49NORTH RESOURCES INC

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 and 2010

Hergott Duval Stack LLP
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
49 North Resources Inc.

We have audited the accompanying consolidated financial statements of 49 North Resources Inc., which comprise the consolidated statement of financial position as at December 31, 2011 and 2010 and January 1, 2010 and the consolidated statements of income (loss), changes in equity and cash flows for the years ended December 31, 2011 and 2010, and a summary of significant accounts policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of 49 North Resources Inc. as at December 31, 2011 and 2010 and January 1, 2010 and its financial performance and its cash flows for the years ended December 31, 2011 and 2010 in accordance with International Financial Reporting Standards.

Hergott Duval Stack LLP

SASKATOON, SASKATCHEWAN

April 23, 2012 Chartered Accountants

49 North Resources Inc.
Consolidated Statement of Financial Position
(in thousands of Canadian dollars, except securities and per share amounts)

	December 31, 2011	December 31, 2010 (Note 21)	January 1, 2010 (Note 21)
ASSETS			
Current assets			
Cash and cash equivalents	$ 440	$ 1,526	$ -
Equity instruments, at fair value (Note 3)	39,992	46,644	38,297
Loans and advances receivable (Note 4)	6,205	6,379	3,109
Managment fees receivable (Note 9)	78	-	11
Accounts receivable and prepaid expenses	3,313	2,490	884
	50,028	**57,039**	**42,301**
Non-current assets			
Exploration and evaluation assets (Note 5)	11,101	5,981	309
Goodwill (Note 6)	2,017	1,621	395
Property, plant and equipment (Note 7)	20,821	12,727	222
Deferred income tax assets (Note 14)	-	-	1,069
Total assets	**$ 83,967**	**$ 77,368**	**$ 44,296**
LIABILITIES			
Current liabilities			
Bank indebtedness (Note 8)	$ -	$ -	$ 2,022
Accounts payable and accrued liabilities	8,340	4,224	891
Management fees and reimbursements payable (Note 9)	-	117	-
Current portion of convertible debentures (Note 10)	-	4,800	-
Current portion of loans payable (Note 11)	-	1,816	-
Income taxes payable	48	123	-
	8,388	**11,080**	**2,913**
Non-current liabilities			
Convertible debentures (Note 10)	13,505	3,781	4,485
Loans payable (Note 11)	1,240	1,276	-
Promissory note payable (Note 12)	398	541	375
Decommissioning liabilties (Note 13)	525	169	-
Other liability	219	-	-
Deferred income tax liabilities (Note 14)	4,348	5,471	3,414
Total liabilities	**28,623**	**22,318**	**11,187**
Commitments and contingencies (Note 17)			
EQUITY			
Common shares (Note 15)	57,235	47,234	40,506
Contributed surplus (Note 15)	3,958	2,620	1,466
Equity portion of convertible debentures (Note 10)	1,516	934	493
Retained earnings (deficit)	(10,070)	1,959	(9,648)
	52,639	**52,747**	**32,817**
Non-controlling interest	**2,705**	**2,303**	**292**
Total liabilities and equity	**$ 83,967**	**$ 77,368**	**$ 44,296**

Approved by the Board

"Tom MacNeill"
Director

"Brad Munro"
Director

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

	2011	2010
Revenues		
Geological and other consulting	$ 3,962	$ 3,036
Oil and gas sales	7,327	1,062
Realized gains	6,157	18,377
Unrealized (losses) gains	(13,433)	1,307
Royalty income	108	336
Interest and dividend income	619	428
	4,740	**24,546**
Expenses		
Amortization and depletion	1,401	1,640
Business and investor relations	950	866
Finance	2,544	1,119
Management fees (Note 9)	1,162	968
General and administration	1,775	900
Oil and gas operations	2,783	783
Professional fees	1,265	852
Project costs	988	318
Share based compensation (Note 15)	1,126	768
Transaction costs	941	245
Wages and benefits	2,446	2,063
	17,381	**10,522**
Gain on disposal of asset	-	263
Writedown - oil & gas properties	(430)	-
(Loss) income before income taxes	**(13,071)**	**14,287**
Current income tax (recovery)	48	752
Deferred income tax (recovery)	(1,835)	1,754
	(1,787)	2,506
Net (loss) income	**$ (11,284)**	**$ 11,781**
Net (loss) income to common shareholders	**(11,347)**	**11,607**
Net income to non-controlling interest	63	174
Net (loss) income	**$ (11,284)**	**$ 11,781**
Basic (loss) earnings per share	**$ (0.75)**	**$ 0.96**
Diluted (loss) earnings per share	**$ (0.75)**	**$ 0.92**

49 North Resources Inc.
Consolidated Statement of Changes in Equity
(in thousands of Canadian dollars, except securities and per share amounts)

	Common Shares		Share Capital		Contributed Surplus		Equity portion of convertible debentures		Retained Earnings (Deficit)		Total Equity
Balance, January 1, 2010	**8,345**	**$**	**40,506**	**$**	**1,466**	**$**	**493**	**$**	**(10,648)**	**$**	**31,817**
Prior period adjustment (Note 22)	-		-		-		-		1,000		1,000
Adjusted balance, January 1, 2010	**8,345**		**40,506**		**1,466**		**493**		**(9,648)**		**32,817**
2009 Fund unit exchange	4,352		7,572		-		-		-		7,572
Shares repurchased and cancelled	(399)		(844)		-		-		-		(844)
Share based compensation expense	-		-		768		-		-		768
Change in ownership of subsidiary	-		-		386		-		-		386
Debentues issued (net of tax)	-		-		-		441		-		441
Net and comprehensive income	-		-		-		-		11,607		11,607
Balance, December 31, 2010	**12,298**	**$**	**47,234**	**$**	**2,620**	**$**	**934**	**$**	**1,959**	**$**	**52,747**

	Common Shares		Share Capital		Contributed Surplus		Equity portion of convertible debentures		Retained Earnings (Deficit)		Total Equity
Balance, January 1, 2011	**12,298**	**$**	**47,234**	**$**	**2,620**	**$**	**934**	**$**	**1,959**	**$**	**52,747**
2010 Fund unit exchange	2,714		8,106		-		-		-		8,106
Warrants excercised	510		1,923		(355)		-		-		1,568
Stock options excercised	34		137		(67)		-		-		70
Change in ownership of subsidiary	-		-		726		-		-		726
Stock options issued	-		-		611		-		-		611
Stock options cancelled	-		-		(70)		-		-		(70)
Shares repurchased and cancelled	(51)		(141)		-		-		-		(141)
Share issue costs (net of tax)	-		(24)		-		-		-		(24)
Debentues issued (net of tax)	-		-		-		1,075		-		1,075
Convertible debentures retired	-		-		493		(493)		-		-
Dividends paid	-		-		-		-		(682)		(682)
Net loss and comprehensive loss	-		-		-		-		(11,347)		(11,347)
Balance, December 31, 2011	**15,505**	**$**	**57,235**	**$**	**3,958**	**$**	**1,516**	**$**	**(10,070)**	**$**	**52,639**

49 North Resources Inc.
Consolidated Statement of Cash Flows
(in thousands of Canadian dollars, except securities and per share amounts)

	2011	2010
Cash flows from Operating Activities		
Net (loss) income	$ (11,284)	$ 11,781
Items not affecting cash		
Realized gains	(6,157)	(18,377)
Amortization and depletion	1,401	1,640
Deferred income tax (recovery)	(1,835)	1,754
Accretion of convertible debentures	841	386
Share based compensation	611	768
Goodwill impairment	717	-
Gain on disposal of asset	-	263
Writedown - oil and gas properties	430	-
Unrealized losses (gains)	13,433	(1,307)
Net changes in non-cash working capital items related to operations:	3,098	2,021
	1,255	**(1,071)**
Cash flows from Investing Activities		
Purchase of property plant & equipment	(9,530)	(7,110)
Proceeds from disposal of property plant & equipment	90	-
Purchase of investments	(15,112)	(23,052)
Proceeds from disposal of investments	21,533	37,318
Purchase of exploration and evaluation assets	(9,119)	(23)
Loan repayments (advances)	174	(3,923)
Cash received on amalgamation	4,847	-
Acquisition of subsidiary (net of cash)	(673)	(4,994)
	(7,790)	**(1,784)**
Cash flows from Financing Activities		
Issuance of common shares	1,638	-
Issuance of convertible debenture	11,500	7,600
Repurchase of common shares	(141)	(844)
Repayment of long-term debt	(6,995)	(78)
Share and debenture issue costs	(553)	(274)
	5,449	**6,404**
Net change in cash during the year	**(1,086)**	**3,549**
Cash, beginning of year	1,526	(2,023)
Cash, end of year	**$ 440**	**$ 1,526**

1. Description of business

49 North Resources Inc. (the "Corporation") is a resource investment, financial, managerial and geological advisory, and merchant banking Corporation which, as its principal business, invests in a diversified portfolio of shares and other securities of resource issuers including, without limitation, resource issuers engaged in mineral or oil and gas exploration and development, with a view to achieving capital appreciation of the portfolio. In addition, the Corporation may take control positions and play a management role in selected resource issuers and/or become directly or indirectly involved in the acquisition, development and commercialization of resource properties through one or more subsidiaries, joint ventures, farm-in or other arrangements that may be established for such purposes.

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

These consolidated financial statements were approved by the Corporation's board of directors on April 23, 2012.

2010 Fund Roll-over Transaction

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

2. Significant accounting policies

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

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") which the Corporation has adopted in its annual consolidated financial statements as at and for the year ended December 31, 2011. Previously, the Corporation prepared its annual consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("CGAAP"). The significant accounting policies are presented in Note 2 and have been consistently applied in each of the years presented. Significant accounting estimates, judgments and assumptions used or exercised by management in the preparation of these consolidated financial statements are presented below.

The Corporation's date of transition to IFRS and its opening IFRS consolidated statement of financial position are as at January 1, 2010 (the "Transition Date"). An explanation of how the transition to IFRS on the Transition Date has affected the reported financial position and financial performance of the Corporation is provided in Note 21, which includes reconciliations of the Corporation's consolidated statements of financial position, comprehensive income and equity for comparative periods prepared and previously reported in accordance with CGAAP, to those prepared and reported in these consolidated financial statements in accordance with IFRS.

2. Significant accounting policies (continued)

Basis of preparation

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

Basis of consolidation

These consolidated financial statements include the accounts of the Corporation's 50% owned subsidiary North Rim Exploration Ltd. ("North Rim"), its 89.5% owned subsidiary Allstar Energy Limited ("Allstar"), its 80% owned subsidiary Kimpar Resources Inc. ("Kimpar"), its 50% joint interest in Vicarage Capital Corp. ("Vicarage"), its 92% owned subsidiary Purcell Range Exploration Inc. ("Purcell") and its special purpose entity Newsk Emerging Resources Ltd. ("Newsk"). All inter-Corporation accounts have been eliminated on consolidation. Investments are consolidated where the Corporation has the ability to exercise control. Control is achieved when the Corporation has the power to govern the financial and operating policies of the entity. For non wholly-owned subsidiaries, the net assets attributable to outside equity shareholders are presented as "non-controlling interests" in the equity section of the consolidated statement of financial position. Joint ventures are proportionately consolidated.

Foreign currency translation

i) Functional currency

Items included in the financial statements of each of the Corporation's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the "functional currency"). The functional currency for the Corporation is the Canadian dollar ("Canadian dollar"); the functional currency for Vicarage is the United Kingdom pound sterling ("UK sterling").

ii) Foreign currency transactions

Foreign currency transactions are translated into the Corporation's functional currency of the Corporation's subsidiaries at exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of comprehensive loss.

iii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at the dates of the transactions.

Valuation of investments

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

Publicly traded companies

The fair value of any security which is listed or traded upon a stock exchange is estimated by taking the latest bid price (Level 1). The fair value of investment funds and limited partnerships are recorded based on their published net asset value per unit (Level 2).

2. Significant accounting policies (continued)

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 and which the Corporation does not control the entity, 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 Corporation issued common equity without flow-through characteristics or at management's estimated fair value. After the initial transaction, adjustments are made to reflect any changes in value as a result of an independent third party transaction. Downward adjustments to the carrying values are also made when there is evidence of a decline in value, as indicated by an assessment of the financial condition of the investment based on operational results, forecasts and other developments (Level 3).

Warrants
For options and warrants which are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, the warrants are valued using the Black-Scholes option pricing model. If no such market inputs are available or reliable, the warrants are valued at intrinsic value, which is equal to the higher of the closing bid price at the consolidated statement of financial position date of the underlying security less the exercise price of the warrant, and zero (Level 2).

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

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

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

2. Significant accounting policies (continued)

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

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

Oil and gas development and production assets

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

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

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

Other assets

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

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

Impairment of non-current assets

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

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

2. **Significant accounting policies** (continued)
Impairment of non-current assets (continued)

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

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

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

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

Provisions

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

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

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

Goodwill

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

2. Significant accounting policies (continued)

Deferred income taxes

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current tax assets and liabilities on a net basis. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Share capital

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

Share based payments

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

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

Earnings per share

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

2. Significant accounting policies (continued)

Revenue recognition

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

- Geological consulting revenue is recognized as the services are provided to the client.
- Production revenue is recognized when the oil and gas is delivered to the buyer.
- Dividend income is recognized when the dividends are declared.
- Interest and rental income are recognized on an accrual basis.
- Royalty income received from projects in which the Corporation has an interest is recorded when received or receivable if the amount can be reasonably estimated.

Business combinations

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

Significant accounting judgments, estimates and assumptions

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

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

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

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

2. Significant accounting policies (continued)

Future accounting pronouncements

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

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

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

3. Equity investments

As at December 31, 2011, the Corporation's investments consist of the following:

	December 31, 2011		December 31, 2010		January 1, 2010
	Cost	FMV	Cost	FMV	FMV
Base and Precious Metals	19,644	19,353	13,082	18,172	11,912
Coal	5,516	2,208	4,830	3,948	3,025
Diamonds	1,529	860	945	968	221
Oil & Gas	9,162	11,713	11,580	17,243	6,188
Other	5,092	4,049	4,339	4,189	3,251
Potash	-	-	-	-	13,073
Uranium	1,962	1,161	2,181	2,124	627
Futures contracts	-	648	-	-	-
	$ 42,905	**$ 39,992**	**$ 36,957**	**$ 46,644**	**$ 38,297**

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

4. Loans and advances receivable

	December 31, 2011	December 31, 2010	January 1, 2010
CVG Mining Ltd.	$ 5,400	$ 5,132	$ -
Newsk Emerging Resources Ltd.	-	-	1,302
Hillcrest Resources Ltd.	-	208	-
How 2 Energy Ltd.	170	230	272
Kimpar Resources Ltd.	-	-	493
49 North 2011 Resource Flow-Through LP	608	-	-
49 North 2010 Resource Flow-Through LP	-	766	-
49 North 2009 Resource Flow-Through LP	-	-	872
Unrelated individuals	27	43	170
	$ 6,205	**$ 6,379**	**$ 3,109**

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

5. Exploration and evaluation assets

	Manitoba	Saskatchewan	British Columbia	Quebec	Total
Balance, January 1, 2010	**$ 309**	**$ -**	**$ -**	**$ -**	**$ 309**
Acquisition (refund)	(16)	1	-	1,681	**1,666**
Disposal	(154)	-	-	-	**(154)**
Exploration	7	12	4,000	141	**4,160**
Balance, December 31, 2010	**$ 146**	**$ 13**	**$ 4,000**	**$ 1,822**	**$ 5,981**
Exercise of option agreement	-	-	(4,000)	-	**(4,000)**
Exploration	-	838	7,302	980	**9,120**
Balance, December 31, 2011	**$ 146**	**$ 851**	**$ 7,302**	**$ 2,802**	**$ 11,101**

5. Exploration and evaluation assets (continued)

Manitoba properties

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

On April 27, 2010, the Corporation and Westcore Energy Inc. ("Westcore") entered into a binding agreement for the sale of an interest in the permits. Under the agreement, Westcore initially acquired a 50% interest in the property covered by the permits, together with all rights attaching to them with the ability to increase this interest to as much as 80%. The consideration payable to the Corporation under the agreement consisted of the issuance of an aggregate of 1,000,000 common shares in the capital of Westcore, together with an unsecured demand promissory note in the amount of $257, which was subsequently received. Under the agreement, Westcore will operate all exploration and drilling activities in respect of the property and will bear responsibility for all exploration expenditures and related costs until such time as a bankable feasibility study is completed. Westcore is obliged to expend not less than $500 on exploration expenses in respect of the properties during its 2010 – 2011 exploration program and will earn additional interest in these property based upon the following: (a) provided that Westcore incurs and pays exploration expenditures in excess of $1,000 on or before December 31, 2012, Westcore will earn a further 10% interest in the property; and (b) provided that Westcore completes a bankable feasibility study in respect of the property on or before December 31, 2013, Westcore will earn a further 20% interest in the property.

British Columbia properties

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

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

Saskatchewan properties

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

Quebec properties

The Corporation, through its 80% ownership of its subsidiary Kimpar, holds an interest in certain mineral rights related to copper, molybdenum, industrial metals and quarry product properties in the Gaspe region of the Province of Quebec.

The Corporation, through a subsidiary, entered into nine asset purchase agreements under which the Corporation is committed to conduct exploration work representing capital expenditures in the amount of $2,900 over the next four years. The subsidiary has minimum annual statutory obligations of $13 and annual minimum work commitments of $174 in order to keep its various claims in good standing.

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

6. Goodwill

	December 31, 2011	December 31, 2010	January 1, 2010
Balance, beginning of year	$ 1,621	$ 395	$ -
Acquisitions	649	1,226	395
Impairment of goodwill	(253)	-	-
Balance, end of period	**$ 2,017**	**$ 1,621**	**$ 395**

At December 31, 2011, goodwill represents the excess of total purchase price over the net identifiable assets and liabilities of North Rim, Allstar, Newsk and Vicarage. The acquisition is from the joint venture proportionate consolidation of Vicarage Capital Limited. As North Rim, AllStar, Vicarage and Newsk are considered to be separate reporting units, goodwill related to each was tested in conjunction with the long lived assets of these reporting units and no adjustment for impairment resulted.

7. Property, plant and equipment

	Total	Oil & gas interests	Processing facility, equipment, and gas line	Other Corporate Assets
Cost:				
Balance at January 1, 2010	497	-	-	497
Acquisitions	7,937	7,466	471	-
Additions	8,765	6,628	1,922	215
Dispositions	(9)	-	(9)	-
Balance at December 31, 2010	17,190	14,094	2,384	712
Additions	9,960	7,853	2,047	60
Dispositions	(106)	(14)	-	(92)
Write down of carry amount	(430)	(430)	-	-
Balance at December 31, 2011	**26,614**	**21,503**	**4,431**	**680**
Accumulated depletion and depreciation				
Balance at January 1, 2010	275	-	-	275
Acquisitions	2,550	2,312	238	-
Depletion/depreciation expense	1,639	1,501	27	111
Dispositions	(1)	-	(1)	-
Balance at December 31, 2010	4,463	3,813	264	386
Depletion/depreciation expense	1,401	856	399	146
Dispositions	(71)	-	-	(71)
Balance at December 31, 2011	**5,793**	**4,669**	**663**	**461**
Total balance at December 31, 2011	**20,821**	**16,834**	**3,768**	**219**

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

7. Property, plant and equipment (continued)

Petroleum properties

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

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

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

The Corporation performed a ceiling test calculation at December 31, 2011 to assess the recoverability of its petroleum and natural gas interest. The following projected prices for oil and natural gas were used for asset impairment tests:

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

8. Bank indebtedness

Bank indebtedness consists of margin borrowing secured by the Corporation's investments held at each brokerage house. Interest is charged on the daily outstanding balance at a tiered rate equal to the brokerage houses overnight rate plus a percentage ranging from 2.0% to 2.5% depending on the amount of margin used. As at December 31, 2011, the Corporation had margin borrowings of nil. As at December 31, 2011 Allstar's bank indebtedness was $3,431 (December 31, 2010 - $547).

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

9. Related party transactions

Compensation of key executive personnel

	December 31, 2011	December 31, 2010
Management fees to TMM Portfolio Management Inc.	$ 1,157	$ 951
Salaries to officers	183	80
Consulting fees	-	21
Directors fees	90	51
Stock based compensation to directors and officers	467	529
	$ 1,897	$ 1,632

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

Related party transactions

During the period ended December 31, 2011 reimbursements of $322 (2010 - $63) were incurred or accrued to 1381613 Alberta Ltd., a corporation controlled by the CEO of the Corporation. As at December 31, 2011, the Corporation had a $78 (2010 – nil) receivable from TMM.

The Corporation's subsidiary Allstar has farmed-out two working interests on 7 wells in total with an entity which has common management and directors.

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

10. Convertible debentures

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

The debentures are convertible, at the option of the respective holders, at any time or from time to time prior to 5:00 p.m. (Toronto time) on June 29, 2014, into fully paid, non-assessable common shares of the Corporation at a conversion price of $4.50 per common share.

Subject to certain conditions precedent, the Corporation may redeem the debentures prior to maturity at a redemption price equal to their principal amount plus interest accruing to but otherwise unpaid to the date preceding the redemption date plus a premium equal to 6% of the outstanding principal amount if redeemed prior

10. Convertible debentures (continued)

to June 29, 2012, 4% of the outstanding principal amount if redeemed on or after June 29, 2012 but before June 29, 2013, or 2% of the outstanding principal amount if redeemed on or after June 29, 2013 and prior to maturity.

b) On September 23, 2010 and October 13, 2010, the Corporation raised proceeds of $4,691 on the private placement of 8% convertible unsecured debentures. The debentures have a three-year term, maturing September 23, 2013, and bear interest from the date of issuance at 8% per annum which, unless the debentures are earlier converted or redeemed in accordance with their terms, will be paid on September 23 in each of 2011, 2012 and on maturity.

The debentures are convertible, at the option of the respective holders, at any time or from time to time prior to 5:00 p.m. (Toronto time) on September 23, 2013, into fully paid, non-assessable common shares of the Corporation at a conversion price of: (i) $4.00 per share if converted prior to September 23, 2011; (ii) $4.25 per share if converted on or after September 23, 2011 and before September 23, 2012; and, (iii) $4.50 per share if converted on or after September 23, 2012 and prior to the conversion expiry time.

Subject to certain conditions precedent, the Corporation may redeem the debentures prior to maturity at a redemption price equal to their principal amount plus interest accruing to but otherwise unpaid to the date preceding the redemption date plus a premium equal to 6% of the outstanding principal amount if redeemed prior to September 23, 2011, 4% of the outstanding principal amount if redeemed on or after September 23, 2011 but before September 23, 2012, or 2% of the outstanding principal amount if redeemed on or after September 23, 2012 and prior to maturity.

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

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

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

10. Convertible debentures (continued)

	December 31, 2011	December 31, 2010	Janaury 1, 2010
Face value of convertible debentures	$ 16,191	$ 9,691	$ 5,000
Plus: accretion	841	765	379
Less: debt issue costs	(964)	(435)	(160)
Less: deferred income tax on equity portion	(1,047)	(506)	(241)
Equity portion of convertible debenture	(1,516)	(934)	(493)
Less, current portion of convertible debenture	-	(4,800)	-
	$ 13,505	**$ 3,781**	**$ 4,485**

11. Loans payable

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

12. Promissory notes payable

As part of the acquisition of North Rim, the Corporation issued a $375 promissory note payable to the vendor. Interest is charged at the Royal Bank of Canada prime rate plus 2%. Principal and interest payments will be repaid in no more than eight semi-annual consecutive installments which will be based on a percentage of net earnings of North Rim. Any amount still payable after the eighth semi-annual period will be waived by the vendor. The promissory note is secured by the North Rim shares acquired. As at December 31, 2011, $181 of principle payments had been made on the promissory note.

As a part of the acquisition of Kimpar and subsequent to the acquisition, promissory notes were issued to various creditors in the amount of $204 in total by Kimpar. The notes are unsecured, non-interest bearing and are due November 7, 2012.

13. Decommissioning liabilities

	December 31, 2011	December 31, 2010	January 1, 2010
Balance, beginning of year	**$ 169**	**$ -**	**$ -**
Liabilties incurred	343	145	-
Liabilities acquired	-	15	-
Accretion expense	13	9	-
Balance, end of year	**$ 525**	**$ 169**	**$ -**

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

13. Decommissioning liabilities (continued)

The total of the decommissioning liabilities are estimated based on the Corporation's net ownership interest in all the wells and facilities, the estimated costs to reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred in future periods. Management of the Corporation has estimated that based on their net ownership interest, the total undiscounted cash flows required to settle the obligations will be $631. The obligations have been discounted using a credit adjusted risk free rate of 4% and an inflation rate of 2% per year. Most of these obligations are not expected to be paid until approximately 15 years in the future and will be funded from general Corporation resources at that time.

14. Deferred income taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Corporation's future assets and liabilities are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Non-capital loss carryforwards	$ 861	$ 533	$ 714
Share issue costs	454	308	355
Mineral properties	(4,025)	(2,267)	-
Convertible debentures	(725)	(300)	(139)
Property and equipment	(71)	-	-
Investments	(842)	(3,745)	(3,275)
Deferred income tax liability	$ (4,348)	$ (5,471)	$ (2,345)

The provision for income tax, both current and deferred, differs from the amount calculated by applying the combined expected federal and provincial rate to profit before taxes. The reasons for these differences are as follows:

	2011	2010
(Loss) income for the year before income taxes	$ (13,071)	$ 14,287
Expected income tax (recovery) expense	(2,614)	1,714
Share issue costs	(134)	(97)
Sale of exploration & evaluation property	-	161
Tax rate differential on temporary differences	152	95
Share based compensation	268	209
Flow-through share premium	87	-
Convertible debenture	454	424
	(1,787)	2,506

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

15. Common shares and contributed surplus

Authorized an unlimited number of common shares without par value.

Common shares issued

	Common Shares	Share Capital
Balance, January 1, 2010	**8,345,572**	**$40,506,340**
Exchanged for units of the 2009 Fund	4,351,810	7,572,149
Shares repurchased and cancelled	(398,899)	(844,552)
Balance, December 31, 2010	**12,298,483**	**$47,233,937**
Exchanged for units of the 2010 Fund	2,714,122	8,105,809
Warrants and broker warrants excercised	509,931	1,923,248
Stock options excercised	33,510	136,706
Shares repurchased and cancelled	(50,700)	(140,741)
Share issue costs	-	(23,808)
Balance, December 31, 2011	**15,505,346**	**$57,235,151**

Stock option plan

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

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

	December 31, 2011		December 31, 2010	
	Options	**Price**	**Options**	**Price**
Outstanding, beginning of year	630,000	2.20	295,000	2.03
Options exercised	(33,510)	(2.09)	-	-
Options cancelled	-	-	(25,000)	(2.00)
Options granted	195,000	3.60	300,000	2.35
Options granted	20,000	3.01	60,000	2.00
Outstanding, end of year	**811,490**	**$ 2.56**	**630,000**	**$ 2.20**

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

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

15. Common shares and contributed surplus (continued)

Stock option plan (continued)

During the second quarter of 2011, the board of directors of the Corporation approved the grant of 195,000 stock options pursuant to the 2008 Option Plan. 140,000 of the options were granted to directors and executive officers with the balance granted to employees and consultants. The options are exercisable at $3.60 per share and, if not exercised, expire May 5, 2021, subject to earlier expiration in accordance with the 2008 Option Plan and applicable policies of the TSX Venture Exchange.

During 2010, the board of directors of the Corporation approved the grant of 360,000 stock options pursuant to the Corporation's 2008 Option Plan. 275,000 of the options were granted to directors and executive officers with the balance granted to employees.

295,000 of the options are exercisable at $2.00 per share and, if not exercised, expire April 2, 2019, subject to earlier expiration in accordance with the Plan and applicable policies of the TSX Venture Exchange. 25,000 of the options are exercisable at $2.38 per share and, if not exercised, expire September 9, 2019, subject to earlier expiration in accordance with the Plan and applicable policies of the TSX Venture Exchange. 300,000 of the options are exercisable at $2.35 per share. 280,000 of these options, if not exercised, expire March 25, 2020, while 20,000 of these options, if not exercised, expire June 18, 2020. 60,000 of the options are exercisable at $2.00 per share and, if not exercised, expire October 15, 2020.

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

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

The value of options issued in 2010, using the Black-Scholes option-pricing model, was $767,883 which was allocated to the share-based compensation expense with a corresponding increase in contributed surplus. Assumptions used in the pricing model for the year are as follows: risk-free interest rate of between 2.40% and 3.47%, expected life of options 10 years, annualized volatility 84.3% and dividend rate of nil.

Warrants

On certain issues of common shares, the Corporation has attached warrants entitling the holder to acquire additional common shares of the Corporation. A summary of the outstanding warrants is as follows:

	December 31, 2011			**December 31, 2010**		
	Warrants		**Price**	**Warrants**		**Price**
Outstanding, beginning of year	3,942,041	$	3.50	3,942,041	$	3.50
Warrants excersised	(221,340)	$	(3.50)	-	$	-
Warrants granted	288,591	$	3.50	-		-
Warrants expired	(4,009,292)	$	(3.50)			
Outstanding, end of year	**-**	**$**	**-**	**3,942,041**	**$**	**3.50**

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

15. Common shares and contributed surplus (continued)

Broker warrants

On certain issuances of common shares, the Corporation granted broker warrants as partial consideration to the agents for services associated to such share issues. A summary of the outstanding broker warrants is as follow

	December 31, 2011		December 31, 2010	
	Warrants	Price	Warrants	Price
Outstanding, beginning of year	312,992	$ 2.75	312,992	$ 2.75
Broker warrants excersised	(288,591)	(2.75)	-	-
Broker warrants expired	(24,401)	(2.75)		
Outstanding, end of year	**-**	**$ -**	**312,992**	**$ 2.75**

The value of broker warrants issued in 2009, using the Black-Scholes option-pricing model, was $387,162 which was allocated to the share issue costs with a corresponding increase in contributed surplus. Assumptions used in the pricing model for the year are as follows: risk-free interest rate 1.27%, expected life of options 2 years, annualized volatility 83% and dividend rate of nil.

Contributed surplus

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

A summary of the contributed surplus activity is as follows:

	December 31, 2011	December 31, 2010
Balance, beginning of year	$ 2,619,582	$ 1,465,871
Stock options exercised	(66,710)	-
Broker warrants exercised	(354,601)	-
Fair value of stock options granted	611,095	767,883
Cancellation of stock options	(70,085)	
Equity portion of debenture retired	492,500	-
Change in ownership of subsiduary	726,129	385,828
Balance, end of year	**$ 3,957,910**	**$ 2,619,582**

Shareholder rights plan

The directors of the Corporation have approved a shareholder rights plan (“Rights Plan”). In the event a bid to acquire control of the Corporation is made, the Rights Plan is designed to give the directors of the Corporation time to consider alternatives to allow shareholders to receive full and fair value for their shares. In the event that a bid, other than a permitted bid, is made, shareholders become entitled to exercise rights to acquire common shares of the Corporation at a significant discount to the market price.

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

16. Acquisitions

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

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

Net assets acquired	
Current assets	$ 170
Goodwill	649
	819
Current liabilities	45
	$ 774
Consideration	
Cash	**$ 774**

17. Commitments

The Corporation, through its special purpose entity Newsk, is committed to spend $1,000 in qualifying cumulative exploration expenditures by December 31, 2012.

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

The Corporation has pledged its working interest assets with its subsidiary Allstar as collateral on Allstar's line of credit. As at December 31, 2011, Allstar was in compliance with all covenants and conditions of its line of credit agreement.

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

18. Capital management

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

18. Capital management (continued)

The Corporation manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its underlying assets. The Corporation maintains or adjusts its capital level to enable it to meet its objectives by:
(a) realizing proceeds from the disposition of its investments;
(b) creates cash flow from its oil & gas operations
(c) utilizing leverage in the form of margin (due from brokers) and the Corporation's bank credit line (bank indebtedness);
(d) raising capital through equity financings;
(e) borrowing funds in the form of advances from related parties; and,
(f) purchasing the Corporation's own shares for cancellation pursuant to its normal course issuer bid.

The Corporation is not subject to any capital requirements imposed by a regulator. There were no changes in the Corporation's approach to capital management during the period. The Corporation's management is responsible for the management of capital and monitors the Corporation's use of various forms of leverage on a daily basis. The Corporation expects that its current capital resources will be sufficient to discharge its liabilities as at December 31, 2011.

19. Financial instruments

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

(a) Liquidity risk:

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

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

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

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

19. Financial instruments (continued)

(a) Liquidity risk (continued)

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

(b) Market risk:

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

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

(c) Interest rate risk:

Interest rate risk is the impact that changes in interest rates could have on the Corporation's earnings and liabilities. As at December 31, 2011, the Corporation had liabilities payable (collectively "interest risk liabilities"), which bear interest at rates fluctuating with the prime rate. All of the interest rate risk liabilities can be repaid by the Corporation at any time, without notice or penalty, which provides the Corporation with some ability to manage and mitigate its interest rate risk.

(d) Credit risk:

Credit risk is the risk associated with the inability of a third party to fulfill its payment obligations. The Corporation is exposed to the risk that third parties that owe it money or securities (in connection with its loans receivable, for example) will not perform their underlying obligations. At December 31, 2011 the Corporation had loans and advances receivable from companies, totaling $6,205 (2010 - $6,379) which represents approximately 7.4% (2010 – 8.37%) of the Corporation's total assets.

(e) Commodity price risk:

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

The Corporation has attempted to mitigate a portion of its commodity price risk through the use of the following contract, which is outstanding at December 31, 2011 – Financial (swap) of Light Crude with a price of $88.42. The fair value of the contract as of December 31, 2011 is a liability of $302 (2010 - $249).

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

19. Financial instruments (continued)

(f) Fair value:

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

The following is a summary of the inputs used as of December 31, 2011 in valuing the Corporation's investments carried at fair value:

	Level 1	Level 2	Level 3	Total
Investments, at fair value	**$ 17,298**	**$ 1,918**	**$ 20,776**	**$ 39,992**

For the year ended December 31, 2011, a reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

Beginning balance as at December 31, 2010	$13,669
Additional investments	7,881
Transferred out of investments	(774)
Balance at December 31, 2011	**$20,776**

During the twelve months ended December 31, 2011, Vicarage was transferred out of the Level 3 investments.

20. Segmented information

(reported in thousands of Canadian dollars)

The Corporation is a resource investment, financial, managerial and geological advisory, and merchant banking Corporation which, as its principal business, invests in a diversified portfolio of shares and other securities of resource issuers including, without limitation, resource issuers engaged in mineral or oil and gas exploration and development, with a view to achieving capital appreciation of the portfolio. As at December 31, 2011, the Corporation has four reportable segments: merchant banking and resource investment, brokerage, extractive and geological advisory.

	Resource Investment	Geological Advisory	Brokerage	Extractive Industries	Total
Total assets	**$ 50,687**	**$ 1,261**	**$ 799**	**$ 31,220**	**$ 83,967**
Revenues					
Geological and other consulting	-	3,764	198	-	3,962
Realized gains	6,157	-	-	-	6,157
Oil and gas sales		-	-	7,327	7,327
Unrealized losses	(13,539)	106	-	-	(13,433)
Royalty income	-	-	-	108	108
Interest, rent and dividend income	274	91	27	227	619
	(7,108)	**3,961**	**225**	**7,662**	**4,740**
Expenses					
Amortization and depletion	82	34	-	1,285	1,401
Business and investor relations	803	139	-	8	950
Finance	1,956	15	-	573	2,544
Management fees	1,157	-	-	5	1,162
General and administration	248	489	240	798	1,775
Oil and gas operations	-	-	-	2,783	2,783
Professional fees	519	175	-	571	1,265
Project costs	-	899	89	-	988
Share based compensation	611	-	-	515	1,126
Transaction costs	941	-	-	-	941
Wages and benefits	582	1,864	-	-	2,446
	6,899	**3,615**	**329**	**6,538**	**17,381**
Writedown - oil & gas properties				430	430
Income before income taxes	**(14,007)**	**346**	**(104)**	**694**	**(13,071)**
Current income tax	-	50	(25)	23	48
Deferred income tax	(3,098)	-	-	1,263	(1,835)
Net loss	**(10,909)**	**296**	**(79)**	**(592)**	**(11,284)**

21. First time adoption of International Financial Reporting Standards

As disclosed in note 2, these are the Corporation's first annual financial statements prepared in accordance with IFRS. The Corporation has adopted IFRS effective January 1, 2011. The Corporation's transition date is January 1, 2010 and the Corporation has prepared its first statement of financial position at that date.

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

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

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

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

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

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

	Note		CGAAP	IFRS Adjustment		IFRS
ASSETS						
Equity investments, at fair value		$	38,297	-	$	38,297
Loans and advances receivable			3,109	-		3,109
Management fees and reimbursements			11	-		11
Accounts receivable and prepaids			884	-		884
Mineral properties and deposits			309	-		309
Goodwill			395	-		395
Property, plant and equipment			222	-		222
Deferred tax asset			1,069	-		1,069
Total assets		**$**	**44,296**	**-**	**$**	**44,296**
LIABILITIES						
Bank indebtedness		$	2,022	-	$	2,022
Accounts payable and accrued liabilities			891	-		891
Promissory note payable			375	-		375
Convertible debentures			4,485	-		4,485
Deferred tax liabilities	**6**		3,275	139		3,414
Total liabilities			**11,048**	**139**		**11,187**
Minority interest	**1**		**292**	**(292)**		**-**
EQUITY						
Common shares			40,506	-		40,506
Contributed surplus			1,466	-		1,466
Equity portion of convertible debenture	**6**		735	(242)		493
Deficit	**6**		(9,751)	103		(9,648)
			32,956	**(139)**		**32,817**
Non-controlling interest	**1**		-	292		292
Total liabilites and equity		**$**	**44,296**	**-**	**$**	**44,296**

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

21. First time adoption of International Financial Reporting Standards
Reconciliation of assets, liabilities and equity
December 31, 2010

	Note	CGAAP	IFRS Adjustment	IFRS
ASSETS				
Current assets				
Cash and cash equivalents		$ 1,526	-	$ 1,526
Equity instruments, at fair value		46,644	-	46,644
Loans and advances receivable		6,379	-	6,379
Accounts receivable and prepaid expenses	**2**	2,381	109	2,490
		56,930	**109**	**57,039**
Non-current assests				
Exploration and evaluation assets	**3**	5,953	28	5,981
Goodwill	**3**	1,523	98	1,621
Property, plant and equipment	**2**	12,696	31	12,727
Total assets		**$ 77,102**	**266**	**$ 77,368**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	**2**	$ 3,980	$ 244	$ 4,224
Management fees and reimbursements payable		117	-	117
Current portion of convertible debentures		4,800	-	4,800
Current portion of loans payable		1,816	-	1,816
Income taxes payable		123	-	123
Deferred income tax liabilities	**4**	3,746	(3,746)	-
		14,582	(3,502)	11,080
Non-current liabilities				
Convertible debentures		3,781	-	3,781
Loans payable		1,276	-	1,276
Promissory note payable		541	-	541
Decommissioning liabilties		169	-	169
Deferred income tax liabilities	**4, 6**	1,425	4,046	5,471
Total liabilities		**21,774**	**544**	**22,318**
Minority interest	**1**	**2,177**	**(2,177)**	**-**
EQUITY				
Common shares		47,234	-	47,234
Contributed surplus	**5**	2,234	386	2,620
Equity portion of convertible debentures	**6**	1,441	(507)	934
Retained earnings (deficit)	**2, 5, 6**	2,242	(283)	1,959
		53,151	**(404)**	**52,747**
Non-controlling interest	**1, 3**	-	2,303	2,303
Total liabilities and equity		**$ 77,102**	**$ 266**	**$ 77,368**

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

21. First time adoption of International Financial Reporting Standards
Reconciliation of net income
December 31, 2010

	Note	CGAAP	IFRS Adjustment	IFRS
Revenue				
Realized net gains		$ 18,377	-	$ 18,377
Unrealized net gains		1,307	-	1,307
Geological consulting fees		3,036	-	3,036
Oil and gas sales		1,062	-	1,062
Royalty income		336	-	336
Interest, rent and dividend income		428	-	428
		24,546	**-**	**24,546**
Expenses				
Amortization and depletion		1,640	-	1,640
Business development and investor relations		866	-	866
Finance		1,119	-	1,119
Management fees		968	-	968
Office and administration		900	-	900
Oil and gas operating expense	**2**	415	368	783
Professional fees		852	-	852
Project expenses		318	-	318
Stock-based compensation		768	-	768
Transaction costs		245	-	245
Wages and benefits		2,063	-	2,063
		10,154	**368**	**10,522**
Gain on disposal of asset	**4**	**-**	263	263
Income before income taxes		**14,392**	**(105)**	**14,287**
Current income tax		752	-	752
Future income tax	**6**	1,857	(103)	1,754
Net income before non-controlling interest		**11,783**	**(2)**	**11,781**
Non-controlling interest	**5**	212	(386)	(174)
Net income		**11,995**	**(388)**	**11,607**
Deficit, beginning of year	**6**	(9,751)	103	(9,648)
Retained earnings (deficit), end of year	**2, 4, 5, 6, 7**	**$ 2,244**	**$ (285)**	**$ 1,959**
Basic earnings per share		**$ 0.99**	**$ (0.03)**	**$ 0.96**
Diluted earnings per share		**$ 0.96**	**$ (0.04)**	**$ 0.92**
Weighted average number of shares outstanding		**12,095,518**	**12,095,518**	**12,095,518**

21. First time adoption of International Financial Reporting Standards

1. Reclassification of non-controlling interests to shareholders equity
   Under IFRS any non-controlling interests is to be classified as a component of equity. Under previous CGAAP non-controlling interest was classified outside of equity.

2. Reclassification to exploration and evaluation assets
   Under IFRS, costs incurred prior to obtaining the legal right to explore must be expensed. Under CGAAP, these costs were capitalized. For the year ended December 31, 2010, the Corporation recorded $368 of pre-license expenditures with a corresponding decrease in PP&E

3. Business combinations and non-controlling interests
   Under IFRS, non-controlling interests are recognized at the non-controlling interest's proportionate share of the acquiree's identifiable net assets as reflected in the purchase price allocation. Under CGAAP non-controlling interests are recognized in the subsidiary's assets and liabilities in terms of carrying values recorded in the subsidiary's accounting records. For the year ended December 31, 2010, the Corporation recorded $28 of exploration and evaluation assets, $98 of goodwill and a corresponding $126 in non-controlling interest.

4. Divestitures - gain on sale of property, plant and equipment
   Under IFRS, gains and losses are recorded on divestitures and are calculated as the difference between the proceeds and the net book value of the asset disposed of. Under CGAAP, proceeds from divestitures were deducted from the full cost pool without recognition of a gain or loss. For the year ended December 31, 2010, the Corporation recorded a $263 gain on disposition of oil and gas properties for IFRS as compared to nil under previous CGAAP.

5. Deferred income taxes
   Under IFRS, all deferred tax assets and liabilities are classified as long-term. Under CGAAP, deferred tax assets and liabilities were presented according to the classification of the underlying asset or liability that created the difference in the deferred tax amount. For the year ended December 31, 2010, the Corporation reclassified $3,588 of current deferred income tax liability to long term.

6. Change in equity portion of convertible debenture
   Under IFRS the deferred tax consequences of a financial instrument that includes and liability and equity portion, such as convertible debentures, should be recognized both in profit and loss and in equity as it pertains to the component parts. Under GAAP, a temporary tax difference is deemed not to exist unless the instrument cannot be settled in accordance with its terms without triggering a tax effect.

7. Change in subsidiary ownership interest that do not result in loss of control
   Under IFRS any change in subsidiary ownership where the parent does not cease to have control is accounted for as an equity transaction, within contributed surplus. Under CGAPP, the change in ownership was recorded as an income transaction. For the year ended December 31, 2010, the Corporation's ownership of NEWSK Emerging Resources Ltd. decreased by 26.4% due to a private share offering in 2010. This resulted in an increase in contributed surplus of $386 for IFRS with a corresponding decreased in net income by $386.

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

22. Prior period adjustment

In the current period, the Corporation determined that to better reflect the fair value of its warrants held as investments, it should amend its accounting policy and account for these investments using the Black Scholes method for valuation. The prior accounting policy was to use the intrinsic method for valuation of warrants held as investments. This change in accounting policy has been applied retroactively with restatement December 31, 2010 prior period amounts as follows:

Increase in equity investments, at fair value by $1,173
Increase in deferred income tax liability by $158
Increase in unrealized gain by $15
Decrease in opening deficit as of January 1, 2010 by $1,000.

23. Subsequent events

Secured line of credit subsequent to year end

On January 13, 2012, the Corporation arranged a secured operating line of credit with HSBC Bank Canada. The total credit facility is $1.85 million and will be used as short term bridge financing. Under the facility, the Corporation is charged interest at the bank's prime rate plus 2.50% and has granted general security creating a first priority interest in all present and after acquired property of the Corporation. In addition a hypothecation of portfolio investments has been granted.

Under the credit facility the corporation must:

a. Maintain a quick ratio of not less than 10.00:1.00, reported bi-weekly
b. Maintain a current ratio of not less than 1.50:1.00, reported quarterly
c. Maintain a consolidated tangible net worth of not less than $25,000, reported annually

Purchase of Allstar Energy Ltd.

On February 28, 2012, the Corporation purchased the remaining 10.5% of Allstar for total consideration of $1,250 comprised of $100 in cash, a $212 interest free promissory note and 288,462 common shares at a deemed price of $3.25 per share.

24. Comparative figures

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