CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 and 2013

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, 2014, and the consolidated statements of loss and comprehensive loss, changes in equity (deficiency) and cash flows for the year then ended, and a summary of significant accounting 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' judgment, 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 auditor considers 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of 49 North Resources Inc. as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about 49 North Resources Inc.'s ability to continue as a going concern.

Other Matters

The consolidated financial statements of 49 North Resources Inc. for the year ended December 31, 2013 were audited by another auditor who expressed an unmodified opinion on those statements on April 30, 2014.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Accountants

April 28, 2015

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

		December 31 2014		December 31 2013
ASSETS				
Current assets				
Cash and cash equivalents	$	2,696	$	8,224
Equity instruments, at fair value (Note 4)		5,317		6,987
Loans and advances receivable (Note 5)		119		274
Income tax receivable		-		102
Accounts receivable and prepaid expenses		3,488		669
		11,620		**16,256**
Non-current assets				
Exploration and evaluation assets (Note 7)		9,293		20,154
Property, plant and equipment (Note 9)		3,919		687
Total assets	**$**	**24,832**	**$**	**37,097**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$	6,898	$	6,246
Management fees and reimbursements payable (Note 10)		-		73
Income taxes payable (Note 14)		30		-
		6,928		**6,319**
Non-current liabilities				
Convertible debentures (Note 11)		15,609		14,943
Drilling advances & loans payable (Note 12)		2,013		13
Decommissioning liabilties (Note 13)		1,000		936
Deferred income tax liabilities (Note 14)		-		1,012
Total liabilities		**25,550**		**23,223**
EQUITY (DEFICIENCY)				
Common shares (Note 15)		66,491		65,871
Contributed surplus (Note 15)		4,117		3,123
Equity portion of convertible debentures (Note 11)		1,993		1,993
Deficit		(75,494)		(59,510)
Equity (deficiency) attributable to common shareholders		(2,893)		11,477
Non-controlling interests		2,175		2,397
		(718)		**13,874**
Total liabilities and equity (deficiency)	**$**	**24,832**	**$**	**37,097**

Commitments (Note 16)
Events after the reporting period (Note 19)

Approved on behalf of the Board

"Tom MacNeill"
Director

"Norman Betts"
Director

The accompanying notes are an integral part of these consolidated financial statements

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

For the years ended December 31,		2014		2013
Continuing operations				
Revenues				
Geological and other consulting	$	12,485	$	6,380
Oil and gas sales		142		198
Realized losses on windup of consolidated subsidiaries		(145)		-
Realized losses on portfolio investments		(169)		(1,137)
Unrealized losses on portfolio investments		(2,181)		(9,476)
Interest and dividend income		1,240		259
		11,372		**(3,776)**
Expenses				
Amortization and depletion (Note 9)		106		135
Business and investor relations		466		600
Finance		2,159		2,464
General and administration		1,649		1,165
Management fees (Note 10)		227		352
Oil and gas operations		94		103
Professional fees		838		679
Project costs on geological and other consulting activities		9,880		4,186
Share based compensation (Note 15)		86		745
Transaction costs		19		26
Wages and benefits		1,827		2,121
		17,351		**12,576**
Gain on debentures extinguishment (Note 11)		-		329
Loss on writedown of Wingdam project and related investments (Notes 3, 6 & 7)		-		(12,398)
Writedown - exploration and evaluation assets (Note 7)		(9,310)		(2,272)
Writedown - goodwill (Note 8)		-		(531)
Writedown - property, plant and equipment (Note 9)		(2,117)		(236)
Loss before income taxes		**(17,406)**		**(31,460)**
Current income tax expense (recovery)		11		(116)
Deferred income tax (recovery)		(1,012)		(1,378)
Loss and comprehensive loss for the year	**$**	**(16,405)**	**$**	**(29,966)**
Loss to common shareholders from continuing operations		(15,957)		(28,908)
Loss to non-controlling interest from continuing operations		(448)		(1,058)
Net loss and comprehensive loss	**$**	**(16,405)**	**$**	**(29,966)**
Basic and diluted loss per share (Note 15)	**$**	**(0.73)**	**$**	**(1.40)**
Weighted average number of common shares outstanding		**21,866,953**		**20,586,672**

49 North Resources Inc.

Consolidated Statement of Changes in Equity (Deficiency)

(in thousands of Canadian dollars)

		Attributable to the common shareholders						
	Common Shares	Share Capital	Contributed Surplus	Equity portion of convertible debentures	Deficit	Total	Non-controlling interests	Total Equity (Deficiency)
Balance, January 1, 2013	**15,628**	**$ 57,862**	**$ 2,533**	**$ 1,516**	**$ (30,602)**	**$ 31,309**	**$ 3,051**	**$ 34,360**
Acquisition of 2011 FTLP (Note 3)	3,417	5,022	-	-	-	5,022		5,022
Acquisition of 2012 FTLP (Note 3)	2,149	3,159	-	-	-	3,159	-	3,159
2011 Debenture restructure	-	-	-	440	-	440	-	440
2012 Debenture restructure	-	-	-	37	-	37	-	37
Acquisition of subsidiaries and changes in non-controlling interests	-	-	(155)			(155)	404	249
Share based compensation	-	-	745	-	-	745	-	745
Shares cancelled under normal course issuer bid (Note 15)	(141)	(172)	-	-	-	(172)	-	(172)
Net loss and comprehensive loss	-	-	-	-	(28,908)	(28,908)	(1,058)	(29,966)
Balance, December 31, 2013	**21,053**	**$ 65,871**	**$ 3,123**	**$ 1,993**	**$ (59,510)**	**$ 11,477**	**$ 2,397**	**$ 13,874**

	Common Shares	Share Capital	Contributed Surplus	Equity portion of convertible debentures	Deficit	Total	Non-controlling interests	Total Equity (Deficiency)
Balance, January 1, 2014	**21,053**	**$ 65,871**	**$ 3,123**	**$ 1,993**	**$ (59,510)**	**$ 11,477**	**$ 2,397**	**$ 13,874**
Rights offering (Note 15)	3,539	689	-	-	-	689	-	689
Warrants issued (Note 15)	-	-	373	-	-	373	-	373
Changes in non-controlling intersts	-	-	535			535	226	761
Share based compensation	-	-	86	-	-	86	-	86
Refundable taxes paid	-	-	-	-	(27)	(27)	-	(27)
Share issue costs (Note 15)	-	(69)	-	-	-	(69)	-	(69)
Net loss and comprehensive loss	-	-	-	-	(15,957)	(15,957)	(448)	(16,405)
Balance, December 31, 2014	**24,592**	**$ 66,491**	**$ 4,117**	**$ 1,993**	**$ (75,494)**	**$ (2,893)**	**$ 2,175**	**$ (718)**

The accompanying notes are an integral part of these consolidated financial statements

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

For the years ended December 31,		2014		2013
Cash flows from Operating Activities				
Net loss	$	(16,405)	$	(29,966)
Items not affecting cash				
Realized losses on windup of consolidated subsidiaries		145		-
Realized losses on portfolio investments		169		1,137
Accretion of decommissioning liability		30		53
Amortization and depletion		106		135
Deferred income tax recovery		(1,012)		(1,378)
Accretion of convertible debentures		666		981
Share based compensation		86		745
Gain on debentures extinguishment		-		(329)
Loss on investment in associate		-		9,313
Writedown - exploration and evaluation assets		9,310		5,327
Writedown - goodwill		-		531
Writedown - property, plant and equipment		2,117		236
Unrealized losses on portfolio investments		2,181		9,476
Net changes in non-cash working capital items related to operations (Note 20):		(2,515)		420
		(5,122)		**(3,319)**
Cash flows from Investing Activities				
Purchase of property, plant and equipment		(40)		(48)
Proceeds from disposal of capital assets		2		52
Purchase of investments		(1,981)		(1,444)
Proceeds from disposal of investments		1,301		7,144
Net cash acquired through acquisition of subsidiaries		-		2,095
Exploration and development		(3,476)		(3,142)
Loan repayments		2,000		(1,041)
		(2,194)		**3,616**
Cash flows from Financing Activities				
Issuance of common shares		1,893		-
Repurchase of common shares		-		(171)
Share issue costs		(105)		-
		1,788		**(171)**
Net change in cash during the period		**(5,528)**		**126**
Cash, beginning of year		8,224		8,098
Cash, end of year	**$**	**2,696**	**$**	**8,224**
Non cash transactions:				
Common shares issued for acquisition of subsidiary	$	-	$	8,180
Exploration and evaluation costs remaining in accounts payable and accrued liabilities	$	386	$	-
Receivable settled by issuance of shares	$	30	$	-
Interest paid in the year	$	1,584	$	63
Income taxes paid (recovered) in the year	$	(19)	$	(14)

The accompanying notes are an integral part of these consolidated financial statements

1. Description of business and going concern

Description of business

49 North Resources Inc. (the "Corporation") is a resource investment, financial, managerial and geological advisory company which, as its principal business, invests in a diversified portfolio of common 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.

Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes the Corporation will be able to realize its assets and discharge its liabilities in the ordinary course of business. To date, the Corporation has incurred accumulated losses totalling $75,494 and has recognized a $16,405 loss in the current year. The Corporation relies on cash flow from actively trading in its investment portfolio to fund corporate operations. The Corporation's continuance as a going concern is dependent upon its ability to generate cash flow from its portfolio of investments. Management is addressing the going concern issue through continued trading activities in our portfolio of investments and general corporate cost cutting measures.

The recoverability of the Corporation's portfolio of investments, including its investments in subsidiaries, is dependent upon continuance as a going concern. Additionally, the recoverability of the accumulated costs shown for mineral properties, oil and gas working interests and capital assets held in certain of its subsidiary companies is dependent upon the existence of economically recoverable reserves, future profitable production and on the respective subsidiary companies ability to obtain the necessary financing to fund their operations. The subsidiary companies rely on debt, equity and joint venture financings as well as cash flow from oil and gas activities to fund their corporate operations, including the exploration and evaluation of their properties.

There can be no certainty as to the ability of the Corporation to obtain sufficient financing to continue its operations including operation of its subsidiaries or for its subsidiary companies to recover their exploration and evaluation assets or to obtain sufficient financing to continue their operations. Accordingly, there is significant uncertainty as to the ability of the Corporation and its subsidiary companies to continue as going concerns.

These financial statements do not reflect any adjustments or other changes that may be required should the Corporation or any of its consolidated subsidiaries be unable to continue as a going concern. Such adjustments could be material.

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") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") using accounting policies consistent with IFRS which the Corporation adopted in its annual consolidated financial statements as at and for the year ended December 31, 2011.

The consolidated financial statements of the Corporation, which comprise 49 North Resources Inc. and all of its subsidiaries for the year ended December 31, 2014 were authorized for issuance by the Corporation's board of directors on April 28, 2015.

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.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Corporation as at December 31, 2014 and its consolidated subsidiaries. Control is achieved when the Corporation is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Corporation controls an investee if, and only if, the Corporation has all of the following:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The Corporation reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Corporation obtains control over the subsidiary and ceases when the Corporation loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Corporation gains control until the date the Corporation ceases to control the subsidiary.

See Note 10 for listing of the Corporation's subsidiaries.

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 through the statement of earnings.

Joint arrangements
A joint arrangement can take the form of a joint operation or joint venture. All joint arrangements involve a contractual arrangement that establishes joint control.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint operation may or may not be structured through a separate vehicle. These arrangements involve joint control of one or more of the assets acquired or contributed for the purpose of the joint operation. The consolidated financial statements of the Corporation include its share of the assets in such joint operations, together with its share of the liabilities, revenues and expenses arising jointly or otherwise from those operations. All such amounts are measured in accordance with the terms of each arrangement.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method of accounting.

2. Significant accounting policies (continued)

Investments in associate

Associates are those entities over which the Corporation has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Corporation holds a significant portion of the voting power of another entity, but can also arise where the Corporation holds less than a significant portion of the voting power but has the power to be actively involved and influential in policy decisions affecting the entity. Investments in associates are accounted for using the equity method.

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 and its subsidiaries is the Canadian dollar ("Canadian dollar").

ii) Foreign currency transactions

Foreign currency transactions are translated into the Corporation's functional currency and its 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 loss and 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange gains or losses of foreign operations are recognized in the cumulative translation adjustment reserve. When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned or likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in a foreign operation and are recognized in other comprehensive income and presented within equity in the foreign currency translation account.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale (AFS) financial assets, or derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Financial assets carried at amortized cost are assessed at each reporting date for any potential impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted using the original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment and is recognized in the consolidated statements of loss and comprehensive loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the consolidated statements of loss and comprehensive loss.

2. Significant accounting policies (continued)

Financial instruments (continued)

Purchases or sales of financial assets that require delivery of assets in a timeframe established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, which is the date that the Corporation commits to purchase or sell the asset.

The Corporation's financial assets include cash and cash equivalents, equity instruments, loans and receivables.

Fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments, as defined by International Accounting Standards ("IAS") 39.

The Corporation's equity instruments (which are designated as held for trading) are carried at fair value with net changes in fair value shown in the consolidated statements of loss and comprehensive loss as unrealized gains or losses on portfolio instruments. The fair value of those instruments is 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 fair value of investment funds and limited partnerships are recorded based on their published net asset value per unit or last bid price, as appropriate.

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 in 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 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 fair 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
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, otherwise they are recorded at their intrinsic value.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Corporation's loans and receivables are comprised of cash and cash equivalents, loans and receivables.

2. Significant accounting policies (continued)

Financial instruments (continued)

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and are not classified in any of the previous categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, these assets are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income and presented within equity. When an investment is derecognized through sale or has an impairment that is other than temporary, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

The Corporation does not have any financial assets that are classified as available-for-sale.

Held-to-maturity financial assets
If the Corporation has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

The Corporation does not have any financial assets that are classified as held-to-maturity.

Financial liabilities

Other financial liabilities
This category consists of all non-derivative financial liabilities that do not meet the definition of held-for-trading liabilities, and that have not been designated as liabilities at fair value through profit or loss. These liabilities are initially recognized at fair value less any directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Financial liabilities are derecognized where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognized in the consolidated statement of loss and comprehensive loss in the period in which it is incurred.

The Corporation's other financial liabilities are comprised of accounts payable and accrued liabilities and loans payable.

Compound financial instruments

A compound financial instrument is a non-derivative financial instrument that contains both a liability and an equity component. The Corporation accounted for its convertible debentures (Note 11) as compound financial instruments. The conversion feature is treated as an equity component and accounted for in compliance with IAS 32 and IAS 39 relating to initial recognition of compound instruments.

IAS 39 deals with the measurement of financial assets and liabilities. Equity instruments are instruments that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Therefore, when the initial carrying amount of a compound financial instrument is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The value of any derivative features embedded in the compound financial instrument other than the equity component is included in the liability component.

2. Significant accounting policies (continued)

Financial instruments (continued)
Compound financial instruments (continued)

The sum of the carrying amounts assigned to the liability and equity components on initial recognition is always equal to the fair value that would be ascribed to the instrument as a whole. No gain or loss arises from initially recognizing the components of the instrument separately.

The convertible debentures met the criteria to be accounted for as a compound instrument in accordance with IAS 32. As such, the Corporation has first determined the carrying amount of the liability component by measuring the fair value of a similar liability that does not have an associated equity component. The carrying amount of the equity instrument represented by the conversion feature has then been determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole.

Debt modifications and extinguishments

An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

If a debt modification is deemed to have been accomplished with debt instruments that are substantially different, the modification is accounted for as a debt extinguishment, whereby the Company must recognize currently in income the difference between the reacquisition price and the net carrying amount of the extinguished debt. Any fees paid by the debtor to the creditor are associated with the extinguishment of the old debt instrument and are included in determining the debt extinguishment gain or loss to be recognized.

If modification of terms is accounted for as an extinguishment of the original debt any costs or fees incurred is recognized as part of the gain or loss on the extinguishment. However, if modification is not accounted for as an extinguishment, any costs or fees incurred are an adjustment to the carrying amount of the liability will be amortized over the remaining term of the modified liability.

Non-current assets held for sale
Non-current assets are classified as held for sale if their carrying amounts are expected to be recovered principally through a disposition rather than through continuing use. The assets or disposal groups are measured at the lower of their net book value and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in profit or loss.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statements of loss and comprehensive loss.

2. Significant accounting policies (continued)

Exploration and evaluation assets

Pre-license costs

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

Exploration and evaluation ("E&E") costs

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

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.

Farm-in and farm out arrangements

The Corporation, as farmee, recognizes its expenditures under farm-in arrangements in respect of its own interest and that retained by the farmor, as and when the costs are incurred. The farmee accounts for its expenditures under a farm-in arrangement in the same way as directly incurred E&E expenditure.

The Corporation, as farmor, accounts for the farm-out arrangement as follows; the farmor does not record any expenditure made by the farmee on its behalf, does not recognize any gain or loss on the farm-out arrangement, but rather re-designates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained, any cash consideration received is credited against costs previously capitalized in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

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.

The Corporation does not hold any assets requiring a substantial period of time to get ready for intended use. Accordingly to date, no borrowing costs have been capitalized.

2. Significant accounting policies (continued)

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.

Expenditures to renew or 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 non-current assets are reviewed at each reporting date for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment, if any. The recoverable amount of an asset is evaluated at the Cash Generating Unit ("CGU") level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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

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

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

2. Significant accounting policies (continued)

Impairment of non-current assets (continued)
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 cash generating unit (“CGU”) to which goodwill has been attributed is less than the carrying value of the business’s net assets including goodwill, thus indicating impairment.

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

2. Significant accounting policies (continued)

Deferred income taxes (continued)
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 statement of financial position 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.

The Corporation has adopted a relative fair value method with respect to the measurement of shares and warrants issued as private placement units. The relative fair value method allocates value to each component on a pro-rata basis, based on the fair value of the components calculated independently of one another. The Company considers the market value of the common shares issued as fair value, and measures the fair value of the warrant component of the unit using the Black-Scholes option pricing model. The unit value is then allocated, pro-rata, between the two components, with the fair value attributed to the warrants being recorded to warrant reserve.

Share based payments
Options granted are accounted for using the fair value method. Under this method, the fair value of stock options 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 (loss) per share (“EPS”)
Basic EPS amounts are calculated using the weighted average number of common shares outstanding during the period. Diluted EPS amounts are calculated with consideration given to stock options and warrants, and 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 common shares outstanding is then adjusted by the net change. Diluted EPS 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.

Segment reporting
An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that related to transactions with any of the Corporation's other segments.

To be classified as a segment, discrete financial information must be available and operating results must be regularly reviewed by the Corporation's Chief Executive Officer.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, exploration and evaluation assets and other intangible assets other than goodwill.

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 loss and comprehensive loss. Cost is 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.
- 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.

Significant accounting judgments, estimates and assumptions

The preparation of the consolidated 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;
- the recoverable amounts of CGUs 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.
- As described in Note 11, when the terms of convertible debentures are modified, it is often accounted for as a de-recognition of the carrying value of the pre-modified loan and the new recognition of a new loan at the then fair value. In the determination of fair value, the Corporation uses a discounted cash flow technique which includes inputs that are not based on observable market data and inputs that are derived from observable market data. In the case of its convertible debenture modifications, where available, the Corporation seeks comparable interest rates. If unavailable, it uses those considered appropriate for the risk profile of a corporation in the industry.

In the process of applying the Corporation's significant accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

2. Significant accounting policies (continued)

Reserves Estimates
Reserve engineering is an inherently complex and subjective process of estimating underground accumulations of petroleum and natural gas. The process relies on interpretations of available geological, geophysical, engineering and production data. The accuracy of a reserves estimate is a function of the quality and quantity of available data, the interpretation of that data, the accuracy of various economic assumptions and the judgment of those preparing the estimate. Because these estimates depend on many assumptions, all of which may differ from actual results, reserves estimates and estimates of future net revenue may be different from the sales volumes ultimately recovered and net revenues actually realized. Changes in market conditions, regulatory matters and the results of subsequent drilling, testing and production may require revisions to the original estimates. Estimates of reserves impact: (i) the assessment of whether or not a new well has found economically recoverable reserves; (ii) depletion rates; and (iii) the determination of the realizable value of oil and gas properties for impairment tests, all of which could have a material impact on earnings.

Impairment of Non-Financial Assets
Amounts used for impairment testing and calculations are based on estimates of future commodity prices, expected volumes, quantity of reserves and discount rate as well as future development costs and operating costs. These calculations require the use of estimates and assumptions which, by their nature, are subject to measurement uncertainty. In addition, judgment is exercised by management as to whether there have been indicators of impairment or impairment reversal. Indicators of impairment or impairment reversal may include, but are not limited to a change in: market value of assets, estimate of future prices and costs, a change in estimated quantity of reserves and appropriate discount rate. Management will determine whether a change in one or more indicators of impairment or impairment reversal results in a change in the estimated recoverable amount of the asset. Accordingly, the impact in the financial statements of future periods could be material.

Exploration and Evaluation Expenditures
The application of the Corporation's accounting policy for exploration and evaluation expenditure requires judgment to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

Income taxes
The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

Accounting for investees
The accounting for investments in other companies can vary depending on the degree of control and influence over those other companies. Management is required to assess at each reporting date the Company's control and influence over these other companies. Management has used its judgment to determine which companies are controlled and require consolidation and those which are significantly influenced and require equity accounting. There would be different accounting results should these judgments change.

New accounting pronouncements
Certain new accounting standards and interpretations have been published that are mandatory for the December 31, 2014 reporting year. The following is a brief summary of the new standards adopted in the year, none of which had a material impact on the Corporation's consolidated financial statements:

IAS 32 - Financial Instruments: Presentation
IAS 32 provides clarification on the application of offsetting rules. These amendments are effective for annual periods beginning on or after January 1, 2014.

2. Significant accounting policies (continued)

New accounting pronouncements (continued)

IAS 36 - Impairment of Assets

IAS 36 requiring disclosure of the recoverable amount of an asset or cash generating unit, and the basis for the determination of fair value less costs of disposal, when an impairment loss is recognized or when an impairment loss is subsequently reversed.

Future accounting pronouncements

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

IFRS 9 Financial Instruments

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized costs and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income. This standard is effective of annual periods beginning on or after January 1, 2018.

3. Acquisitions

Acquisition of Omineca Mining and Metals Ltd (“OMM”)

On October 1, 2013, in conjunction with its previously equity accounted investee CVG Mining Ltd. (CVG), the Corporation completed a transaction with Omineca Mining and Metals Ltd. ("OMM"), a TSX Venture Exchange (“TSX-V”) company whereby it exchanged its direct interests in the Wingdam Gold Project in Quesnel, British Columbia (“Wingdam”), its 40% interest in CVG (CVG’s only asset being an interest in Wingdam), and the debentures owing from CVG for common shares of OMM and OMM’s assumption of the debentures. As a result of the transaction, the Corporation’s beneficial ownership in Wingdam decreased from 93% to 69%, the Corporation’s direct ownership interest in OMM increased to 69% from 6.03%, CVG became a wholly owned subsidiary of OMM and CVG now owns a 100% interest in Wingdam. As such, both OMM and CVG are now consolidated subsidiaries of the Corporation. As neither OMM nor CVG meet the definition of a business under IFRS 3, the transaction was accounted for as an asset acquisition with fair value of consideration exchanged allocated to the net assets acquired.

In accordance with the terms of the agreement, the Corporation received 44,145,929 common shares of OMM as consideration, with OMM further assuming the debentures that were previously due to the Corporation from CVG. The debentures are eliminated on consolidation.

In estimating the fair value of the amounts exchanged in the transaction, and ultimately the Wingdam project at the date of the transaction, the Corporation considered the following:

- The fair value of the shares issued by OMM (OMM being traded on the TSX-V both before and after the transaction), giving consideration to the escrow sales restrictions on these shares. Management used the Black-Scholes option pricing model to estimate the fair value of the shares received taking into consideration the timing of the shares restriction, expected volatility and other factors.
- The fair value of the convertible debentures issued in favor of the Corporation by OMM taking into consideration the future cash out flows and estimated market discount rate that reflects the risks associated with the debentures and with no regard to the conversion feature.

3. Acquisitions (continued)

Acquisition of Omineca Mining and Metals Ltd ("OMM") (continued)
The estimated fair values of the OMM and CVG assets and liabilities recorded on the acquisition of control including the debenture were:

Wingdam	$4,416
Fair value of other OMM assets and liabilities	1,273
Total	$5,689

The $12,398 difference between the sum of $8,744 and $9,343 and $5,689, being the carrying values of the Corporation's direct interest in Wingdam, its indirect interest in Wingdam held through CVG, and its original 6.03% holding in OMM and $5,689, being the Corporation's share of the fair value of the assets acquired resulting respectively were recorded as an impairment on Wingdam.

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

On February 1, 2013, the Corporation completed the acquisition of all of the net assets of the 49 North 2011 Resource Flow-Through Limited Partnership and the 49 North 2012 Resource Flow-Through Limited Partnership. The net asset was acquired in exchange for the issuance of 5,565 common shares of the Corporation to the partners of the 2011 and 2012 FTLPs. Subsequent to the acquisition, both FTLPs were wound up and dissolved.

The acquisition has been accounted for as an asset acquisition as neither the 2011 FTLP, 2012 FTLP nor the underlining assets meet the definition of a business, as defined in IFRS 3, Business Combination. The consideration of the transaction was determined using the Corporation share price on January 10, 2013 ($1.47 per share), being the date when the Corporation assumed the risks and rewards relating to the assets acquired.

As a result of the transaction, the Corporation also gained control over Big Island Energy Ltd. (100%), Purcell Range Exploration Ltd (59.7%) and 101197159 Saskatchewan Ltd (100% subsequently disclosed in 2013). Both corporations were dissolved in the 2014 fiscal year. The consideration has been allocated as follows:

	2011 FTLP	2012 FTLP	Total
Net assets acquired			
Cash and cash equivalent	$ 513	$ 443	$ 956
Equity Investments	2,673	979	3,652
Exploration and evaluation assets	2,129	1,932	4,061
Liabilities	(160)	(195)	(355)
Non-controlling interest	(133)	-	(133)
Net fair value	**$ 5,022**	**$ 3,159**	**$ 8,181**
Consideration Given			
Common shares issued	3,417	2,149	5,566
Price per share at date of agreement	$ 1.47	$ 1.47	$ 1.47
Total consideration	**$ 5,022**	**$ 3,159**	**$ 8,181**

3. Acquisitions (continued)

Acquisition of Kimpar Resources Ltd ("Kimpar") non-controlling interest and disposition of Gespeg Copper Resources Inc ("Gespeg")
During 2013 the Corporation acquired 19.9% of the remaining 20% of Kimpar (previously controlled subsidiary) common shares in exchange for shares of Gespeg. As the transactions did not result in the Corporation obtaining or losing control in any of Kimpar or Gespeg both transactions were treated as equity transactions.

Subsequent to the transaction, the Corporation dissolved Kimpar and rolled up its assets into the Corporation directly.

4. Equity investments

As at December 31, 2014 and 2013, the Corporation's investments consist of equity interests in companies in the following industries:

	December 31, 2014		December 31, 2013	
	Cost	FMV	Cost	FMV
Base and Precious Metals	$ 14,722	$ 1,914	$ 14,926	$ 2,618
Coal	5,961	229	5,884	263
Diamonds	282	173	390	96
Oil & Gas	4,076	954	4,344	2,243
Other	3,525	1,853	2,848	1,512
Uranium	1,049	194	884	255
	$ 29,615	**$ 5,317**	**$ 29,276**	**$ 6,987**

The equity investments consist of investment in common shares of corporations of which 63.55% are listed on the TSX-V, 27.54% of the fair value are private, 5.85% are listed on the Canadian Stock Exchange ("CSE") and 3.07% are listed on the TSX as of December 31, 2014.

As in prior years, an analysis of fair value was prepared for the private investments held in the portfolio. The analysis used comparable entities public corporation stock prices, observable index comparisons, transaction prices for same or similar instruments and information from brokers and other analysis. Based on this review, management has recorded a $262 (2013 - $4,651) unrealized loss on certain private Corporation investments.

5. Loans and advances receivable

	December 31, 2014	December 31, 2013
Unrelated corporations	$ 118	$ 266
Unrelated individual	1	8
	$ 119	**$ 274**

The loans to unrelated individual bears interest rate at prime plus 2% and unrelated corporations bear no interest and are due on demand.

6. Investment in associate

	December 31, 2014	December 31, 2013
Loan receivable	$ -	$ 5,400
Equity investment in associate	-	4,030
Accumulated losses in associate	-	(87)
Impairment relating to Wingdam project	-	(9,343)
	$ -	**$ -**

The investment in associate is related to CVG. CVG's main asset is its interest in the Wingdam project. As a result of the OMM transaction discussed in Note 3 and the estimated fair value of Wingdam project established by management, all carrying amounts relating to Wingdam project have now been recognized now as part of exploration and evaluation assets (Note 7) and were written down to an estimated value of $ 6,400 as at December 31, 2014.

7. Exploration and evaluation assets

	Saskatchewan oil & gas	British Columbia	Quebec	Yukon	Manitoba	Total
Balance, January 1, 2013	**$ 6,359**	**$ 9,455**	**$ 3,342**	**$ -**	**$ 162**	**$ 19,318**
Acquisition of subsidiaries	2,303	1,758	-	208	-	4,269
Less exchange of Wingdam interest	-	(1,299)	-	-	-	(1,299)
Exploration	2,887	-	562	-	-	3,449
Net results of sample sales	(224)	-	-	-	-	(224)
Impairment	-	(3,514)	(1,651)	-	(162)	(5,327)
Disposal	(32)	-	-	-	-	(32)
Balance, December 31, 2013	**$ 11,293**	**$ 6,400**	**$ 2,253**	**$ 208**	**$ -**	**$ 20,154**
Exploration	3,339	286	198	-	-	**3,823**
Net results of sample sales	48	-	-	-	-	**48**
Impairment	(9,263)	-	(47)	-	-	**(9,310)**
Reclass to property, plant and equipment	(5,417)					**(5,417)**
Disposal	-	-	-	(5)	-	**(5)**
Balance, December 31, 2014	**$ -**	**$ 6,686**	**$ 2,404**	**$ 203**	**$ -**	**$ 9,293**

7. Exploration and evaluation assets (continued)

Saskatchewan oil & gas

The Corporation, through its subsidiary Allstar Energy Limited ("Allstar"), controls approximately 23,092 acres of land with 100% of the rights to explore for, and develop petroleum and natural gas.

During the year ended December 31, 2014, an impairment test was carried out on the Corporation's oil & gas assets, which it treats as a single CGU resulting in a $9,263 (2013 - $Nil) impairment expense recognized in net loss. Subsequent to the initial impairment recorded on the exploration and evaluation assets, the remainder of the oil and gas assets were transferred to property, plant and equipment in accordance with the Corporation's significant accounting policy.

For the purpose of impairment testing, the recoverable amounts of E&E were determined using internal estimates of the fair value of undeveloped land based on land sales and industry activity in the area using comparable market transactions. The recoverable amount was estimated as the fair value less costs to dispose using the inputs described below:

- Before tax value from oil and natural gas proved plus probable reserves estimated by the Corporation's independent qualified reserves evaluator, discounted at 10%;
- Forecast commodity prices, as outlined in the table below; and
- Internal estimates of the fair value of undeveloped land using land sales and comparable market transactions in the area.

The following projected prices for oil and natural gas were used for asset impairment tests, based on the expected prices for Western Canadian Select oil used by the Corporation's independent reserves evaluator less a 10% discount:

Year	Oil Price
2015	$ 74.07
2016	$ 75.51
2017	$ 76.23
2018	$ 77.31
2019	$ 78.39

Impairment tests were carried out on the carrying amount of the CGU's exploration and evaluation assets comparing these to the recoverable amounts of those assets. The fair value of exploration and evaluation assets was calculated using level 3 inputs on the fair value hierarchy. The result of the analysis was a $9,263 impairment of the exploration and evaluation assets. This impairment is recorded in net loss and may be reversed in future periods if there is significant indication that an impairment loss recognized in prior periods no longer exists or may have decreased, but only to the extent of what the carrying amount would have been had no impairment been recognized.

A 5% increase in the assumed discount rate of 10% would result in an additional impairment of $488 (2013 - $Nil), whereas a 5% decrease in discount rate would result in a $611 (2013 - $Nil) decrease to the impairment. Similarly, a 5% increase in expected oil price would result in an $21 (2013 - $Nil) decrease to the impairment, whereas a 5% decrease in expected oil price would result in an $21 (2013 - $Nil) increase to the impairment.

7. Exploration and evaluation assets (continued)

British Columbia properties

Wingdam Property
The Corporation, through its 69% ownership of OMM, owns a 100% undivided interest in certain mineral rights located in the province of British Columbia, subject to a 1% net smelter royalty (“NSR”). The Corporation has the ability to acquire the rights to the NSR from the holder at any time with a cash payment of $1,000. After the completion of the extraction of a bulk sample, the Wingdam project was put into a care and maintenance mode in August of 2012. During the care and maintenance period, the Corporation is required to carry out a program of site monitoring and maintenance prescribed in permits issued by agencies governing mining in the Province of British Columbia.

The Corporation previously owned a direct interest in the Wingdam project in addition to the indirect interest owned through its equity investment in CVG. As a result of the OMM transaction discused in Note 3 and the estimated fair value of Wingdam project established by management, all carrying amounts relating to the Wingdam project have been recognized now as part of exploration and evaluation asset and were written down in fiscal 2013 to an estimated value of $6,400. In fiscal 2014 no impairment was required, as work continues on the property, with near term plans to significantly advance development work at Wingdam. Accordingly an amount of $Nil (2013 - $3,055) was recorded as impairment relating to the Wingdam project.

In conjunction with completing the transaction with OMM, as is described in Note 3, all previous working interest and royalty agreements held by the Corporation were eliminated.

Goatfell Property
The Corporation, through its subsidiary Purcell, had an option to earn 60% of the Goatfell Property near Creston British Columbia. At December 31, 2013 the Corporation decided not to proceed under the option agreement. As such, the full carrying value of $459 was impaired in 2013.

Quebec properties
The Corporation, through its 52% ownership of its subsidiary Gespeg, 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. Gespeg is committed to conduct exploration work representing capital expenditures in the amount of $2,000 over the next four years.

In conjunction with the review for impairment at year-end, the Corporation made the decision not to continue with exploration on certain of its Quebec properties and allowed them to lapse subsequent to year end. As such, an impairment loss of $47 (2013 - $1,651) was recorded on the property, representing the full carrying value of these specific properties. Gespeg remains committed to completing further exploration work on the remaining properties. As such, no further impairment was deemed necessary as at December 31, 2014.

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

Yukon Properties

Kiwi Project
The Corporation, through its 69% ownership of OMM, owns a 100% interest in the Kiwi Project in the Yukon Territory. In 2013, OMM completed an option agreement with HFX Holding Corp, ("HFX"), whereby HFX can acquire a 100% interest in the Kiwi project by making $320 in cash payments and issuing 800,000 common shares to OMM over six years. OMM will retain a 2% NSR on the project, which may be reduced to 1% upon payment of $1,000 in cash. Payments under the option agreement are as follows:

Cash payments	Share payments	Due date
$30	50,000	July 12, 2013 (received)
$ -	100,000	July 12, 2014 (received)
$40	100,000	July 12, 2015
$50	150,000	July 12, 2016
$50	150,000	July 12, 2017
$75	250,000	July 12, 2018
$75	-	July 12, 2019
$320	800,000	Total

The carrying value of the Kiwi project at December 31, 2014 is $208.

Manitoba properties
In fiscal 2010, the Corporation applied for and was granted coal permits with the Government of Manitoba and has initiated an 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 paid. Under the agreement, Westcore was to operate all exploration and drilling activities in respect of the property and bear responsibility for all exploration expenditures and related costs until such time as a bankable feasibility study was completed.

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

In conjunction with the review for impairment at year-end, the Corporation made the decision not to continue with exploration on the Manitoba properties. As such, an impairment loss of $162 was recorded on the property, representing the full carrying value of the Manitoba properties.

8. Goodwill

	December 31, 2014	December 31, 2013
Balance, beginning of year	$ -	$ 531
Impairment	-	(531)
Balance, end of year	**$ -**	**$ -**

During the year ended December 31, 2013, the Corporation reviewed the carrying value of its goodwill related to its acquisition of North Rim Exploration Ltd. ("North Rim") and determined that there was impairment. In assessing the goodwill, the Corporation used the fair value less costs to sell approach (FVLCS). The FVLCS is determined by discounting the projected future cash flows for a five year period, a growth rate of nil and terminal value discounted at 15% post tax rate. The result of this analysis was that the full carrying value of goodwill could no longer be supported. As such, the full carrying value of this goodwill was impaired at December 31, 2013.

9. Property, plant and equipment

	Total	Oil & gas interests	Other Corporate Assets
Cost:			
Balance at January 1, 2013	$ 1,306	$ 552	$ 754
Additions	348	34	314
Dispositions	(176)	-	(176)
Write down of carrying amount	(236)	(236)	-
Balance at December 31, 2013	1,242	350	892
Additions	40	-	40
Dispositions	(5)	-	(5)
Reclass from exploration and evaluation	5,417	5,417	-
Write down of carrying amount	(2,117)	(2,117)	-
Balance at December 31, 2014	**6,694**	**5,767**	**927**
Accumulated depletion and amortization:			
Balance at January 1, 2013	420	-	420
Depletion/amortization expense	135	-	135
Dispositions	-	-	-
Balance at December 31, 2013	555	-	555
Depletion/amortization expense	106	-	106
Dispositions	(3)	-	(3)
Balance at December 31, 2014	**658**	**-**	**658**
Total balance at December 31, 2013	**$ 687**	**$ 350**	**$ 337**
Total balance at December 31, 2014	**$ 6,036**	**$ 5,767**	**$ 269**

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.

9. Property, plant and equipment (continued)

Petroleum properties

As at December 31, 2014 the Corporation determined that certain impairment indicators were present in regards to the oil and gas assets held by Allstar that were previously transferred from E&E assets (Note 7). Accordingly, the Corporation wrote down the value of these assets in the amount of $2,117. This impairment is recorded in net loss and may be reversed in future periods if there is significant indication that an impairment loss recognized in prior periods no longer exists or may have decreased, but only to the extent of what the carrying amount would have been had no impairment been recognized The well associated with the amount recorded in 2013 continues to produce at the same levels as in prior years.

10. Corporation Information and Related party transactions

Information and subsidiaries

The consolidated financial statements of the Corporation include:

		% of Equity	
Name of subsidiary	**Principal activities and country of incorporation**	**2014**	**2013**
Allstar Energy Limited	Canadian incorporated oil and gas exploration Corporation	100%	100%
Omineca Mining and Metals Ltd.	Canadian incorporated gold exploration Corporation	69.6%	69.6%
Gespeg Copper Resources Inc.	Canadian incorporated copper exploration Corporation	36.2%	51.8%
North Rim Exploration Ltd.	Canadian incorporated geological consulting Corporation	50%	50%
Vicarage Capital Limited. *	United Kingdom incorporated investment banking and consulting Corporation	50%	50%
Big Island Energy Ltd. **	Canadian incorporated holding Corporation	0%	100%
Purcell Range Exploration Ltd. **	Canadian incorporated holding Corporation	0%	59.7%

* Proportionally accounts for its share of Vicarage in the consolidated statements.
** Dissolved in 2014 and rolled up into the Corporation.

The Corporation's common share voting percentage of Gespeg Copper Resources Inc, decreased below 50%, which is one element of determining control, during the year ended December 31, 2014. Despite the decrease of voting control below this threshold, the Corporation continues to consolidate the subsidiary for the following reasons; common directors, common management, and combined with common management and directors voting control can be exercised.

10. Corporation Information and Related party transactions (continued)

Compensation of key executive personnel

	December 31, 2014	December 31, 2013
Management fees to TMM Portfolio Management Inc. ("TMM")	$ 203	$ 279
Salaries to officers	194	182
Directors' fees	-	4
Share based compensation to directors and officers	58	327
	$ 455	$ 792

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. Effective April 1, 2013, TMM agreed to temporarily fix the management fee at $10 per month until February 1, 2014, post February 1, 2014 the management fee was $17 per month, on November 1, 2014 the fixed fee was increased to $20 per month and will remain at this level until such time as management and the board of directors deem it appropriate to return to the original compensation plan as documented in the Management Agreement.

Related party transactions

During the year ended December 31, 2014 reimbursements of $nil (2013 - $nil) were incurred or accrued to 1381613 Alberta Ltd., a corporation controlled by the Chief Executive Officer of the Corporation. As at December 31, 2014, the Corporation had a $nil payable (2013 – $73 payable) to TMM.

During the year, OMM paid $35 (2013 - $69) of legal fees to a law firm of which one of its directors is a partner.

These transactions were recorded at fair value.

11. Convertible debentures

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

11. Convertible debentures (continued)

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

Subject to certain 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.

The restructured debentures were accounted for as an extinguishment for accounting purposes, which resulted in a gain on modification of $24. The original debentures were derecognized and new debentures were re-measured at their fair value on the date of the modification with an effective interest rate of 15%. The fair value of $10,288 was estimated using discounted future cash flows, and the difference between the fair value and the principal amount was allocated to the conversion feature in the amount of $2,127. The carrying value of the debenture as at December 31, 2014 was $10,962 (2013 - $10,505).

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

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

Subject to certain conditions precedent, the Corporation may redeem the debentures prior to maturity at a redemption price equal to their principal amount plus interest accruing to but otherwise unpaid to the date preceding the redemption date.

The restructured debentures were accounted for as an extinguishment for accounting purposes and resulted in a gain on modification equal of $305. The original debentures were derecognized and new debentures were re-measured at their fair value on the date of the modification with an effective interest rate of 15%. The fair value of $4,384 was estimated using discounted future cash flows, and the difference between the fair value and the principal amount was allocated to the conversion feature in the amount of $696. The carrying value of the debenture as at December 31, 2014 was $4,647 (2013 - $4,438).

In conjunction with the debenture restructure, the Corporation now has a covenant that it will not incur any long-term debt that gives priority over the debentures. There are no financial or reporting covenants associated with the debentures.

During the year ended December 31, 2014, the Corporation made application to have both series of its convertible debentures listed on the TSX-V. This application was accepted and the debentures commenced trading on April 3, 2014 under the ticker symbols FNR.DB.A and FNR.DB.B respectively.

12. Drilling advances & 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 non-current liability. During the year ended December 31, 2014, the Corporation extinguished $nil (2013 - $1,041) of the loans payable.

On February 12, 2014, the Corporation, through its subsidiary Allstar, announced that it had entered into a binding letter of intent (the "LOI") with Canada Zhong An Energy Investment Ltd. ("Zhong An"). Under the terms of the LOI, Zhong An has made a $2,000 non-refundable drilling deposit that was to be used in drilling two (2) new wells in the Riverside field. These wells have been drilled and completed.

Upon completion of the two well program, Zhong An had the right to finance an additional $10,000 (the “Additional Financing”) to drill up to an additional 12 wells at Riverside to earn a 60% interest in all of Allstar’s oil and gas properties. During the year ended December 31, 2014, Zhong An formally notified the Corporation that they would not be proceeding with the Additional Financing. Pursuant to the LOI, the original $2,000 drilling deposit is to be converted, at the election of Zhong An, into either a 60% working interest in the two wells drilled or a 10% equity interest in Allstar.

Conversion will be satisfied through completion of a definitive agreement, which will be subject to the negotiation and satisfaction of a number of conditions, including but not limited to, each of the Corporation and Zhong An being satisfied with the results of their respective due diligence investigations and any required regulatory approvals. As at December 31, 2014 and subsequent thereto, the Corporation was awaiting Zhong An’s decision in regards to the conversion of its deposit.

13. Decommissioning liabilities

	December 31, 2014	December 31, 2013
Balance, beginning of year	**$ 936**	**$ 741**
Additions through acquisition of subsidiaries	-	157
Additions	34	-
Change in estimate	-	(15)
Accretion expense	30	53
Balance, end of year	**$ 1,000**	**$ 936**

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 $958. The obligations have been discounted using a risk free rate of 3% 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 deferred assets and liabilities are as follows:

		December 31 2014		December 31, 2013
Non-capital and capital loss carryforwards	$	4,888	$	3,590
Share issue costs		18		258
Exploration and evaluation assets		2		(1,437)
Convertible debentures		(509)		(695)
Property and equipment		841		416
Investments		3,310		1,247
Unrecognized deferred tax assets		(8,550)		(4,391)
Deferred income tax liability	**$**	**-**	**$**	**(1,012)**

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:

		2014		2013
Loss for the year before income taxes	$	(17,406)	$	(31,460)
Expected income tax (recovery)		(4,699)		(8,481)
Share based payments		22		201
Accreted discount on debt		180		265
Non taxable portion of capital gains		-		153
Non taxable portion of unrealized losses		1,124		1,279
Non taxable gain on extinguishment of debt		-		(135)
Non taxable loss on OMM transaction		-		1,065
Other		22		-
Change in unrecognized deferred income tax		2,350		4,159
		(1,001)		**(1,494)**

14. Deferred income taxes (continued)

As of December 31, 2014 the Corporation has approximately the following tax pools available as a deduction from future income at the prescribed tax rates. These tax pools are subject to confirmation by income tax authorities:

		2014		2013
Non-capital losses carried forward	$	15,406	$	13,484
Capital losses carried forward		2,860		925
Property plant and equipment		3,937		-
Share issue costs		65		-
Investments		24,265		-
Cumulative Canadian exploration and development expenses		5,755		8,662
	$	**52,288**	**$**	**23,071**

As of December 31, 2014 the non-capital losses of $15,406 (2013 - $13,484) available to carry forward to reduce future years' taxable income with expiration ranging from 2027 to 2034.

15. Common shares and contributed surplus

On October 29, 2014, the Corporation completed a non-brokered rights offering whereby one right was issued for each common share outstanding. Four rights and $0.30 entitled the holder to receive one unit. 3,538,769 units were issued, for gross proceeds of $1,062. Each unit was comprised of one common share of the Corporation and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share of the Corporation at an exercise price of $0.30 per warrant share for a period of 24 months. In connection with the financing the Corporation incurred share issue costs of $69

During the year ended December 31, 2014, Gespeg completed a series of private placement financings whereby it issued a total of 17,120,000 units at $0.05 per unit for gross proceeds of $856. The Corporation participated in one of the financings, acquiring 500,000 units for proceeds of $25.

Stock option plan

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

15. Common shares and contributed surplus (continued)

Stock option plan (continued)

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

	December 31, 2014			December 31, 2013		
	Options		Price	Options		Price
Exercisable, beginning of year	1,810,000	$	1.09	780,000	$	2.16
Options forfeited	(60,000)		0.50	(35,000)		3.60
Options forfeited	(75,000)		0.30	(110,000)		2.35
Options granted	75,000		0.35	1,175,000		0.30
Exercisable, end of year	**1,750,000**	**$**	**0.35**	**1,810,000**	**$**	**1.09**

As at December 31, 2014, the weighted average remaining life of exercisable stock options is 7.46 years (2013 – 7.02 years)

On July 9, 2014, 635,000 related Corporation employee and consultant options were modified. The exercise prices of some options were reduced to $0.50, with no change in the expiry date. The incremental fair value of the modification, using the Black-Scholes option pricing model, was calculated to be $60 and is included in share-based payment expense and contributed surplus. 395,000 options were owned by Officers or Directors, with a $37 incremental fair value of the modification.

During the first quarter of 2014, the board of directors of the Corporation approved the grant of 75,000 stock options pursuant to the 2008 Option Plan to a director of the Corporation. The options are exercisable at $0.35 per share, vest immediately and, if not exercised, expire February 21, 2024, subject to earlier expiration in accordance with the 2008 Option Plan and applicable policies of the TSX-V.

The value of options issued during the first quarter of 2014, using the Black-Scholes option-pricing model, was $21 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 2.86%, expected life of options 10 years, annualized volatility 95.94% and dividend rate of nil.

During the third quarter of 2013, the board of directors of the Corporation approved the grant of 1,175,000 stock options pursuant to the 2008 Option Plan. 900,000 of the options were granted to directors and executive officers with the balance granted to employees and consultants. The options are exercisable at $0.30 per share, vest immediately and, if not exercised, expire July 12, 2023, subject to earlier expiration in accordance with the 2008 Option Plan and applicable policies of the TSX-V.

The value of options issued during the third quarter of 2013, using the Black-Scholes option pricing model, was $305 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 2.19%, expected life of options 10 years, annualized volatility 90.99% and dividend rate of nil.

During 2013, the Corporation’s consolidated subsidiary OMM, under its own stock option plan, issued 5,155,000 options to be settled in OMM shares. $270 was recorded as share based compensation for options granted during the year. OMM valued the options issued using the Black-Scholes option pricing model with assumptions relevant to OMM.

During 2013, the Corporation's consolidated subsidiary Gespeg, under its own stock option plan, issued 2,700,000 options to be settled in Gespeg shares. $170 was recorded as share-based compensation for the options granted during the year. Gespeg valued the options issued using the Black-Scholes option pricing model with assumptions relevant to Gespeg.

15. Common shares and contributed surplus (continued)

Warrants

A summary of the outstanding warrants is as follows:

	December 31, 2014			December 31, 2013		
	Warrants		Price	Warrants		Price
Exercisable, beginning of year	-	$	-	-	$	-
Warrants granted	3,538,769		0.30	-		-
Exercisable, end of year	**3,538,769**	**$**	**0.30**	**-**	**$**	**-**

On October 29, 2014, the Corporation issued 3,538,769 share purchase warrants as part of a financing completed. Each warrant entitles the the holder to purchase one common share of the Corporation at a price of $0.30 for a period of 24 months and vest immediately. In accordance with the Corporation's accounting policy in regards to unit bifurcation, the Corporation calculated the relative fair value of these warrants at $373. Assumptions used in the Black-Scholes option pricing model were as follows: dividend yield 0%, expected volatility of 102.35%, and a risk free interest rate of 1.05%. These warrants expire on October 29, 2015.

Contributed surplus

A summary of the contributed surplus activity is as follows:

		December 31, 2014		December 31, 2013
Balance, beginning of year	$	3,123	$	2,533
Fair value of stock options granted		82		745
Share based payments		5		-
Warrants issued		373		-
Change in ownership of subsidiary		534		(155)
Balance, end of year	**$**	**4,117**	**$**	**3,123**

During 2013, the Corporation acquired 19.9% of the remaining 20% of Kimpar's (previously controlled subsidiary) common shares in exchange for shares of Gespeg. As the transactions did not result in the Corporation obtaining or losing control in any of Kimpar or Gespeg both transactions were treated as equity transactions.

Subsequent to the transaction, the Corporation dissolved Kimpar and rolled up its assets, being shares of Gespeg, into the Corporation directly.

During 2014, a consolidated subsidiary completed a financing of which the Corporation and its associates did not participate in, effectively reducing the Corporation and its associate`s ownership percentage in the subsidiary. The change in ownership of subsidiary adjustment above reflects the net book value of the ownership dilution.

15. Common shares and contributed surplus (continued)

EPS and diluted EPS

Basic EPS is calculated by dividing the net profit for the year by the weighted average number of common shares outstanding during the year.

The basic and diluted EPS is the same as the conversion of the convertible debentures (Note 11) or the exercise of stock options would not have a dilutive effect on earnings.

	December 31, 2014	December 31, 2013
Net loss attributable to common shareholders	$ (15,957)	$ (28,908)
Weighted average number of common shares	21,867	20,587
Basic and diluted earnings per common share	$ (0.73)	$ (1.40)

Shareholder rights plan

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

16. Commitments

The Corporation, through its subsidiary Gespeg, is committed to conduct exploration work representing capital expenditures in the amount of $2,025 in total over the next four years.

The Corporation, through its subsidiary North Rim, has operating lease commitments related to equipment and office space of $192 in total over the next year.

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.

17. Capital management

The Corporation's objectives when managing capital are:

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

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

The Corporation is subject to financial covenant calculations in conjunction with its operating line of credit. Specifically, the Corporation must maintain a quick ratio of not less than 10:1 reported bi-weekly, a current ratio of not less than 1.50:1 reported quarterly and maintain a tangible net worth of not less than $25,000 reported annually. The Corporation was not in compliance with the quick ratio, current ratio or tangible net worth, in anticipation of such, the Corporation repaid the line of credit and has maintained a cash balance since. There is no effect on the consolidated financial statements, however the Corporation's ability to use the $1,500 line of credit is limited, if at all. Subsequent to the year ended December 31, 2014, the Corporation requested cancellation of its operating line of credit.

The Corporation is not subject to any capital requirements imposed by a regulator. Except for the change in dividend payment policy in 2012, there were no changes in the Corporation's approach to capital management during the year. 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.

18. Financial instruments

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

(a) Liquidity risk:

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

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

The Corporation 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.

18. Financial instruments (continued)

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

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

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

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

(c) Interest rate risk:
Interest rate risk is the impact that changes in interest rates could have on the Corporation's earnings and liabilities. As at December 31, 2014, the Corporation had no liabilities payable that bear interest at rates fluctuating with the prime rate.

(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.

The Corporation's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Corporation's customer base, including the default risk of the industry in which the customers operate, as these factors may have an influence on credit risk, particularly in the current economic circumstances. Geological and other consulting revenue consists of approximately 34% (2013 – 32%) of revenue attributable to sales transactions with a single customer.

Management has established a credit policy under which each new customer is required to pay a retainer prior to rendering services.

At December 31, 2014 the Corporation had loans and advances receivable and accounts receivable and prepaid expenses from companies, totaling $3,607 (2013 - $943) which represents approximately 14.5% (2013 – 2.5%) of the Corporation's total assets. As at December 31, 2014 an impairment loss of $82 (2013 – $15) and an allowance for doubtful accounts provision of $nil (2013 – $nil) was recorded.

18. Financial instruments (continued)

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

In the past, and from time to time, the Corporation has attempted to mitigate a portion of its commodity price risk through the use of the futures contract, as at December 31, 2014 – all futures contracts have been disposed.

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

Fair value hierarchy and determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Corporation and its subsidiaries uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The fair value of the financial instruments is included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described, as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable

18. Financial instruments (continued)

(f) Fair value: (continued)

For assets and liabilities that are recognized in the financial statements on a recurring basis at fair value, the Corporation determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest-level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Corporation assets that are recognized at fair value on a recurring basis are the equity investments.

The following is a summary of the fair value of investments segregated based on the various levels of inputs, as discussed in Note 2:

	Level 1	Level 2	Level 3	Total
Investments, at fair value	**$ 3,853**	**$ 47**	**$ 1,417**	**$ 5,317**

For the year ended December 31, 2014, a reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

Beginning balance as at December 31, 2013	$2,536
Additional investments	210
Dissolution & liquidation of cash	(965)
Valuation adjustment	(262)
Reclassification to Level 1	(35)
Return of capital	(67)
Balance at December 31, 2014	**$ 1,417**

During the year ended December 31, 2014, the following company was reclassified out of Level 3 investments for the following reasons; Tarku Resources Ltd. (formerly Creek Resources Inc.) – amalgamation with capital pool corporation.

Within Level 3, the Corporation includes private company investments. The key assumptions driving the valuation of these instruments include, but are not limited to, the value at which a recent financing was completed by the investee, significant changes in general market conditions and company specific information. For those investments valued based on general market condition and company specific information, these inputs can be highly judgmental. A +/- 25% change in the fair value of these investments will result in a corresponding +/- $952 (2013 - $634) change to the total fair value of the investments. While this illustrates the overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different circumstances.

The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions and its results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of these investments. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Corporation's view of expected future changes in the fair value of these investments. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

19. Events after the reporting period

Subsequent to year ended December 31, 2014, the Corporation announced its intention to pursue a restructuring of the 2017 Debenture. Under the proposal, the 2017 Debenture would be settled in its entirety for a combination of common shares, preferred shares and an interest in a new senior secured convertible debenture. A debenture holder vote on the proposed restructuring is expected in May of 2015.

20. Supplemental cash flow information

The following table summarizes the net changes in non-cash working capital items related to operating activities:

		2014		2013
Loans and advances receivable	$	39	$	(32)
Income taxes		132		(257)
Accounts receivable and prepaid expenses		(2,815)		803
Management fees and reimbursements payable		(73)		(26)
Accounts payable and accrued liabilities		202		(68)
	$	**(2,515)**	**$**	**420**
Cash and cash equivalents consists of:				
Cash	$	2,248	$	8,224
Cash equivalents	$	448	$	-
		2,696		**8,224**

21. Comparatives

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

22. Segmented information

The Corporation is a resource investment, financial, managerial and geological advisory entity which, as its principal business, invests in a diversified portfolio of shares and other securities of resource issuers including, without limitation, resource issuers engaged in mineral or oil and gas exploration and development, with a view to achieving capital appreciation of the portfolio. The Corporation has four reportable segments: Resource investment, extractive and geological advisory in Canada and brokerage services in the United Kingdom ("UK").

As at and for the year ended December 31, 2014	Resource Investment	Geological Advisory	UK Brokerage	Extractive Industries	Total
Total assets	**$ 6,790**	**$ 3,650**	**$ 89**	**$ 14,303**	**$ 24,832**
Total liabilities	**$ 17,680**	**$ 2,674**	**$ 56**	**$ 5,140**	**$ 25,550**
Capital expenditures	**$ -**	**$ 20**	**$ 2**	**$ 3,889**	**$ 3,911**
Continuing operations					
Revenues					
Geological and other consulting	$ 60	$ 12,173	$ 252	$ -	$ 12,485
Oil and gas sales	-	-	-	142	142
Realized losses on windup of subsidiaries	(145)	-	-	-	(145)
Realized (losses) gains on porfolio investments	(206)	37	-	-	(169)
Unrealized losses on portfolio investments	(2,154)	(27)	-	-	(2,181)
Interest and dividend income	1,008	222	-	10	1,240
	(1,437)	**12,405**	**252**	**152**	**11,372**
Expenses					
Amortization and depletion	33	41	-	32	106
Business and investor relations	188	30	-	248	466
Finance	2,250	6	-	(97)	2,159
General and administration	290	517	225	617	1,649
Management fees	203	-	-	24	227
Oil and gas operations	-	-	-	94	94
Professional fees	138	539	-	161	838
Project costs on geological and consulting activites	-	9,848	26	6	9,880
Share based compensation	81	-	-	5	86
Transaction costs	19	-	-	-	19
Wages and benefits	440	1,366	-	21	1,827
	3,642	**12,347**	**251**	**1,111**	**17,351**
Writedown - property, plant and equipment	-	-	-	(2,117)	(2,117)
Writedown - exploration and evaluation assets	-	-	-	(9,310)	(9,310)
Income (loss) before income taxes	**(5,079)**	**58**	**1**	**(12,386)**	**(17,406)**
Current income tax (recovery)	-	11	-	-	11
Deferred income tax (recovery)	-	-	-	(1,012)	(1,012)
Comprehensive (loss) income	**$ (5,079)**	**$ 47**	**$ (1)**	**$ (11,374)**	**$ (16,405)**

22. Segmented information (reported in thousands of Canadian dollars) (continued)

As at and for the year ended December 31, 2013	Resource Investment	Geological Advisory	UK Brokerage	Extractive Industries	Total
Total assets	**$ 9,673**	**$ 3,207**	**$ 64**	**$ 24,153**	**$ 37,097**
Total liabilities	**$ 16,888**	**$ 2,252**	**$ 33**	**$ 4,050**	**$ 23,223**
Capital expenditures	**$ -**	**$ 14**	**$ -**	**$ 3,123**	**$ 3,137**
Continuing operations					
Revenues					
Geological and other consulting	$ 30	$ 6,070	$ 280	$ -	$ 6,380
Oil and gas sales	-	-	-	198	198
Realized (losses) gains	(1,133)	-	-	(4)	(1,137)
Unrealized losses	(9,457)	(22)	3	-	(9,476)
Interest and dividend income	79	175	-	5	259
	(10,481)	**6,223**	**283**	**199**	**(3,776)**
Expenses					
Amortization and depletion	28	62	-	45	135
Business and investor relations	377	34	-	189	600
Finance	2,433	3	-	28	2,464
Management fees	279	-	-	73	352
General and administration	240	556	247	122	1,165
Oil and gas operations	-	-	-	103	103
Professional fees	274	111	-	294	679
Project costs and geological and consulting activities	-	4,149	37	-	4,186
Share based compensation	305	-	-	440	745
Transaction costs	26	-	-	-	26
Wages and benefits	408	1,713	-	-	2,121
	4,370	**6,628**	**284**	**1,294**	**12,576**
Gain on debenture restructure	329	-	-	-	329
Loss on writedown on Wingdam project and related investments	-	-	-	(12,398)	(12,398)
Writedown - exploration and evaluation assets	-	-	-	(2,272)	(2,272)
Writedown - goodwill	(531)	-	-	-	(531)
Writedown - property, plant and equipment	-	-	-	(236)	(236)
Income (loss) before income taxes	**(15,053)**	**(405)**	**(1)**	**(16,001)**	**(31,460)**
Current income tax (recovery)	-	(119)	3	-	(116)
Deferred income tax (recovery)	(2,111)	-	-	733	(1,378)
Comprehensive (loss) income	**$ (12,942)**	**$ (286)**	**$ (4)**	**$ (16,734)**	**$ (29,966)**

23. Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests are provided below:

Proportion of equity interests held by non-controlling interests			
Name	**Jurisdiction**	**2014**	**2013**
Omineca	British Columbia	30.4%	30.4%
North Rim	Saskatchewan	50%	50%
Gespeg	British Columbia	63.8%	48.2%
Accumulated balances of material non-controlling interests			
Omineca		$387	$641
North Rim		$787	$763
Gespeg		$876	$880
Profit (loss) allocated to material non-controlling interests			
Omineca		$(254)	$(4,435)
North Rim		$24	$(148)
Gespeg		$(228)	$(1,999)

The summarized financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

Summarized financial information for 2014			
	Omineca	**North Rim**	**Gespeg**
Assets	$7,492	$3,650	$5,285
Liabilities	$6,257	$2,612	$249
Revenues	$ -	$12,405	$ -
Expenses	$824	$12,347	$357
Cash flows from:			
Operations	$(305)	$(1,818)	$(437)
Financing	$ -	$(4,967)	$631
Investing	$(301)	$60	$(127)

Summarized financial information for 2013			
	Omineca	**North Rim**	**Gespeg**
Assets	$7,958	$3,206	$4,955
Liabilities	$5,891	$2,189	$450
Revenues	$ -	$6,223	$ -
Expenses	$14,587	$6,628	$4,561
Cash flows from:			
Operations	$(17)	$295	$(26)
Financing	$(15)	$(128)	$ -
Investing	$1,115	$(55)	$(23)

Management's Discussion and Analysis

For the three months and year ended December 31, 2014

Date of Report: April 29, 2015

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 April 29, 2015 and should be read in conjunction with the audited consolidated financial statements and the notes thereto as at and for the year ended December 31, 2014. All financial data in this MD&A is reported in Canadian dollars, is stated in thousands of dollars and has been prepared in accordance with International Financial Reporting Standards ("IFRS").

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:

49 North Resources Inc. is 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 and geological advisory corporation which, as its principal business, invests in a diversified portfolio of common shares and other securities of resource issuers. 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, Gespeg Copper Resources Inc. ("Gespeg") is involved in mineral exploration in Quebec. The Corporation's subsidiary, Omineca Mining and Metals Ltd. ("Omineca") is involved in mineral exploration in British Columbia and the Yukon. The Corporation's subsidiary Vicarage Capital Limited. ("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 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.

The Corporation owns 100% of the issued and outstanding voting shares of Allstar, a Saskatchewan corporation.

The Corporation owns 36.2% of the issued and outstanding voting shares of Gespeg, a British Columbia corporation.

The Corporation owns 69.6% of the issued and outstanding voting shares of Omineca, a British Columbia 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.

For its fiscal year ended December 31, 2014, the Corporation's had no investments in special purpose entities ("SPEs") in which the Corporation has control other than voting.

A full listing of all consolidated subsidiaries and joint operations is as follows:

Name of subsidiary	Principal activities and country of incorporation	% of Equity 2014	2013
Allstar Energy Limited.	Canadian incorporated oil and gas exploration Corporation	100%	100%
Omineca Mining and Metals Ltd.	Canadian incorporated gold exploration Corporation	69.6%	69.6%
Gespeg Copper Resources Inc.	Canadian incorporated copper exploration Corporation	36.2%	51.8%
North Rim Exploration Ltd.	Canadian incorporated geological consulting Corporation	50%	50%
Vicarage Capital Limited. *	United Kingdom incorporated investment banking and consulting Corporation	50%	50%
Big Island Energy Inc. **	Canadian incorporated holding Corporation	0%	100%
Purcell Range Exploration Ltd. **	Canadian incorporated holding Corporation	0%	59.7%

* Proportionally accounts for its share of VCL in the consolidated statements.
** Dissolved in 2014 and rolled up into the Corporation.

Overall Performance:

The economic climate for the junior resource sector in 2014 was a continuation of the downward trend which began in the first quarter of 2011. The junior resource equity markets have faced a similar collapse in value and liquidity that was experienced in the global recession of 2008 and 2009. During 2014, the TSXV was highly volatile to the negative, as is evidenced by decline from a high of approximately 1,050 to a low of approximately 630, a 40% overall market decline. This volatility was driven by a continued risk-off market sentiment, which causes a mismatch between sellers and buyers on the market, as the general majority of buyers kept their investment dollars invested outside the junior exploration industry. Liquidity continues to be difficult for junior companies, leading to a continued erosion of share value, with sellers having to take significant discounts to move off of a position.

Given 49 North's business model of generating cash flow from actively trading in its investment portfolio, there have been significant negative effects on the results of the Corporation. Where there is liquidity, it generally corresponded with a decreasing share price, resulting in an increase in losses on disposal of investments in the year. Management believes that this significant downturn in the markets prices remains the effect of global financial uncertainty and the lower growth rates in emerging global markets, which is resulting in lower demand for commodities in general, resulting in declining commodity prices and declining share prices for companies exploring for and developing natural resource projects.

Management is of the view that the downturn reflects the true underlying demand for the commodities being developed by companies in the junior resource space. Management believes that the volatility and general lack of liquidity that the industry has experienced since the third quarter of 2011 will begin to ease in the relatively near future, but does not expect a full scale junior natural resource market recovery in fiscal 2015. In the medium and longer term, basic supply and demand metrics underlying the investments that the Corporation holds will return and will begin to move share prices upward and increase liquidity in the junior resource space. As major active mining projects continue production, a need for reserves and resources in the ground will once again drive the exploration space upward in the long-term.

The Corporation realized net losses on the sale of portfolio investments in the year of $169, as well as unrealized losses in the portfolio of $2,181. 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. Management is using the depressed markets to increase positions in promising companies and enter new companies that are well positioned for the next commodity up-cycle.

Outside of the investment portfolio, the Corporation continues to focus on its high quality assets obtained through strategic acquisitions. These investments have given the Corporation a direct interest in: (i) heavy oil and gas properties in Saskatchewan; (ii) potentially world class copper, molybdenum, dimension stone and aggregate exploration properties in Quebec; (iii) a development stage gold property in British Columbia; (iv) an established and internationally recognized geological consulting firm in Saskatchewan; and (v) an established brokerage and investment relations firm in the United Kingdom.

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

As at December 31, 2014 the fair value of the Corporation's investment portfolio was $5,317 as compared to $6,987 as at December 31, 2013 (a 23.90% decrease) and shareholders' equity (deficiency) and non-controlling interest was $(718) compared to $13,874 as at December 31, 2013 (a 105.18% decrease). These significant decreases are the result of declines in the market value of our portfolio of public company shares, and impairments recorded on exploration and evaluation assets, and property, plant and equipment, which is consistent with the severe declines in the general market discussed above.

Despite the short-term volatility, 49 North remains committed to its investment strategy and long-term objectives. The Corporation believes that the declines and general lack of liquidity in the junior resource public markets are cyclical in nature and that there is a substantial opportunity in these markets to generate gains in future periods. The Corporation will continue to be active buyers of quality resource properties and companies managed by qualified and experienced project developers, as we expect to see an upward trend in stock and commodity prices in the next 12 - 24 months as a result of increasing global demand for base and precious metals, energy, alternative energy, potash and industrial minerals.

The audited consolidated financial statements for the year ended and as at December 31, 2014 and all of the financial information contained in the MD&A have been prepared on a going concern basis, which assumes the Corporation will be able to realize its assets and discharge its liabilities in the ordinary course of business. Due to continuing operating losses and inactivity in the capital markets, the Corporation's continuance as a going concern is dependent upon its ability to generate positive cash flow from its portfolio of equity investments and on the ability of the consolidated subsidiaries obtaining adequate financing to continue their operations. Management is addressing the issue through a combination of cost cutting measures and continued portfolio trading.

Selected Financial Information:

As the Corporation continues to grow and diversify its business strategy, the Corporation's financial results, as mentioned, are consolidated with the financial results of North Rim, Allstar, Gespeg, Omineca, and Vicarage.

Statement of Financial Position Information In $ 000's except for per share data	**December 31, 2014**	**December 31, 2013**	**December 31, 2012**
Equity investments, at fair value	$ 5,317	$ 6,987	$ 20,529
Total assets	24,832	37,097	61,657
Total Liabilities	25,550	23,223	27,297
Shareholders' Equity (Deficiency) and non- controlling interest	(718)	13,874	34,360
Loss per share, basic	$ (0.73)	$ (1.40)	$ (1.25)
Loss per share, diluted	$ (0.73)	$ (1.40)	$ (1.25)

Statement of Loss and Comprehensive Loss Information	Three months ended December 31,		Year ended December 31,	
In $ 000's except per share data	**2014**	2013	**2014**	2013
Geological and other consulting services	**2,748**	4,170	**12,485**	6,380
Production revenue	**21**	(408)	**142**	198
Net realized losses on windup of consolidated subsidiaries	**(145)**	-	**(145)**	-
Net realized portfolio investment gains (losses)	**144**	(841)	**(169)**	(1,137)
Net unrealized portfolio investment gains (losses)	**(1,903)**	(5,041)	**(2,181)**	(9,476)
Interest, rent, dividend and royalty income	**421**	(72)	**1,240**	259
	$1,286	$(2,192)	**$(11,372)**	$(3,776)
Expenses	**3,886**	3,849	**17,351**	12,576
Adjust to Gain on finance restructure	**-**	(97)	**-**	329
Writedown - evaluation and exploration assets	**(9,310)**	(449)	**(9,310)**	(2,272)
Writedown - goodwill	**-**	-	**-**	(531)
Writedown - property, plant and equipment	**(2,117)**	(236)	**(2,117)**	(236)
Loss on writedown of Wingdam project and investments	**-**	(12,398)	**-**	(12,398)
Loss before income taxes	**(14,027)**	(19,221)	**(17,406)**	(31,460)
Deferred and current income taxes (recovery)	**(1,026)**	670	**(1,001)**	(1,494)
Non-controlling interest	**(256)**	(20)	**(448)**	(1,058)
Net Loss	**($13,001)**	($19,871)	**($16,405)**	($29,966)
Loss per share, basic	**($0.55)**	($0.95)	**($0.73)**	($1.40)
Loss per share, diluted	**($0.55)**	($0.95)	**($0.73)**	($1.40)

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 year ended December 31, 2014 that changed or affected the organizational structure, capitalization, operations and/or result of operations of 49 North.

- **Listing of Convertible Debentures:**

On April 3, 2014, the Corporation made application to have both series of its convertible debentures listed on the TSXV. The application was accepted and the debentures began trading under the ticker symbols FNR.DB.A and FNR.DB.B.

- **Rights Offering**

On October 30, 2014, the Corporation completed the closing of a rights offering for gross proceeds of $1,062. The rights offering was 67.23% subscribed, with a total of 3,538,769 common shares and 3,538,769 common share purchase warrants being issued.

- **Letter of Intent with Canada Zhong An Energy Investment Ltd:**

On February 12, 2014, the Corporation, through its subsidiary Allstar, announced that it had entered into a binding letter of intent (the "LOI") with Canada Zhong An Energy Investment Ltd. ("Zhong An"). Under the terms of the LOI, Zhong An has made a $2,000 non-refundable drilling deposit that was to be used in drilling two (2) new wells in the Riverside field. These wells have been drilled and completed.

Upon completion of the two well program, Zhong An had the right to finance an additional $10,000 (the "Additional Financing") to drill up to an additional 12 wells at Riverside to earn a 60% interest in all of Allstar's oil and gas properties. During the year ended December 31, 2014, Zhong An indicated that they would not be proceeding with the Additional Financing. Pursuant to the LOI, the original $2,000 drilling deposit is to be converted, at the election of Zhong An, into either a 60% working interest in the two wells drilled or a 10% equity interest in Allstar. The Corporation has not received formal notification as to how Zhong An plans to proceed.

Conversion will be satisfied through completion of a definitive agreement, which will be subject to the negotiation and satisfaction of a number of conditions, including but not limited to, each of the Corporation and Zhong An being satisfied with the results of their respective due diligence investigations and any required regulatory approvals. As at December 31, 2014 and subsequent thereto, the Corporation was awaiting Zhong An's decision in regards to the conversion of its deposit.

- **Proposed Restructuring of Series B Convertible Debentures:**

Subsequent to year-end, on March 26, 2015, the Corporation announced its intention to seek debenture holder approval to exchange the principal amount of the Series B 9% convertible unsecured subordinated debentures for a combination of common shares, first preferred Series 1 shares and an interest in a new 2.5% senior secured convertible debenture. Both the Series 1 preferred shares and the new senior secured convertible debenture are being created for the purposes of this proposed transaction.

Under the terms of the proposal, holders of the debenture would receive 150 common shares, 25 preferred shares and $25 principal amount of the new debenture as full and final settelement of the amounts currently owing, including accrued interest.

The preferred shares are intended to have the following characteristics:

- Cumulative 2.5% cash dividends payable annually, in arrears, beginning on the first anniversary of the date of issuance;
- Non-voting;
- Convertible, at the holder's option, into common shares at a conversion price of $0.50 per common share;
- Issued at a price of $1 per share;
- Redeemable by the company at the issue price at any time after the third anniversary of issuance.

The new debentures are intended to have the following characteristics:

- Principal amount of up to $5,000;
- 2.5% annual interest, paid annually on the anniversary date of issuance;
- Five year term;
- Convertible, at the holder's option, into common shares at a price of $0.50 per common share;
- Secured by all present and after acquired personal property of the Corporation.

The restructuring is being pursued so that the Corporation can rationalize its liabilities to an amount that can be serviced without putting undue hardship on the Corporaton.

- **Oil and Gas Activity:**

Production

At the end of fiscal 2014, Allstar had 2 production-ready Riverside wells and 2 production-ready Red Pheasant heavy oil wells. The reduction in Riverside wells is a function of both economic and technical challenges experienced in fiscal 2014 resulting in the second former producing well being shut-in. The technical issues relate mainly to heavy water cuts associated with the oil production, resulting from improper cement in the wells that were drilled in 2013. The high water cut made production from the wells non-economic. Subsequent to year-end, all production from both fields was shut-in due to the rapidly declining market price for oil, along with the onset of an early break-up period in south western Saskatchewan.

As a result of the high water cuts, the Corporation pursued the drilling and completion of a water disposal well at Riverside, which was completed subsequent to year-end. The disposal well is now ready for use, and awaiting production from Riverside to commence. The presence of the disposal well should significantly improve the economics of producing from the field.

Given the lack of economic production from the field, the Corporation no longer considers the oil and gas properties to be material assets to the Corporation at this time.

	Year ended December 31,	
	2014	**2013**
Oil production (bbl/d)	30	35
Gas production (mcf/d)	0	0
Equivalent (boe/d)	30	35
% oil	100%	100%

Land

As at December 31, the Corporation, through its subsidiary Allstar, owns or has exclusive exploration and development permits or leases covering approximately 23,092 acres of heavy oil and natural gas lands all located in West Central Saskatchewan. The Riverside field is comprised of 20,534 acres, while Red Pheasant covers 2,558 acres.

Reserves

McDaniel & Associates Consultants Ltd. has prepared a report evaluating Allstar's reserves on its Riverside heavy oil field as at November 30, 2014. The following is a summary of the Corporation's interest in those reserves, prepared from that report.

	Gross Heavy Oil – Mbbl	Gross Gas - MMcf	Gross Total - Mboe	NPV 5% (before tax)	NPV 10% (before tax)	NPV 15% (before tax)
Proved	56.2	-	-	($452.7)	($337.9)	($257.1)
Probable	173.5	-	-	2,630.2	2,027.5	1,555.9
Proved plus probable	229.7	-	-	$2,177.5	$1,689.6	$1,298.8

Results of Operations:

Summary of Results:

The Corporation's operating results for the year ended December 31, 2014 and for fiscal year ended December 31, 2013 is stated below; with the subsequent table representing selected quarterly results for the eight most recently completed quarters.

Results of Operations	**Year Ended**	
	December 31, 2014	**December 31, 2013**
In $000's except per share data		
Revenues	$11,372	$(3,776)
Net Loss	(16,405)	(29,966)
Loss per share – basic	(0.73)	(1.40)
Loss per share – diluted	(0.73)	(1.40)
Total assets	24,832	37,097
Total liabilities	25,550	23,223
Shareholders' equity (deficiency) and non-controlling interest	(718)	13,874

Quarterly results of operations (unaudited)				
In $000's except per share data	**Three Months Ended**			
	Dec. 31, 2014	**Sept. 30, 2014**	**June 30, 2014**	**Mar. 31, 2014**
Revenues	$1,286	$1,592	$2,045	$6,449
Net income (loss) for the period	(13,001)	(2,016)	(1,562)	174
Earnings (loss) per share	$(0.55)	$(0.09)	$(0.07)	$0.01
Earnings (loss) per share – diluted	$(0.55)	$(0.09)	$(0.07)	$0.01
	Dec. 31, 2013	**Sept. 30, 2013**	**June 30, 2013**	**Mar. 31, 2013**
Revenues	$(2,191)	$1,224	$(1,304)	$(1,505)
Net income (loss) for the period	(19,871)	(1,659)	(4,448)	(3,773)
Earnings (loss) per share	$(0.95)	$(0.08)	$(0.17)	$(0.20)
Earnings (loss) per share – diluted	$(0.95)	$(0.08)	$(0.17)	$(0.20)

Year Ended December 31, 2014 and 2013:

For the year ended December 31, 2014, the Corporation recorded a pre-tax loss from continuing operations of $17,406 and a net loss, after tax, of $16,405 ($0.73 per share), compared to a net loss from continuing operations of $31,460 and net loss after tax, including discontinued operations of $29,996 ($1.40 per share) in the year ended December 31, 2013.

The Corporation's pre-tax loss from continuing operations in fiscal 2014 of $17,406 was based on revenues of $11,372 less recorded expenses and write downs of $28,778, compared to a 2013 pre-tax loss of $31,460 on revenues of ($3,776) and expenses and write downs of $27,684. The decrease in pre-tax loss year over year is due to a $981 increase in interest and dividend income, $5,989 decrease in realized and unrealized losses on portfolio investments and a $4,010 decrease in other losses and impairments. This was partially offset by an increase in net income from geological and other consulting income, and continued reductions in operating expenses.

The $11,372 of revenues in 2014 is comprised of $12,485 of consulting services, $142 of production revenue, $145 loss on windup of consolidated subsidiaries, $169 of realized portfolio losses, $2,181 of unrealized losses and $1,240 of interest and dividend income. By comparison, in 2013, the Corporation had realized net investment losses of $1,137, unrealized losses of $9,476, consulting services of $6,380, production revenue of $198 and interest and dividend income of $259. The realized investment losses in 2014 were attributable to both selling investments to fund operations, the strategy of consistently reviewing and monitoring the investments the Corporation holds in the portfolio. The $12,485 of consulting income is generated in North Rim for providing consulting services for third party resource companies, in VCL and the Corporation providing management services. The $142 of oil and gas sales was attributable to working interests held with a third party oil and gas company. The $2,181 of unrealized losses was attributable to the change in the fair value of the Corporation's investment portfolio.

Expenses and write downs for the year ended December 31, 2014 were $28,778, compared to $27,684 in the year ended December 31, 2013. The following table provides a list of all expenses incurred by the Corporation for the years ended December 2014 and 2013. Additional information about these expenses including the main reasons for year over year changes in expenses is provided in the notes to the table.

	Year Ended December 31	
	2014	**2013**
Amortization and depletion[1]	106	135
Business development and investor relations[2]	466	600
Wages and benefits[2]	1,827	2,121
General and administration[2]	1,649	1,165
Project expenses[2]	9,880	4,186
Finance[3]	2,159	2,464
Management fees and performance bonus[4]	227	352
Oil and gas operating expense[5]	94	103
Professional fees[6]	838	679
Stock compensation	86	745
Transaction costs[7]	19	26
Gain on debenture extinguishment	-	(329)
Write-down - exploration and evaluation assets[9]	9,310	2,272
Write-down - goodwill[10]	-	531
Loss on writedown of Wingdam project and related investments[11]	-	12,398
Write-down on property, plant and equipment[12]	2,117	236
	$ 28,778	**$ 27,684**

Notes:

1. Amortization and depletion expense is related to the depletion of the oil and gas properties held by the Corporation. 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, Gespeg, Allstar and VCL, which are consolidated in the results.

2. Business development and investor relations costs, wages and benefits, general and administration expenses, and project expenses totaled $13,822 in fiscal 2014 compared to $8,072 for fiscal 2013. The increase relates primarily to a $5,694 increase in project costs in North Rim.

3. Finance expense consists of interest and accretion on the debentures and royalties of $2,159 for fiscal 2014 compared to $2,464 in 2013. The majority of the finance expense relates to the corporations convertible debentures. As a result of the restructuring of the debentures in 2013 the finance expense has decreased slightly.

4. The management fees expense for the year ended December 31, 2014 was $227 compared to $352 in 2013. The decrease relates primarily to a temporary reduction in management fees calculated and payable to TMM Portfolio Management Ltd. Commencing in April 2013, the management fee was voluntarily reduced from 2% of the net asset value annually to an even charge of $10 per month, which continued until February 2014, at which point the monthly charge was increased to $17 per month, and increased to $20 per month in December.

5. In the year ended December 31, 2014, the Corporation incurred $94 in oil and gas operating expenses related to its non-operated joint venture interests in a producing well.

6. Professional fees for the year ended December 31, 2014 were $838, a increase of $159 over fiscal year ended December 31, 2013. The increase is attributable to both the number of and the timing of when the Corporation is involved in transactions requiring professional consulting services.

7. Transactions costs in the year ended December 31, 2014 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.

8. The write down of exploration and evaluation assets relates primarily to $9,263 write down on the Saskatchewan properties and a $47 write down on the Quebec properties. These write downs were the result of impairment calculations completed by the Corporation in conjunction with its accounting policies. These impairment tests indicated that the carrying value of certain assets could not be supported. Additionally, the Corporation and its subsidiaries made the strategic decision to drop certain properties, which results in immediate impairment.

9. The fiscal 2013 write down of goodwill represents the full balance of the remaining goodwill associated with the acquisition of North Rim that occurred in 2010. A review of the operating results of North Rim and its projected results indicated that the full carrying value of this goodwill was not expected to be recovered.

10. The fiscal 2013 loss in equity investment in associate relates to the Corporations former investment in CVG Mining Ltd. In accordance with the sale of CVG to Omineca, as is described in the significant events section of this management discussion and analysis as well as Note 3 to the audited consolidated financial statements. This represents the full amount of the equity investment in associate.

11. The write down of property, plant and equipment relates to write down of Allstar's oil and gas properties after transferring such from exploration and evaluation assets. The fiscal 2013 write down of property, plant and equipment relates to an impairment in the carrying value of a farm-in agreement the Corporation has with a private oil and gas company in south east Saskatchewan.

The Corporation also recorded an income tax recovery in the year ended December 31, 2014 of $1,001 compared to a recovery of $1,494 in 2013.

Cash Flow:

Year Ended December 31, 2014 and 2013:

Net cash used in operating activities in the year was $5,122 compared to net cash used of $3,319 in fiscal 2013, an increase in cash used of $1,803. The change in cash used from the prior year relates primarily to the decrease in net loss in the year, which is a function of reduced impairments of goodwill, and loss on write down of the Wingdam Project and related investments.

Net cash used in investing activities during fiscal 2014 was $2,194 as compared to $3,616 cash generated in fiscal 2013, an increase in cash used of $5,810. The change is primarily attributable to the two well drill program that was commenced on the Saskatchewan oil and gas properties and the continued exploration on the British Columbia properties.

Net cash generated in financing activities was $1,788 compared to cash used of $171 in the fiscal 2013, an increase in cash generated of $1,959. The change is the result of the Corporation completing a financing in 2014 and buying back less of its shares under the Normal Course Issuer Bid ("NCIB"). In addition, during the year ended December 31, 2014, Gespeg completed a series of private placement financings whereby it issued a total of 17,120,000 units at $0.05 per unit for gross proceeds of $856. The Corporation participated in one of the financings, acquiring 500,000 units for proceeds of $25.

For the year ended December 31, 2014 the Corporation used $5,528 net cash compared to $126 net cash generated in the same period of 2013. The change primarily relates to the change in net proceeds received on disposition of the Corporation's portfolio investments.

Capital Resources:

Assets:

49 North's principal 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 December 31, 2014, the Corporation had total assets of $24,832, approximately 20% of which consisted of equity investments in a total of 94 resource companies.

In addition to its equity portfolio investments, as at December 31, 2014 the Corporation had other recorded assets totaling $19,515 (December 31, 2013 – $30,110); including loans and advances receivable of $119, property and equipment consisting of furniture and equipment, leasehold improvements and oil and gas properties of $3,919, exploration and evaluation assets of $9,293, accounts receivable and prepaid expenses of $3,488 and cash and cash equivalents of $2,696.

Investment Portfolio:

49 North may invest in securities of any resource corporation regardless of if or on what stock exchange such securities are listed, regardless of the status or stage of development of the investee corporation's exploration, development or other business activities, and regardless of the size or market capitalization of the investee corporation. 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 corporation 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 corporation 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, the Corporation tends 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 December 31, 2014, 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 December 31, 2014 - valued at $5,317 represents a $1,670 decrease compared to the equity investments of $6,987 held at December 31, 2013. The total number of investments held by the Corporation at December 31, 2014 has increased to 94 from 82 at December 31, 2013. The Corporation continues to be active in the market acquiring shares of companies that it feels are being undervalued, specifically in this period of significant declines in junior resource issuers.

At December 31, 2014 and December 31, 2013 the Corporation's equity investments consisted of the following, grouped by resource type:

	December 31, 2014			December 31, 2013		
	Cost	**Fair Market Value**	**% of Portfolio**	**Cost**	**Fair Market Value**	**% of Portfolio**
Base and precious metals	14,722	1,914	36.0%	14,926	2,618	37.5%
Coal	5,961	229	4.3%	5,884	263	3.8%
Diamonds	282	173	3.3%	390	96	1.4%
Oil & Gas	4,076	954	17.9%	4,344	2,243	32.1%
Other/Diversified	3,525	1,853	34.9%	2,848	1,512	21.6%
Uranium	1,049	194	3.6%	884	255	3.6%
Total	**$ 29,615**	**$ 5,317**	**100%**	**$ 29,276**	**$ 6,287**	**100%**

At December 31, 2014, 49 North's portfolio included positions in 94 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 (in '000's):

Exchange Listings of Portfolio Holdings						
	At December 31, 2014			**At December 31, 2013**		
Exchange	**No. of Companies**	**Value ($)**	**% of Portfolio**	**No. of Companies**	**Value ($)**	**% of Portfolio**
TSXV	70	3,379	63.55%	58	3,769	53.94%
Private	17	1,464	27.53%	16	2,857	40.90%
TSX	1	163	3.07%	2	136	1.94%
CNSX	5	311	5.85%	5	225	3.22%
Defunct/Delisted	1	-	-%	1	-	-%
TOTAL	**94**	**$5,317**	**100.00%**	**82**	**$6,987**	**100.00%**

Resource Properties:

49 North has interests, either directly or indirectly through subsidiary companies, in gold, coal, diamonds, copper, molybdenum, dimension stone, aggregate and oil and gas properties. The Corporation'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 capable individuals committed to the project may be assembled and installed 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 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 corporation 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 corporation 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, geoscience or other similar companies or persons to assist with the evaluation of resource properties and preparation of exploration and development programs. Technical advisors may also be retained to assist with the evaluation 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.

While the Corporation's current focus is on early stage opportunities located in western Canada, 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 Corporation'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 Corporation 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 corporation 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 December 31, 2014, the Corporation's assets included equity investments having a fair value of $5,317, representing approximately 20% 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 corporation 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.

Options and Warrants. Options and warrants which are not traded on a recognized securities exchange, have no market value 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.

Liabilities:

At December 31, 2014 the Corporation had recorded liabilities of $25,550 (December 31, 2013, $23,223). These liabilities include the following:

- Accounts payable and accrued liabilities of $6,898 consisting of accruals for normal operating expenses, professional fees and interest payable on convertible debentures.

- Deferred and current income taxes payable of $nil.

- $15,609 representing the redemption price (less the equity component) as at the end of the year on the aggregate principal amount of the convertible debentures issued in September 2010, June 29, 2011 and July 11, 2011 and restructured on June 10, 2013. Refer to Note 11 of the current financial statements for a detailed description of the terms of these debentures. See discussion on convertible debentures in significant events section.

- $nil of management fees and reimbursements payable under the portfolio management agreement.

- $1,000 of decommissioning liabilities related to the oil and gas properties.

- $2,013 of drilling advances and loans payable to Zhong An and various creditors.

Commitments:

At December 31, 2014 the Corporation had the following capital commitments:

- The Corporation, through its subsidiary Gespeg, is committed to conduct exploration work representing capital expenditures in the amount of $2,025, in total, over the next four years.

- The Corporation, through its subsidiary North Rim, has operating lease commitments related to equipment and office space in the amount of $192 in total over the next year.

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.

Subsequent Events:

Subsequent to year-end the Corporation announced its intention to pursue a restructuring of the 2017 Debenture. Under the proposal, the 2017 Debenture would be settled in its entirety for a combination of common shares, preferred shares and an interest in a new senior secured convertible debenture. A debenture holder vote on the proposed restructuring is expected in May of 2015. See further discussion on the proposal in the significant events section.

Liquidity and Capital Management:

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

(a) ensure that the Corporation maintains the level of capital necessary to meet the requirements of its brokers 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) provide sustained growth and value by increasing 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. 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) creating cash flow from its oil & gas operations;

(c) utilizing leverage in the form of margin (due from brokers) and our operating line of credit;

(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 NCIB.

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

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 year. The Corporation's management is responsible for the management of capital and monitors the Corporation's use of various forms of leverage on a daily basis.

49 North no longer uses margin borrowing as part of its ongoing capital management program. Management expects to maintain a minimal margin borrowing balance in the near term future. The cash and cash equivalents balance at December 31, 2014 was $2,696 compared to a cash balance of $8,224 at December 31, 2013.

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 year ended December 31, 2014, management fees of $203 (2013 - $279) and reimbursements of $nil (2013 - $nil) were incurred or accrued to TMM Portfolio Management Inc. ("TMM"), a company controlled by the CEO of the Corporation.

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. Effective April 1, 2013, TMM agreed to temporarily fix the management fee at $10,000 per month until February 1, 2014, after which the fee was fixed at $17,000 per month, on November 1, 2014 the fixed fee was increased to $20,000 per month and will remain at this level until such time as management and the board of directors deem it appropriate to return to the original compensation plan as documented in the Management Agreement.

The Corporation paid $194 of salary and consulting fees (2013 - $182), $nil of directors fees (2013 - $4) and share based compensation of $58 (2013 - $327) to key executive personnel and directors, in addition to the management fees noted above, in the year ended December 31, 2014.

During the year, Omineca paid $35 (2013 - $69) of legal fees to a law firm of which one of its directors is a partner.

These transactions are recorded at fair value.

Critical Accounting Estimates:

The preparation of the consolidated 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;
- 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 share 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.
- As described in Note 11, when the terms of a convertible debentures are modified, it is often accounted for as a de-recognition of the carrying value of the pre-modified loan and the new recognition of a new loan at the then fair value. In the determination of fair value, the Corporation uses a discounted cash flow technique which includes inputs that are not based on observable market data and inputs that are derived from observable market data. In the case of its convertible debenture modifications, where available, the Corporation seeks comparable interest rates. If unavailable, it uses those considered appropriate for the risk profile of a corporation in the industry.

In the process of applying the Corporation's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Reserves Estimates

Reserve engineering is an inherently complex and subjective process of estimating underground accumulations of petroleum and natural gas. The process relies on interpretations of available geological, geophysical, engineering and production data. The accuracy of a reserves estimate is a function of the quality and quantity of available data, the interpretation of that data, the accuracy of various economic assumptions and the judgment of those preparing the estimate. Because these estimates depend on many assumptions, all of which may differ from actual results, reserves estimates and estimates of future net revenue may be different from the sales volumes ultimately recovered and net revenues actually realized. Changes in market conditions, regulatory matters and the results of subsequent drilling, testing and production may require revisions to the original estimates. Estimates of reserves impact: (i) the assessment of whether or not a new well has found economically recoverable reserves; (ii) depletion rates; and (iii) the determination of the realizable value of oil and gas properties for impairment tests, all of which could have a material impact on earnings.

Impairment of Non-Financial Assets

Amounts used for impairment testing and calculations are based on estimates of future commodity prices, expected volumes, quantity of reserves and discount rate as well as future development costs and operating costs. These calculations require the use of estimates and assumptions which, by their nature, are subject to measurement uncertainty. In addition, judgment is exercised by management as to whether there have been indicators of impairment or impairment reversal. Indicators of impairment or impairment reversal may include, but are not limited to a change in: market value of assets, estimate of future prices and costs, a change in estimated quantity of reserves and appropriate discount rate. Management will determine whether a change in one or more indicators of impairment or impairment reversal results in a change in the estimated recoverable amount of the asset. Accordingly, the impact in the financial statements of future periods could be material.

Exploration and Evaluation Expenditures
The application of the Corporation's accounting policy for exploration and evaluation expenditure requires judgment to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

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

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

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

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 December 31, 2014, the Corporation had no liabilities payable that bear interest at rates fluctuating with the prime rate.

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.

The Corporation's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Corporation's customer base, including the default risk of the industry in which the customers operate, as these factors may have an influence on credit risk, particularly in the current economic circumstances. Geological and other consulting revenue consists of approximately 34% (2013 - 32%) of revenue attributable to sales transactions with a single customer.

Management has established a credit policy under which each new customer is required to pay a retainer prior to rendering services.

At December 31, 2014 the Corporation had loans and advances receivable and accounts receivable and prepaid expenses from companies, totaling $3,607 (2013 - $943) which represents approximately 14.5% (2013 – 2.5%) of the Corporation's total assets. As at December 31, 2014 an impairment loss of $82 (2013 – $15) and an allowance for doubtful accounts provision of $nil (2013 – $nil) was recorded.

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.

In the past, and from time to time, the Corporation has attempted to mitigate a portion of its commodity price risk through the use of futures contracts. As at December 31, 2014 all futures contracts have been disposed of.

Fair Value:

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

Fair value hierarchy and determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Corporation and its subsidiaries uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The fair value of the financial instruments is included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described, as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis at fair value, the Corporation determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest-level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Corporation’s assets that are recognized at fair value on a recurring basis are the equity investments.

The following is a summary of the fair value of investments segregated based on the various levels of inputs, as discussed in Note 18 of the consolidated financial statements:

	Level 1	Level 2	Level 3	Total
Investments, at fair value	**$ 3,853**	**$ 47**	**$ 1,417**	**$ 5,317**

Within Level 3, the Corporation includes private company investments. The key assumptions driving the valuation of these instruments include, but are not limited to, the value at which a recent financing was completed by the investee, significant changes in general market conditions and company specific information. For those investments valued based on general market condition and company specific information, these inputs can be highly judgmental. A +/- 25% change on the fair value of these investments will result in a corresponding +/- $952 (2013 - $634) change to the total fair value of the investments. While this illustrates the overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different circumstances.

The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation these investments under current market conditions and its results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of these investments. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Corporation's view of expected future changes in the fair value of these investments. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

Disclosure Controls and Procedures:

There have been no significant changes to the Corporation's internal controls over financial reporting for the most recent period that would have materially affected, or are reasonably likely to materially affect, the Corporation'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 Corporation 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 Corporation holds some resource properties directly, the Corporation 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 royalties 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 corporation regardless of if or on what stock exchange such securities are listed, regardless of the status or stage of development of the investee corporation's exploration, development or other business activities, and regardless of the size or market capitalization of the investee corporation. 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 corporation 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 corporation 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:

The officers and directors of 49 North have been, are or will be the officers and directors of the general partner of the 49 North Flow-Through Funds and TMM has been, is or will be the portfolio manager of the 49 North Flow-Through Funds. Mr. Tom MacNeill is a director and the President and Chief Executive Officer of the Issuer, and has been, is or will be the sole shareholder, a director and officer of each of the general partners of the 49 North Flow-Through Funds and TMM. Mr. Andrew Davidson is the Chief Financial Officer and Secretary of the Issuer, and has been, is or will be a director and officer of the general partner of the 49 North Flow-Through Funds and TMM. Potential conflicts of interest may arise or be perceived between Mr. MacNeill and Mr. Davidson acting on the one hand in their capacity as a director and officer of the Portfolio Manager and, on the other hand, as a director and officer of the Issuer, and potential conflicts of interest may arise or be perceived between the Issuer and other funds or entities of which the directors and officers of the Issuer may also be directors, officers, or otherwise involved in the management, including but not limited to other members and future members of the 49 North Group. Investors must appreciate that they are relying on the expertise, good faith and integrity of the officers and directors of the Issuer and the Portfolio Manager, and especially on the expertise, good faith and integrity of Mr. Tom MacNeill and Mr. Davidson, for the success of their investment in the securities of the Issuer. More generally, the services of the officers and directors of the Issuer and of TMM are not exclusive to the Issuer. The officers and directors of the Issuer and their affiliates may engage in activities for their own account which competes with the Issuer. 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 issuers in which the Issuer and/or the officers and directors of the Issuer and/or their affiliates invest. Potential conflicts of interest may arise in the enforcement of the terms and conditions of agreement between the Issuer on the one hand and the Portfolio Manager (or other persons with whom one or more directors or officers of the Issuer may be associated) on the other hand, whether such agreements are being enforced by or against the Issuer.

Future Roll-over Transactions:

The Issuer 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 2012; 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 49 North Flow-Through Fund's own offering were subsequently exchanged for securities of 49 North. We anticipate that new 49 North Flow-Through Funds may be established in the future and that we may enter into agreements to acquire the portfolios of such funds in a proposed Roll-over Transaction. Such agreements are typically subject to various conditions, including, without limitation, the receipt of all necessary regulatory approvals. Accordingly, there is no assurance that a proposed Roll-over Transaction with any particular 49 North Flow-Through Fund will be completed within the time frames contemplated by the relevant agreements, or at all. Further, depending on the methodology used to value the Issuer's shares and/or the assets of a new 49 North Flow-Through Fund, respectively, for the purpose of a proposed Roll-over Transaction; the size and timing of the new 49 North Flow-Through Fund's own offering and the length of time between such offering and the completion of a proposed Roll-over Transaction; the requirements of stock exchanges on which 49 North's shares may then be listed; and other factors which may not be known at this time and/or which

may be outside of the control of management, the completion of any particular Roll-over Transaction may be dilutive to the persons who then hold shares of 49 North.

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.

Reliance on Key Persons for Advisory Services:

The Corporation'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 Corporation'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 Corporation'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 Corporation'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, 2014, 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 April 29, 2015, the number of common shares of the Corporation outstanding, or reserved for issue under convertible securities, is as follows:

Common Shares	**Number**
Outstanding	24,592,063
Issuable upon conversion of 2010 convertible debentures[1]	3,386,184
Issuable upon conversion of 2011 convertible debentures[1]	8,276,787
Issuable under options	1,750,000
Issuable under warrants	3,538,769
Total diluted common shares	**41,543,803**

Notes:

1. Assumes all $5,079 principal amount of convertible debentures issued in September and October 2010 are converted into common shares at the conversion price of $1.50 per share. Assumes further all $12,415 principal amount of convertible debentures issued in June and July 2011 are converted into common shares at the conversion price of $1.50 per share. See the discussion in the Annual Information Form for the fiscal year ended December 31, 2014 "General Development of the Business – Three Year History – Convertible Debentures" which can be found on the SEDAR website at www.sedar.com.

Additional Information:

Additionally, the Corporation has outstanding certain convertible securities to purchase common shares, being options granted under the Corporation's 2008 Stock Option Plan and its 2010 convertible debentures and 2011 convertible debentures. A detailed description of the rights, privileges, restrictions and conditions attached to these securities is included in the Corporation's annual information form for the year ended December 31, 2014, a copy of which may be found on SEDAR at www.sedar.com.