar, VCL and Newsk.
7. The stock based compensation expense of \$564,248 related to stock options issued in the second quarter.
8. Transactions costs in the three months ended June 30, 2011 were due to the trading activity. Transaction costs arise from purchases and dispositions of investments through brokers, which are expensed immediately in accordance with the Corporation's accounting policy for investments.

The Corporation also recorded an income tax recovery in the three months ended June 30, 2011 of \$980,596 compared to a recovery of \$2,534,711 in 2010.

Cash Flow:

Six Months Ended June 30, 2011 and 2010:

Net cash used in operating activities was \$2,770,283 in the six months ended June 30, 2011, compared to net cash used in operating activities of \$1,825,347 in the same period last year, an increase of \$944,936.

Net cash generated from investing activities during the six months ended June 30, 2011 was \$1,444,353 compared to net cash generated from investing activities of \$4,286,100 during the six months ended June 30, 2010. The cash use in the six months ended June 30, 2011 was largely attributable to net proceeds on the sale of investments of \$3,497,153 offset by the purchase of capital assets and mineral properties and deposits. Net cash generated in the six months ended June 30, 2010 was largely attributable to the disposition of the investment in Athabasca Potash Inc.

Net cash generated from financing activities in the six months ended June 30, 2011 was \$8,759,082 compared to cash used in financing activities of \$673,099 in the same period of 2010. The increase of \$9,432,181 was largely attributable to successful first close of the 2011 Debentures.

For the six months ended June 30, 2011 the Corporation had a net increase in cash of \$7,433,152 compared to \$1,787,654 in the same period of 2010.

Three Months Ended June 30, 2011 and 2010:

Net cash used in operating activities was \$812,814 for the three months ended June 30, 2011, compared to net cash used in operating activities of \$1,412,749 in the same period last year, a decrease in use of \$599,935.

Net cash used in investing activities during the three months was \$1,945,904. This was largely a result of net proceeds on sale of investments of \$39,493 offset by the purchase of capital assets and mineral properties and deposits. Net cash used in investments in the second quarter of 2010 was \$10,396,442.

Net cash generated from financing activities was \$9,781,487 in the three months ended June 30, 2011 compared to a cash use of \$572,121 in the three months ended June 30, 2010. The increase of \$10,353,608 was largely attributable to successful first close of the 2011 Debentures.

For the three months ended June 30, 2011 the Corporation had a net increase in cash of \$8,959,567 compared to a net cash decrease of \$235,424 a year ago.

Capital Resources:

Assets:

49 North's principle business is to invest in and manage a diversified portfolio of securities of resource companies with the objective of achieving medium to long-term capital appreciation through the aggressive management of and growth in value of the portfolio. At June 30, 2011, the Corporation had total assets of \$88,678,953, approximately 53% of which consisted of equity investments in a total of 114 resource companies.

In addition to its equity portfolio investments, as at June 30, 2011 the Corporation had other recorded assets totaling \$41,933,086 (December 31, 2010 – \$30,724,209); including cash and cash equivalents of \$10,250,102, loans and advances receivable of \$5,332,366 from investee companies, property and equipment consisting of furniture and equipment, leasehold improvements and oil and gas properties of \$15,469,225, mineral properties and deposits of \$6,172,051, goodwill of \$2,017,194 and accounts receivable and prepaids of \$2,692,148.

Investment Portfolio: 49 North may invest in securities of any resource company regardless of if or on what stock exchange such securities are listed, regardless of the status or stage of development of the investee company's exploration, development or other business activities, and regardless of the size or market capitalization of the investee company. However, our portfolio focuses on junior and intermediate resource companies, with funds invested predominately in resource companies that are listed on the TSXV or other junior exchanges; although a significant portion of the portfolio, by value, may also be invested in TSX listed companies. Additionally, a significant portion of our portfolio may at any time or from time to time be invested in unlisted securities, including securities acquired under private placements of what are commonly referred to "founder's shares" or "seed-capital shares", securities that may otherwise be issued by a resource company prior to completing feasibility studies including, without limitation, a Form 43-101 Technical Report or a Form 51-101 F1 Statement of Reserves Data, or securities that may otherwise may be issued prior to a resource company becoming a "reporting issuer".

There are no fixed restrictions or requirements as to the particular sectors of the resource industry in which we invest and no fixed restrictions or requirements as to the geographical locations in which investee resource companies conduct their exploration and/or development activities. However, we tend to focus on resource companies with activities in Saskatchewan and our portfolio has historically been weighted more to mineral exploration companies than to oil and gas companies. We endeavor to diversify the portfolio based on commodity type. As described in more detail in the tables below, as of June 30, 2011, our portfolio included holdings in companies in the oil and gas, coal, precious metals, base metals, uranium, diamond and other resource sectors.

The resource equity investments held by the Corporation as of June 30, 2011 - valued at \$46,745,867 represents a \$1,275,160 increase compared to the equity investments of \$45,470,707 held at December 31, 2010. This decrease in the quarter is attributable primarily to the additional investments made, net of the general market decline experience in the six months ended June 30, 2011.

The total number of investments held by the Corporation increased from 109 at December 31, 2010 to 114 at June 30, 2011. The Corporation continues to be very aggressive in the market making purchases of stocks it felt were undervalued. Also, the increase in the number of investments is due to the rollover into the Corporation of the 2010 Fund in first quarter 2011.

At June 30, 2011 the Corporation's equity investments consisted of the following:

Name of Security	Type	Symbol	No. Of Shares / Warrants	Cost of Shares	FMV of Shares / Warrants
Mining					
Aguila American Gold Ltd.		(1) AGL	270,556	96,293	67,639
Aguila American Gold Ltd.	Warrants	(1) AGL	102,778	-	-
Altiplano Minerals Ltd.		(1) APN	100,000	15,000	23,500
Archean Star Resources Inc.		(1) ASP	746,250	78,115	52,238
Argus Metals Corp.	Warrants	(1) AML	250,000	-	-
Armadillo Resources Ltd.		(4) ARO	250,000	37,500	30,000
Armadillo Resources Ltd.	Warrants	(4) ARO	250,000	-	-
Aura Silver Resources Inc.	Warrants	(1) AUU	1,100,000	-	-
Aurvista Gold Corp.		(3) Private	250,000	37,500	37,500
Bacanora Minerals Ltd.		(1) BCN	2,660,000	977,633	1,170,400
Bacanora Minerals Ltd.	Warrants	(1) BCN	250,000	-	-
Bannerman Resources Ltd.		(2) BAN	25,000	21,400	6,750
Batero Gold Corp.		(1) BAT	400,000	603,203	1,008,000
Bending Lake Iron Group Ltd.		(3) Private	1,500,000	1,378,570	1,378,570
Bending Lake Iron Group Ltd.	Warrants	(3) Private	50,000	-	-
Blind Creek Resources Ltd.		(3) Private	400,000	200,000	200,000
Bralorne Gold Mines Ltd.	Warrants	(1) BPM	160,000	-	-
Canada Gold Corp.	Warrants	(1) CI	37,500	-	-
Canadian Phoenix Resources Corp.		(1) CXP	28,000	38,563	36,960
Carlisle Goldfields Ltd.		(2) CGJ	200,000	50,000	68,000
Carlisle Goldfields Ltd.	Warrants	(2) CGJ	100,000	-	-
Celeste Copper Corp.		(1) C	500,000	50,000	85,000
Celeste Copper Corp.	Warrants	(1) C	250,000	-	5,000
Claude Resources Inc.		(2) CRJ	20,000	36,260	36,600
Clear Creek Resources Ltd.		(3) Private	500,000	50,000	50,000
Cliffmont Resources Ltd.		(1) CMO	120,000	30,000	60,000
Cliffmont Resources Ltd.	Warrants	(1) CMO	60,000	-	6,000
Colombia Crest Gold Corp.		(1) CLB	166,667	50,000	36,667
Colombia Crest Gold Corp.	Warrants	(1) CLB	166,667	-	-
Colombian Mines Corp.		(1) CMJ	98,000	50,822	49,980
Colonial Coal International Corp.	Warrants	(1) CAD	25,000	-	7,250
Colorado Resources Ltd.		(1) CXO	35,000	34,600	33,250
Colorado Resources Ltd.	Warrants	(1) CXO	375,000	-	243,750
Copper Reef Mining Corp.		(4) CZC	8,845,500	1,193,249	884,550
Copper Reef Mining Corp.	Warrants	(4) CZC	278,000	-	-
Cuoro Resources Corp.		(1) CUA	200,000	200,000	390,000
Cuoro Resources Corp.	Warrants	(1) CUA	100,000	-	65,000

Name of Security	Type	Symbol	No. Of Shares / Warrants	Cost of Shares	FMV of Shares / Warrants
CVG Mining Ltd.		(3) Private	80	4,000,000	4,000,000
Dawson Gold Corp.		(1) DYU	1,115,500	167,325	105,973
Dawson Gold Corp.	Warrants	(1) DYU	1,250,000	-	-
Diamcor Mining Inc.	Warrants	(1) DMI	167,500	-	-
DNI Metals Inc.		(1) DNI	7,335,899	916,707	1,944,013
DNI Metals Inc.	Warrants	(1) DNI	416,667	-	27,083
Eagle Plains Resources Ltd.		(1) EPL	4,195,500	1,090,583	1,090,830
Eagle Plains Resources Ltd.	Warrants	(1) EPL	1,075,000	-	-
Ecuador Capital Corp.		(3) Private	166,667	25,000	25,000
El Tigre Silver Corp.	Warrants	(1) ELS	229,000	-	-
Ely Gold & Minerals Inc.		(1) ELY	247,000	74,284	76,570
EMC Metals Corp.		(2) EMC	556,631	104,180	105,760
Entourage Metals Ltd.		(1) EMT	55,000	27,500	34,100
ESO Uranium Corp.		(1) ESO	1,375,000	137,500	96,250
ESO Uranium Corp.	Warrants	(1) ESO	2,000,000	-	-
Foran Mining Corp.		(1) FOM	141,200	60,463	112,960
Formation Metals Inc.	Warrants	(1) FCO	100,000	-	-
Goldcliff Resources Corp.		(1) GCN	9,453,000	1,049,663	567,180
Goldcliff Resources Corp.	Warrants	(1) GCN	1,250,000	-	-
Guyana Frontier Mining Corp.		(1) GYG	25,500	9,685	7,140
Halo Resources Ltd.		(1) HLO	1	5	0
Hana Mining Ltd.		(1) HMG	25,000	49,288	35,750
Harmony Gold Corp.		(1) H	214	75	25
Hinterland Metals Inc.		(1) HMI	49,041	4,904	7,356
Jiminex Inc.		(1) JIM	80,000	14,600	11,600
Kent Exploration Inc.		(1) KEX	4,983,000	522,058	298,980
Kent Exploration Inc.	Warrants	(1) KEX	3,250,000	-	-
Kimpar Resources Inc.	Warrants	(3) Private	552,000	-	-
Kirrin Resources Inc.		(1) KYM	997,929	139,710	49,896
Kirrin Resources Inc.	Warrants	(1) KYM	1,671,429	-	-
La Ronge Gold Corp.		(1) LAR	560,000	102,200	112,000
Lakota Resources Inc.		(5) LAK	4,918,441	326,110	-
Laurion Mineral Exploration Inc.		(1) LME	802,665	86,540	44,147
Miocene Metals Ltd.	Warrants	(1) Private	18,796	-	-
Nebu Resources Inc.		(1) NBU	300,167	45,025	19,511
Nevada Sunrise Gold Corp.		(1) NEV	250,000	50,000	12,500
Nevada Sunrise Gold Corp.	Warrants	(1) NEV	250,000	-	-
Niogold Mining Corp.	Warrants	(1) NOX	234,900	-	-
North Country Gold Corp.	Warrants	(1) NCG	25,000	-	23,250
Novagold Resources Inc.		(2) NG	100,206	1,105,238	888,827

Name of Security	Type	Symbol	No. Of Shares / Warrants	Cost of Shares	FMV of Shares / Warrants
NuCoal Energy Corp.		(3) Private	2,446,770	1,688,804	1,688,804
Olympic Resources Ltd.		(1) OLA.P	4,000,000	380,000	880,000
Omineca Mining & Metals Ltd.		(1) OMM	674,633	234,547	141,673
Otis Gold Corp.	Warrants	(1) OOO	38,462	-	-
Parex Resources Inc.		(1) PXT	1,400	10,252	11,032
Playfair Mining Ltd.		(1) PLY	2,196,167	345,788	164,713
Portage Minerals Inc.		(4) RKX	953,097	364,721	100,075
Puget Ventures Inc.		(1) PVS	51,667	17,571	25,317
Puget Ventures Inc.	Warrants	(1) PVS	83,333	-	7,500
QRS Capital Corp.		(1) QRS	222,385	140,725	131,207
QRS Capital Corp.	Warrants	(1) QRS	57,692	-	-
Red Rock Energy Inc.		(1) RRK	3,410,500	1,117,351	579,785
Red Rock Energy Inc.	Warrants	(1) RRK	850,000	-	-
Rio Grande Mining Corp.		(1) RGV	35,000	14,974	14,000
Rio Novo Gold Inc.	Warrants	(2) RN.WT	125,000	-	56,250
Roca Mines Inc.		(1) ROK	300,000	79,697	69,000
Rock Tech Lithium Inc.	Warrants	(1) RCK	500,000	-	-
Salazar Resources Ltd.	Warrants	(1) SRL	25,000	-	-
Senator Minerals Inc.		(1) SNR	2,451,000	127,135	159,315
Sheltered Oak Resources Corp.		(1) OAK	1,587,000	142,830	63,480
Sheltered Oak Resources Corp.	Warrants	(1) OAK	500,000	-	-
Shore Gold Inc.		(2) SGF	1,511,500	1,293,225	1,069,080
Silver Bull Resources Inc.		(2) SVB	50,000	68,335	31,000
Skeena Resources Ltd.		(1) SKE	3,187,500	295,146	175,313
Solomon Resources Ltd.		(1) SRB	119,500	19,576	14,340
Stakeholder Gold Corp.		(1) SRC	46,288	2,436	16,664
Stikine Energy Corp.		(1) SKY	239,000	65,073	59,750
Tanzania Minerals Corp.		(1) TZM	150,000	46,859	66,750
Tanzania Minerals Corp.	Warrants	(1) TZM	300,000	-	-
Terrax Minerals Inc.		(1) TXR	83,333	25,000	14,583
Terrax Minerals Inc.	Warrants	(1) TXR	41,667	-	-
Thelon Capital Ltd.		(1) THC	65,000	28,284	29,250
Threegold Resources Inc.		(1) THG	513,000	132,493	97,470
Unity Energy Corp.		(1) UTY	2,450,000	612,500	857,500
Unity Energy Corp.	Warrants	(1) UTY	200,000	-	-
Vantex Resources Ltd.		(1) VAX	25,000	9,815	4,250
Virginia Energy Resources Inc.		(1) VAE	356,000	173,321	58,740
Wescan Goldfields Inc.		(1) WGF	5,876,133	1,301,166	440,710
Westcore Energy Ltd.		(1) WTR	7,865,000	3,826,803	3,539,250
White Gold Corp.		(3) Private	2,000,000	500,000	500,000
Wildcat Exploration Ltd.		(1) WEL	1,155,000	285,929	51,975
Xmet Inc.		(1) XME	250,000	62,500	28,750
Xmet Inc.	Warrants	(1) XME	125,000	-	-

Name of Security	Type	Symbol	No. Of Shares / Warrants	Cost of Shares	FMV of Shares / Warrants
Oil & Gas					
Anglo Canadian Oil Corp.		(1) ACG	447,000	111,750	67,050
Petro One Energy Corp.		(1) POP	2,095,500	638,235	1,341,120
Prairie First Energy Inc.		(3) Private	1,111,611	1,602,000	1,602,000
Skywest Energy Corp.		(1) SKW	50,000	26,000	23,500
Admiralty Oils Ltd.		(3) Private	1,600,000	350,000	350,000
Archer Petroleum Corp.		(1) ARK	931,777	396,200	41,930
Archer Petroleum Corp.	Warrants	(1) ARK	77,000	-	-
Deloro Resources Ltd.		(1) DLL	3,387,500	522,000	372,625
Deloro Resources Ltd.	Warrants	(1) DLL	781,250	-	-
Energulf Resources Inc.		(1) ENG	15,000	17,150	11,250
Kenosee Resources Ltd.		(3) Private	8,547	44,643	44,643
KFG Resources Ltd.		(1) KFG	125,000	9,907	12,500
KFG Resources Ltd.	Warrants	(1) KFG	270,000	-	-
Lex Energy Partners LP		(3) Private	820	369,000	369,000
Nickel Oil & Gas Corp.		(3) Private	2,000,000	500,000	500,000
Nordic Oil & Gas Ltd.		(1) NOG	1,133,999	91,184	90,720
Nordic Oil & Gas Ltd.	Warrants	(1) NOG	506,667	-	-
Panterra Resources Corp.		(1) PRC	1,241,000	298,387	217,175
Panterra Resources Corp.	Warrants	(1) PRC	117,500	-	-
Porto Energy Corp.		(1) PEC	11,000	11,000	8,580
Rallyemont Energy Inc.		(3) Private	11,823,535	3,813,237	8,276,475
Shoreline Oil & Gas Ltd.		(3) SEQ	76,923	100,000	100,000
Simba Energy Inc.		(1) SMB	50,000	10,100	6,250
Titanium Corp. Inc.		(1) TIC	455,200	816,620	978,680
Torquay Oil Corp. Class A		(1) TOC.A	419,500	344,589	650,225
Torquay Oil Corp. Class A	Warrants	(1) TOC.A	250,000	-	37,500
Torquay Oil Corp. Class B		(1) TOC.B	21,500	215,000	123,840
Valeura Energy Inc.		(1) VLE	800,000	312,917	192,000
Volcanic Metals Corp.		(1) VOL	1,640,000	306,863	254,200
Other					
Augen Capital Corp.		(1) AUG	3,168,000	225,912	190,080
Augen Capital Corp.	Warrants	(1) AUG	1,429,000	-	-
Deep Earth Energy Productions Corp.		(3) Private	4,000,000	400,000	400,000
Discovery Air Inc.		(2) DA.A	397,500	178,875	164,963
Discovery Harbour Resources Corp.		(3) Private	100,000	10,000	10,000
Gilead Power Corp.		(3) Private	233,333	300,000	300,000
Grafton Resource Investments Ltd.		(3) Private	22,450	1,000,002	598,517
Kenna Capital Corp.		(1) MMGP	1,000,000	100,000	110,000
Kobex Minerals Inc.		(1) KXM	631,100	581,103	473,325

Lex Capital Partners LP	(3)	Private	1,000	700,000	700,000	
Meize Energy Industries Holdings Ltd.	(3)	Private	60,000	300,000	300,000	
Minerva Minerals Ltd.	(4)	MIL	1,292,000	92,950	77,520	
NovaDx Ventures Corp.	(1)	NDX	480,000	241,881	206,400	
Troy Energy Corp.	(1)	TEG.H	3,390,000	792,442	678,000	
				<u>165,864,090</u>	<u>44,580,147</u>	<u>46,745,867</u>

(1) Listed on TSX Venture Exchange

(2) Listed on TSX

(3) Private

(4) Listed on CNSX Exchange

(5) Defunct / Delisted

At June 30, 2011, 49 North's portfolio included positions in 114 resource companies, diversified on the basis of what, if any, stock exchange such companies are listed upon and by commodity type as summarized in the tables below:

Exchange Listings of Portfolio Holdings						
Exchange	At June 30, 2011			At December 31, 2010		
	No. of Companies	Value (\$)	% of Portfolio	No. of Companies	Value (\$)	% of Portfolio
TSXV	79	21,807,013	46.65%	83	28,095,298	61.51%
Private	21	21,430,509	45.84%	20	15,105,587	33.73%
TSX	9	2,416,200	5.17%	3	1,537,941	3.38%
CNQ	4	1,092,145	2.34%	2	731,881	1.38%
Defunct/Delisted	1	0	0.00%	1	-	-%
TOTAL	114	\$46,745,867	100.00%	109	\$45,470,707	100.00%

Portfolio Holding by Commodity						
	At June 30, 2011			At December 31, 2010		
	No. of Companies	Value (\$)	% of Portfolio	No. of Companies	Value (\$)	% of Portfolio
Potash	-	-	-	1	136,500	0.30%
Base Metals	13	5,659,532	12.11%	12	7,824,833	17.21%
Coal	3	5,264,554	11.26%	7	5,020,816	11.04%
Diamonds	1	1,058,050	2.26%	2	966,900	2.13%
Diversified	-	-	-	2	1,382,480	3.04%
Oil & Gas	26	15,779,005	33.75%	23	16,468,864	36.22%
Other	16	6,309,204	13.50%	13	4,157,773	9.14%
Precious Metals	49	11,026,601	23.59%	42	7,943,882	17.47%
Uranium	6	1,648,921	3.53%	7	1,568,663	3.45%
TOTAL	114	\$46,745,867	100.00%	109	\$45,470,707	100.00%

Information on the portfolio holdings as at the date of transition to IFRS or January 1, 2010 is not provided as there is no material difference from the amounts recorded under GAAP.

Resource Properties: 49 North has interests, either directly or indirectly through subsidiary companies or special purpose entities, in gold, coal, kimberlite, copper, molybdenum, dimension stone, aggregate and oil and gas properties. The Company's investments in resource properties target undervalued, over-looked or orphaned assets with potential for growth through exploration, development and/or commercialization activities. Once an interest in a resource property is acquired, the Corporation endeavors to advance the project, which may include taking one or more of the following actions, or such other actions deemed appropriate in the circumstances:

- **Management:** A new management team comprised of strong and capable individuals committed to the project may be assembled and stalled respecting the particular resource property, with preference given to those who have experience or expertise in the relevant resource sector and who have demonstrated a track record of successfully exploiting junior resource opportunities. The Corporation, together with the management team, if any, will develop and implement strategies for exploring, developing, bringing into production and operating the resource property.
- **Restructuring:** Resource properties may be acquired and held indirectly through a subsidiary, or directly by the Corporation, in which case, the property may subsequently be transferred to a subsidiary or held by the Corporation. When necessary, a restructuring or reorganization will be implemented to put in place an appropriate business structure to properly capitalize and advance the project and/or prepare it for a liquidity transaction.
- **Strategic Partners:** Joint ventures, option agreements, farm-ins or other arrangements may be entered with parties that have the necessary capital available to and the commitment to develop the resource property. The Corporation along with the management team for the resource property, if any, will evaluate and assess potential strategic partners and be responsible for selecting, negotiating and managing the joint venture, option agreement, farm-in or other arrangement respecting a resource property.
- **Capitalization:** The Corporation may provide short-term loans to, or make follow on investments in, a subsidiary company to ensure sufficient capital to fund exploration and development programs and otherwise advance the resource property. The Corporation may also provide financial assistance to a subsidiary company in the form of guarantees, letters of credit or such other means as may be available and appropriate in the circumstances. Equity offerings may be completed by a particular subsidiary under such terms and conditions deemed appropriate by the Corporation and, where applicable, the particular management team, in order to raise capital. The Corporation will use its expertise in, and knowledge of the junior resource sector to assist with the negotiation and consummation of any such debt financing facilities or equity offerings.
- **Technical Advisors:** The Corporation may engage one or more professional engineering, geosciences or other similar companies or persons to assist, where it is considered appropriate, with the evaluation of resource properties and preparation of exploration and development programs. Technical advisors may also be retained to assist with the evaluation and assessment of potential joint ventures, option agreements, farm-ins or other arrangements, as well as potential liquidity transactions.
- **Liquidity Transaction:** The Corporation's interest in the resource property may be sold to a third party for cash or securities (such as listed securities, redeemable securities or other securities that provide liquidity to the Corporation) of the third party buyer, or a combination of cash and securities. Alternatively, the Corporation may seek a stock exchange listing whereby the subsidiary holding the resource property will directly list its securities (or the securities of another entity that acquires all or substantially all of the assets of the subsidiary) for trading on a public stock exchange. The Corporation will use its experience in and knowledge of the junior resource sector to assist with the identification, negotiation and consummation of such a liquidity transaction.

The Company's current focus is on early stage opportunities located in western Canada. However, there are no fixed restrictions on the stage of development, geographic location or sector of the resource industry respecting properties

in which 49 North may invest. A significant portion of the Company's available funds may at any time or from time to time be invested in resource properties prior to completing feasibility studies including, without limitation, a Form 43-101F1 Technical Report or a Form 51-101F1 Statement of Reserves Data and Other Oil and Gas Information. Accordingly, the Company may not hold, discover or successfully exploit commercial quantities of minerals, petroleum or natural gas. Despite the risks, the potential returns on investments in early stage properties that are subsequently proved up may be greater.

Geological Consulting Services: 49 North's 50% owned subsidiary, North Rim, is Saskatchewan's premier independent geological consulting company specializing in the field of subsurface geology pertaining to petroleum, potash and industrial mineral resources. North Rim provides consulting services to petroleum and mineral resource exploration and development companies, engineering firms and First Nations.

Valuation of Assets:

At March 31, 2011, the Corporation's assets included equity investments having a fair value of \$46,745,867, representing approximately 53% of the Corporation's total assets. These equity investments are classified as financial instruments held-for-trading and, in accordance with IFRS, are presented in the financial statements and measured at fair value, with changes in fair value recognized in net income. For this purpose, the fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or ask prices, as appropriate, in the most advantageous active market for that instrument to which the Corporation has immediate access. Where bid and ask prices are unavailable, the Corporation uses the closing price of the most recent transaction for that instrument. The fair value of securities in the Corporation's investment portfolio as at the end of a period are 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. The quoted bid price value of securities that are subject to a hold period will be valued with an appropriate discount. 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 managements 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.

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 (less an appropriate risk discount) when they become exercisable. A warrant is in the money when the stock price is greater than the exercise price of the warrant.

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.

Liabilities:

At June 30, 2011 the Company had recorded liabilities of \$26,991,559 (December 31, 2010, \$21,860,133). These liabilities include the following:

- Bank indebtedness of \$1,290,535 recorded in Allstar.

- Accounts payable and accrued liabilities of \$2,527,290 consisting of accruals for normal operating expenses, professional fees and interest payable on convertible debentures.
- Deferred income taxes payable of \$4,583,602.
- \$16,834,634 representing the redemption price (less the equity component) as at the end of the current period on the aggregate principal amount of the convertible debentures issued in July 2008, September 2010 and June 29, 2011. Refer to Note 10 of the current financial statements for a detailed description of the terms of these debentures.
- \$428,274 promissory notes related to purchase of North Rim and Kimpar.
- \$196,171 of asset retirement obligations related to the oil and gas properties.
- \$1,059,689 of loans payable to various creditors.

Commitments:

At June 30, 2011 the Corporation had the following capital commitments:

- The Corporation has committed \$451,000 for an additional investment in Lex Energy Partners LP and \$300,000 for an additional investment in Lex Capital Partners LP.
- The Corporation, through its subsidiary Kimpar, is committed to conduct exploration work representing capital expenditures in the amount of \$2,900,000, in total, over the next four years. Kimpar has minimum annual statutory obligations of \$13,052 and annual minimum work commitments of \$173,933 in order to keep its various claims in good standing.
- The Corporation, through its special purpose entity Newsk, is committed to spend an additional \$3,171,135 in qualifying exploration expenditures by December 31, 2011.

Liquidity and Capital Management:

Management's objectives when managing the Corporation's capital are to:

- (a) ensure that the Corporation maintains the level of capital necessary to meet the requirements of its brokers, debenture holders and bank;
- (b) allow the Corporation to respond to changes in economic and/or marketplace conditions by maintaining the Corporation's ability to purchase new investments;
- (c) give shareholders sustained growth in shareholder value by increasing shareholders' equity; and
- (d) 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. Traditionally, 49 North has relied on various sources of funds for its ongoing operational and investing activities, including:

- (a) proceeds from the disposition of its investments (and, in the current year, interest and dividend income from investments);
- (b) utilizing leverage in the form of margin (due from brokers);
- (c) capital raising activities such as equity or convertible debt financings;

- (d) borrowing funds from the Corporation's bank, brokers (margin account) and/or related parties; and
- (e) purchasing the Corporation's own shares for cancellation pursuant to normal course issuer bids.

49 North is not subject to any capital requirements imposed by a regulator and, except as noted in this MD&A, as at June 30, 2011, the Corporation had no material outstanding commitments for capital expenditures. Cash operating expenses in 2010 were approximately \$7,747,403. Management acknowledges that the Corporation's cash operating expenses, excluding interest payments, have increased substantially due to the purchase of North Rim, Allstar, Kimpar, VCL and consolidation of Newsk.

Management anticipates that the Corporation's current capital resources will be sufficient to discharge its liabilities over the course of 2011 and that it will be able to generate sufficient cash to fund its operations through the normal course of purchasing and selling existing investments. In addition, the Corporation generates cash through direct working interests in the wells of its subsidiary Allstar, as well as interest and royalty income from resource properties and consulting services through North Rim.

During the first six months of 2011, 49 North continued to reduce its reliance on margin borrowing as part of its ongoing capital management program and management expects to maintain a minimal margin borrowing balance in the near term future. The current cash balance is \$10,250,102 compared to \$1,526,415 at December 31, 2010.

See also the discussion herein concerning financial instruments and related risks under the heading "Financial Instruments" and see the disclosure herein under the heading "Risk Factors" for a detailed discussion of the main risk factors that may have a material effect on the Corporation's business and on an investment in the securities of 49 North.

Transactions with Related Parties:

During the six months ended June 30, 2011, management fees of \$592,995 (2010 - \$432,335) and reimbursements of \$153,974 (2010 - \$62,596) were incurred or accrued to TMM Portfolio Management Inc. ("TMM"), and 1381613 Alberta Ltd., companies controlled by the CEO of the Corporation. These transactions are in the normal course of operations and are measured at the exchange amount, which approximates fair value and is the amount of consideration established and agreed to by the related parties.

TMM is responsible for the management of the Corporation's investment portfolio in accordance with the terms of a portfolio management agreement made January 1, 2008 (the "Management Agreement") and is to be reimbursed by the Corporation for all expenses reasonably and properly incurred in conducting the Corporation's business and 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.

The Corporation paid \$90,000 of salary (2010 - \$40,000), \$31,500 of directors fees (2010 - \$19,250) and stock based compensation of \$400,050 (2010 - \$466,572) to key executive personnel and directors, in addition to the management fees noted above, in the six months ended June 30, 2011.

The Corporation has two working interest arrangements with its oil and gas subsidiary, Allstar. In accordance with the first agreement, which covers 5 wells, the Corporation committed to funding 90% of the drilling costs in exchange for 63% of the net production from the wells. In accordance with the second agreement, which covers an additional five wells, the Corporation committed to funding 72.61% of the drilling costs in exchange for 53.11% of

the net production from the wells. In the quarter, the Corporation advanced \$3,265,677 under these working interest agreements and recorded net income from the wells of \$1,034,355.

During 2010, 49 North 2010 Resource Flow-Through Limited Partnership (the “2010 Fund”) raised \$8,980,210 on the sale of 898,021 flow-through units (the “2010 Units”), at \$10.00 per 2010 Unit, in an initial public offering and a private placement that was carried out in the Provinces of Saskatchewan, Manitoba, Alberta, British Columbia and Ontario pursuant to a prospectus dated December 1, 2010. 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 its 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 the transfer, the 2010 Fund was wound up and dissolved and the common shares were distributed to the partners of the 2010 Fund. As a result, each (former) limited partner of the 2010 Fund received approximately 3.022 common shares for each limited partnership unit they formerly held in the 2010 Fund. The transaction also resulted in the number of outstanding common shares of the Corporation increasing to 15,012,605 immediately after the transaction.

Critical Accounting Estimates:

The Company’s financial statements have been prepared in accordance with IFRS. The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of appreciation (depreciation) of investments and expenses during the reporting period. Actual results could differ from these estimates. The significant accounting policies used by the Company in this regard are discussed in detail in the notes to the 2010 annual audited financial statements. See especially note 2.

First Time Adoption of International Financial Reporting Standards:

For all periods up to and including the year ended December 31, 2010, the Corporation prepared its financial statements in accordance with GAAP. The unaudited interim financial statements for the quarter ended March 31, 2011 are the first financial statements prepared in accordance with IFRS.

The Corporation has, in note 21 of the unaudited interim financial statements for the three months ended March 31, 2011, disclosed the following GAAP to IFRS reconciliations, including explanatory notes:

- Reconciliation of the consolidated assets, liabilities and equity as at January 1, 2010;
- Reconciliation of the consolidated assets, liabilities and equity as at June 30, 2010;
- Reconciliation of the consolidated net income for the three months ended June 30, 2010;
- Reconciliation of the consolidated assets, liabilities and equity as at December 31, 2010;
- Reconciliation of the consolidated net income for the year ended December 31, 2010.

The transition from GAAP to IFRS had no material impact on the consolidated net cash flows of the Corporation, and as such, no reconciliation has been provided.

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 GAAP 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 GAAP 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 GAAP 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.

Financial Instruments:

The investment operations of 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 liquidity, market, interest, credit risk and commodity price risks. A discussion of the Corporation’s use of financial instruments and their associated risks is provided below.

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 declines, resulting in losses upon disposition. The Corporation generates cash flow primarily from its financing activities and proceeds from the disposition of its investments, in addition to interest and dividend income earned on its investments. The Corporation has sufficient marketable securities which are freely tradable and relatively liquid to fund its obligations as they become due under normal operating conditions.

The Corporation 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 pre-maturely 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 converted into cash when required. During the quarter, the Corporation continued to reduce its reliance on margin to more historical normal levels and management expects to maintain a minimal margin borrowing balance in the near term future.

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 oil and gas, coal, precious metals, base metals, uranium, diamonds and other commodities.

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 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.

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 third parties, totaling \$5,332,366 which represents approximately 6.3% of the Corporation's total assets.

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 base metals, precious metals and 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 may, from time to time, enter into forward contract for commodity prices to manage this risk.

Fair Value:

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

Disclosure Controls and Procedures:

There have been no significant changes to the Company's internal controls over financial reporting for the most recent period that would have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. Internal controls are continually being reviewed and assessed.

Risk Factors:

An investment in 49 North involves various risks. The following is a brief discussion of the main risk factors that may have a material effect on our business and on your investment in our common shares. Additional risks not currently known to us or that we currently deem immaterial may also impair our business operations.

Reliance on Management:

Shareholders must rely on the discretion, knowledge and expertise of management of the Company and the Portfolio Manager in determining the composition of our investment portfolio, negotiating the pricing of resource securities purchased for or sold from the portfolio and in determining if, when and on what terms to acquire or dispose of portfolio securities.

Risks Associated with Resource Issuers:

In general, our business is to invest in resource issuers, with such investments made predominantly in junior or intermediate resource issuers. There is no assurance that any of the resource issuers in which we invest will prove to be profitable or viable over the short or long term. The resource industries are highly competitive and resource issuers in which we invest must compete with many companies, many of which have far greater financial strength, experience and technical resources. Generally, there is intense competition for the acquisition of resource properties considered to have commercial potential as well as for equipment and personnel necessary to exploit such properties. The business activities of the resource issuers that we invest in are typically speculative and may be adversely affected by sector specific risk factors, outside the control of the resource issuers, which may ultimately have an impact on our investments in such issuers' securities and/or on an investor's investment in 49 North.

Furthermore, as the Company holds some resource properties directly, the Company faces some of these risks directly as well as through its exposure from investments in issuers facing these risks. Other risks associated with the resource sector include, without limitation, the following:

- (a) The business of exploring for minerals and/or oil and gas involves a high degree of risk, many of which risks are beyond the control of the relevant resource issuer. Many of the resource issuers that we invest in may not hold, discover or successfully exploit commercial quantities of minerals, petroleum or natural gas and/or may not have a history of earnings or payment of dividends.
- (b) The marketability of natural resources which may be acquired or discovered by a resource issuer will be affected by numerous factors which are beyond the control of such resource issuer. These factors include market fluctuations in the price of minerals, petroleum and/or natural gas, as applicable, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of materials and environmental protection. The exact effect of these factors cannot be accurately predicted, but any one or a combination of these factors could result in a resource issuer not receiving an adequate return for its shareholders.
- (c) There are certain risks inherent in the mineral exploration, mining and oil and gas industries, including potential claims arising from operational activities, which may or may not be insurable, or against which a resource issuer may elect not to insure. Such liabilities may have a material, adverse effect on such resource issuer's financial position and on the value of the securities of such resource issuer held as part of our investment portfolio.
- (d) Mining and oil and gas operations and the resource industries in general are subject to extensive controls and regulations imposed by various levels of government. In addition to federal regulation, each province has legislation and regulations which govern land tenure, royalties, production rates, environmental protection and other matters. The royalty regime is a significant factor in the profitability of resource production. Royalties payable on production from lands other than Crown lands are determined by negotiations between the mineral owner and the lessee. Crown royalties are determined by government regulation and are generally calculated as a percentage of the value of the gross production, and the rate of royalty's payable generally depends in part on prescribed reference prices, productivity, geographical location, discovery date and the type or quality of the commodity produced. Operations may be effected from time to time in varying degrees due to political and environmental developments such as tax increases, expropriation of property and changes in conditions under which resources may be developed, produced, generated and/or exported. Additionally, a resource issuer may have property interests that are located in foreign jurisdictions, and its operations in such jurisdictions may be affected in varying degrees by the extent of political and economic stability, and by changes in regulations or shifts in political or economic conditions that are beyond the control of the resource issuer. Such factors may adversely affect the resource issuer's business and/or its property holdings. Although a resource issuer's activities may be carried out in accordance with all applicable rules and regulations at any point in time, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development of the resource issuer's operations. Amendments to current laws and regulations governing the operations of a resource issuer or more stringent enforcement of such laws and regulations could have a substantial adverse impact on the financial results of the resource issuer.

(e) The mineral exploration, mining and oil and gas industries are subject to various environmental regulations set by federal and provincial governments. Environmental legislation prescribes restrictions and prohibitions on releases or emissions of various substances produced or utilized in association with certain mining and oil and natural gas operations. Such legislation also prescribes certain requirements for the abandonment and reclamation of mines, wells and other facility sites. A breach of such legislation may result in the imposition on a resource issuer of fines and penalties and/or liability to third parties and may require a resource issuer to incur costs to remedy such breach. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which has led to stricter standards and enforcement and greater fines and penalties for non-compliance. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the resource issuer's financial condition, results of operations or prospects.

Marketability of Underlying Securities and Related Risks:

The value of our shares fluctuates as a result of numerous factors, including fluctuations resulting from changes in the value of the securities in our investment portfolio. The value of securities in our portfolio is affected by numerous factors such as investor demand, resale restrictions, general market trends or regulatory restrictions. Our investment portfolio generally focuses on junior and intermediate resource companies, with investments made predominantly in resource companies that are listed on the TSXV. However, we may invest in securities of any resource company regardless of if or on what stock exchange such securities are listed, regardless of the status or stage of development of the investee company's exploration, development or other business activities, and regardless of the size or market capitalization of the investee company. A significant portion of our portfolio may at any time be comprised of unlisted securities, including securities acquired under private placements of what are commonly referred to as "founders shares" or "seed-capital shares", securities that may otherwise be issued by a company prior to completing feasibility studies including, without limitation, a Form 43-101F1 Technical Report, or securities that may otherwise be issued prior to a resource company becoming a "reporting issuer". Investing in relatively smaller companies that are listed on a junior exchange (or are not listed) may be considered to be riskier than investing in securities of relatively larger companies whose securities are listed on a senior exchange such as the TSX. These risks include, without limitation, the following:

- (a) The share price of smaller companies is usually more volatile than that of larger, more established companies. Smaller companies may have limited resources, including limited access to funds, and their shares may trade less frequently and in smaller volume than shares of larger companies. They may have fewer shares outstanding, so a sale or purchase of shares will have a greater impact on the share price. The value of these investments may rise and fall substantially.
- (b) In general, investments in smaller companies tend to be less liquid than other types of investments. Investments in illiquid securities may be difficult to value accurately and/or may trade at prices significantly lower than their value. In general, the less liquid an investment, the more its market value tends to fluctuate. As a result, we may have difficulty in converting some of our portfolio investments to cash at a fair market price when funds are required or we may incur additional costs in doing so.
- (c) The securities of non-reporting issuers that we hold may not be sold unless an exemption is available under applicable securities laws.

More generally, many of the securities held in our investment portfolio, regardless of the industry sector in which the issuer conducts business and including those listed and not subject to resale restrictions, may be relatively illiquid and may decline in price if a significant number of shares are offered for sale.

On the other hand, the potential returns on investment in smaller, relatively early stage companies may be greater than the returns experienced from investment in larger, more established companies.

Conflicts of Interest:

Each director and officer of the Corporation also is or has been a director and/or officer of the general partners of one or more of the 49 North Flow-Through Funds¹; the Portfolio Manager, TMM, has also been the portfolio manager of each 49 North Flow-Through Funds. Mr. Tom MacNeill, the President and Chief Executive Officer and a director of the Corporation, is also the President, sole director and sole shareholder of TMM. Potential conflicts of interest may arise or be perceived between the officers and directors of the Corporation, and especially Mr. MacNeill, acting on the one hand in their capacity as an officer and/or director of the Corporation and, on the other hand, as an officer, director and/or shareholder of the general partner of a 49 North Flow-Through Fund and, in the case of Mr. MacNeill, as an officer, director and shareholder of TMM, and potential conflicts of interest may arise or be perceived between the Corporation and other funds or entities, outside of the 49 North Group¹, of which the directors and officers of the Corporation may also be directors, officers, or otherwise involved. Investors must appreciate that they are relying on the expertise, good faith and integrity of the officers and directors of the Corporation and the Portfolio Manager, and especially on the expertise, good faith and integrity of Mr. Tom MacNeill, for the success of their investment in the shares of the Corporation. Persons who are unwilling to accept this risk should not invest in our securities. More generally, the services of the officers and directors of the Corporation and of TMM are not exclusive to the Corporation. The officers and directors of the Corporation and their affiliates may engage in activities for their own account which competes with the Corporation. Conflicts may arise from time to time in allocating investment opportunities, timing investment decisions and exercising rights in respect of and otherwise dealing with securities and companies in which the Corporation and/or the officers and directors of the Corporation and/or their affiliates invest. Conflicts of interest may also arise in the enforcement of the terms and conditions of the Management Agreement and other agreements to which the Corporation is now or may in the future become a party, whether such agreements are being enforced by or against the Corporation.

Future Roll-over Transactions:

49 North has been involved in the establishment of new 49 North Flow-Through Funds, on an annual or more frequent basis, in each year from 2006 to 2010; and each of the 49 North Flow-Through Funds that has been established to date has subsequently completed a transaction (herein referred to as a “Roll-over Transaction”) with 49 North pursuant to which the flow-through units acquired in the Flow-Through Fund’s own offering were subsequently exchanged for common shares of 49 North (or, prior to the January 2008 Conversion Transaction, for Units of the Former Partnership). Each of these prior Roll-over Transactions has been completed in February of the year following the year that the respective Funds completed their own offerings of flow-through units, with this timing designed, in part, to allow individual investors who so choose to contribute the securities they acquire in 49 North through the Roll-over Transaction to a self-directed RRSP by the end of February deadline for making contributions that may be claimed in the preceding year. No new 49 North Flow-Through Funds are anticipated to be established in the future.

Concentration Risk:

The Corporation invests predominantly in securities of junior and intermediate resource companies engaged in mineral or oil and gas exploration in Canada. Concentrating investments in the resource sector in this manner may result in the value of 49 North’s shares fluctuating to a greater degree than if the Corporation invested in a broader spectrum of issuers or a broader geographical area.

¹ 49 North has been involved in the establishment of “flow-through limited partnerships” on an annual, or more frequent basis, in each year from 2006 to 2010 inclusive, including, without limitation, the 2007 Fund, 2008-I Fund, 2008-II Fund, 2009 Fund and 2010 Fund, as discussed above herein under “Significant Events”. These flow-through funds are sometimes referred to herein, collectively, as the “49 North Flow-Through Funds” and, individually, as a “49 North Flow-Through Fund” and such Funds, together with the Corporation, are sometimes referred to herein collectively as the “49 North Group”.

Reliance on Key Persons for Advisory Services:

The Company's performance providing advisory services in merchant banking and geological consulting is strongly correlated to the performance of certain key individuals, and, accordingly, the retention of these individuals is crucial to the Company's revenue from these business segments. Certain of the key individuals have entered into employment agreements or services agreements, however, there is no guarantee that these individuals will not resign or otherwise terminate their agreements.

Reduced Revenues from Advisory Services During Periods of Declining Resource Prices:

The Company's revenues from providing advisory services in merchant banking and geological consulting are likely to be lower during a period of declining natural resource markets and commodity prices. The Company's advisory services are particularly dependant on companies in the natural resource sector and as a result a prolonged period of declining natural resource prices could cause a reduction in fee revenue from advisory services.

Segmented Information:

The Corporation has four reportable segments –resource investing, geological advisory, brokerage and extractive industries.

Outstanding Share Data:

The Corporation is authorized to issue an unlimited number of common shares; an unlimited number of first preferred shares, issuable in series; and an unlimited number of second preferred shares, issuable in series. A detailed description of the rights, privileges, restrictions and conditions attached to the authorized shares of the Corporation is included in its annual information form for the year ended December 31, 2010, a copy of which may be found on SEDAR at www.sedar.com. No series of first preferred or second preferred shares exist and, as at the date of this MD&A, no first preferred or second preferred shares are outstanding.

As of August 26, 2011, the number of common shares of the Corporation outstanding, or reserved for issue under convertible securities, is as follows:

Common Shares	Number
Outstanding	15,513,346
Issuable upon conversion of 2010 convertible debentures ¹	1,172,700
Issuable upon conversion of 2011 convertible debentures ¹	2,555,555
Issuable under options	791,490
Total diluted common shares	20,033,091
Notes:	
1. Assumes all \$4,690,800 principal amount of convertible debentures issued in September and October 2010 are converted into common shares at the conversion price of \$4.00 per share. Assumes further all \$11,500,000 principal amount of convertible debentures issued in June and July 2011 are converted into common shares at the conversion price of \$4.50 per share. See the discussion in the Annual Information Form for the fiscal year ended December 31 st , 2010 "General Development of the Business – Three Year History – Convertible Debentures" which can be found on the SEDAR website at www.sedar.com .	

Additional Information:

Additional information about 49 North, including its annual information form for the Company's most recently completed financial year, is available under the Company's profile on SEDAR at www.sedar.com.