Northern Precious Metals 2012
Limited Partnership

Annual Financial Statements

December 31, 2012

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Independent Auditor's Report

To the limited partners of
Northern Precious Metals 2012 Limited Partnership:

We have audited the accompanying financial statements of **Northern Precious Metals 2012 Limited Partnership**, which comprise the statements of net assets and of investments portfolio as at December 31, 2012 and the statements of operations, changes in net assets and cash flows for the period from the commencement of operations on April 25, 2012 to December 31, 2012, and a summary of significant accounting policies and other explanatory information.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of **Northern Precious Metals 2012 Limited Partnership** as at December 31, 2012, and the result of its operations, changes in net assets and its cash flows for the period from the commencement of operations on April 25, 2012 to December 31, 2012 in accordance with Canadian generally accepted accounting principles.

Petrie Raymond [1]

Montréal, Québec
April 29, 2013

Limited Liability Partnership
Chartered Professional Accountants

[1] CPA Auditor, CA, Public Accountancy permit No. A121724

Northern Precious Metals 2012 Limited Partnership

Statement of Operations

For the period from commencement of operations on April 25 to December 31, 2012

Expenses		
Management fees	$	41,623
Legal fees		7,157
Audit fees		10,500
Professional fees		2,251
Independent review committee fees		3,000
Unitholders' administration costs		10,607
Custodian fees		6,087
Financing fees		571
Interests and bank charges		933
Interests on long-term debt		3,514
Net investment loss		(86,243)
Net unrealized loss on investments		(543,198)
	$	(629,441)
Decrease in net assets from operations per unit	$	(299,59)
Weighted average number of outstanding units		2,101

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

Statement of Changes in Net Assets

For the period from commencement of operations on April 25 to December 31, 2012

Net assets at the beginning of period	**$ -**
Decrease in net assets from operations	**(629,441)**
Capital transactions	
Proceeds from issuance of units	**4,609,000**
Unit issuance costs	**(685,039)**
Nets assets at end of period	**$ 3,294,520**

Statement of Net Assets

December 31, 2012

Assets		
Investments, at fair value	$	**4,047,302**
Cash		**34,534**
Receivables		**16,931**
		4,098,767
Liabilities		
Accounts payable and accrued liabilities		**32,246**
Advances from the Manager, at the Bank of Montreal's prime rate (3% at December 31, 2012) with no terms of repayment		**18,331**
Long-term debt (Note 5)		**753,670**
		804,247
Net Assets (Note 6)	$	**3,294,520**
Number of units outstanding (Note 6)		**4,609**
Net asset value per unit (Note 7)	$	**714,80**

Northern Precious Metals 2012 Inc., General Partner

.... Director
(S) Jean-Guy Masse

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

Statement of Investments Portfolio

December 31, 2012

SHARES (122.9%)	Number of shares	Cost	Fair value
Gold (97.2%)			
Alexandria Minerals Corporation	1,700,000	$ 195,415	$ 119,000
Alexandria Minerals Corp, warrants, 17-06-2014*	850,000	85	16,499
Bank Island Gold Ltd.	350,000	294,000	280,000
Bank Island Gold Ltd., warrants, 16-06-2014*	175,000	-	38,588
Bayfield Ventures Corp.	600,000	210,000	177,000
Cadillac Centures Inc.	1,100,000	109,890	88,000
Cadillac Ventures Inc., warrants, 06-06-2014*	550,000	110	9,845
Clifton Star Resources Inc.	160,000	200,000	132,800
Eastmain Resources Inc.	937,500	750,000	693,750
Gowest Gold Ltd.	725,000	86,638	83,375
Gowest Gold Ltd., warrants, 17-12-2014*	362,500	362	14,753
Harte Gold Corp.	900,000	153,000	139,500
Harte Gold Corp., warrants, 03-06-2014*	450,000	-	11,970
Integra Gold Corp.	600,000	195,000	132,000
Metanor Resources Inc.	2,500,000	600,000	475,000
Prosperty Goldfields Corp.	500,000	95,000	92,500
Prosperity Goldfields Corp., warrants, 13-05-2014*	250,000	5,000	8,500
SGX Resources Inc.	400,000	140,000	96,000
SGX Resources Inc., warrants, 05-12-2014*	200,000	-	18,000
Slam Exploration Ltd.	500,000	100,000	122,500
Slam Exploration Ltd., warrants, 26-11-2013*	250,000	-	23,350
Spanish Mountain Gold Ltd.	1,500,000	480,000	412,500
Spanish Mountain Gold Ltd., warrants, 12-06-2014*	750,000	15,000	15,225
		$ 3,629,500	$ 3,200,655

Statement of Investments Portfolio (cont'd)

December 31, 2012

SHARES (122.9%)	Number of shares	Cost	Fair value
Balance carried forward		$ 3,629,500	$ 3,200,655
Other metals (21.8%)			
Canadian Orebodies	500,000	100,000	62,500
Canadian Orebodies, warrants, 04-06-2014*	250,000	-	7,750
Cardero Esources Corp.	525,000	262,500	220,500
Fancamp Exploration Ltd.	700,000	115,430	87,500
Fancamp Exploration Ltd., warrants, 20-12-2013*	350,000	70	1,820
Happy Creek Minerals Ltd.	600,000	149,400	129,000
Happy Creek Minerals Ltd., warrants, 27-06-2014*	300,000	600	18,990
Yellowhead Mining inc.	315,714	221,000	189,427
		849,000	717,487
Uranium (3.9%)			
Anthem Resources Inc.	800,000	104,000	104,000
Anthem Resources Inc., warrants, 23-12-2014*	400,000	8,000	25,160
		112,000	129,160
Total – costs and fair value of investments (122.9%)		$ 4,590,500	4,047,302
Cash and other assets (1.6%)			34,534
Advances from the Manager (-0.6%)			(18,331)
Long-term debt (-22.9%)			(753,670)
Other net liabilities (-1.0%)			(15,315)
Net assets (100.0%)			$ 3,294,520

* The fair value of these securities is of Level 3 because they have no quoted and are valued using valuation techniques. Costs and fair values of the securities may include non-zero amounts that are rounded to zero.

Statement of Cash Flows

For the period from commencement of operations on April 25 to December 31, 2012

Operating activities	
Decrease in net assets from operations	$ (629,441)
Net unrealized loss on investments	543,198
Interests capitalized to long-term debt	3,514
Changes in non-cash asset and liability items	
Receivables	(16,931)
Accounts payable and accrued liabilities	32,246
	(67,414)
Financing activities	
Proceeds from issuance of units	4,609,000
Unit issuance costs	(685,039)
Advances from the Manager	18,331
Long-term debt	750,156
	4,692,448
Investing activity	
Acquisition of investments	(4,590,500)
Cash at end of period	$ 34,534

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

1. Organization and nature of activities

Northern Precious Metals 2012 Limited Partnership (the "Partnership") was formed as a limited partnership under the laws of the Province of Québec. The Partnership intends to invest in flow-through shares and other securities of mining companies in accordance with defined investment objectives, strategies and restrictions.

The Partnership investment objective is to provide the Limited Partners with a tax-assisted investment in a diversified portfolio of mining flow-through shares and other securities of mining companies to achieve capital appreciation for the Limited Partners.

The Partnership, which started its activities April 25, 2012, was expected to last until December 31, 2013.

The Partnership's general partner is Northern Precious Metals 2012 Inc. (the "General Partner") and the manager of the investment funds is Gestion Métaux Précieux Northern inc. (the "Manager").

2. Basis of presentation

These financial statements present the financial position and results of operations of the Partnership and as such, do not include all assets, liabilities, revenues and expenses of the partners.

3. Accounting policies

Investment transactions and income recognition
Investments transactions are accounted for on the trade date basis. Gains or losses on the sale of investments are determined using the average cost method. Investment income is recognized on an accrual basis. Interest income is accounted for as it is earned and dividend income is recognized on the ex-dividend date.

Valuation of partnership units for transactional NAV purposes
Net asset value per unit (''NAVPU'') for the Partnership is calculated at the closing price every Friday (to be called "valuation date") or the previous trading day if the Friday is a holiday and at the last trading day of each month by dividing the net asset value (''Transactional NAV'') of the Partnership by the number of units outstanding. The Partnership has calculated the NAVPU in accordance with Part 14 of Regulation 81-106.

Unit issuance costs
Expenses related to the initial public offering of the Partnership units have been accounted for as a reduction of the proceeds from unit issuance.

Allocation of partnership income and loss
99.99% of the income or loss of the Partnership for the fiscal year is allocated to limited partners at the end of the fiscal year in proportion to the number of limited partnership units owned. The Partnership is not a taxable entity. Accordingly, no provision for income tax is required.

The General Partner is entitled to 0.01% of the net income or loss of the Partnership.

3. Accounting policies (cont'd)

Increase (decrease) in net assets from operations per unit
The increase (decrease) in net assets per unit from operations, disclosed in the statement of operations, corresponds to the increase or decrease in net assets from operations for the period divided by the average number of units outstanding during the period.

Valuation of investments
In accordance with Section 3855 Financial Instruments – Recognition and Measurement, investments are deemed to be categorized as held for trading, and must be recorded at fair value. The main impact of this section relates to the determination of the fair value of financial assets listed on an active market with the bid price for a long position and the ask price for a short position instead of the closing price.

The Canadian Securities Administrators adopted amendments to Regulation 81-106 on Investment Fund Continuous Disclosure. The amendments which pertain to the calculation of the unit value following the adoption of Section 3855 allow the Partnership to report two distinct net asset values: one for the financial statements purposes, which is calculated in accordance with Canadian GAAP called ‘‘GAAP Net Assets’’ and another for all other purposes, such as purchases and redemptions called ‘‘Transactional NAV’’. A reconciliation between the Transactional NAV per unit and the GAAP Net Assets per unit is provided in Note 7.

The fair value of investments as at the financial reporting date is determined as follows:

1. All long securities listed on a recognized public stock exchange are valued at their last bid price on the valuation date. All short securities listed on a recognized public stock exchange are valued at the last ask price on the valuation date. Securities that are traded on an over-the-counter market basis are priced at the last bid price as quoted by a major dealer. Securities with no available bid or ask prices are valued at their closing sale price.

2. Investments in securities having no quoted market values or in illiquid securities are valued using valuation techniques. These valuation techniques include, but are not limited to, referencing the current value of similar instruments, using recent arm's length market transactions, discounted cash flow analyses or option pricing models. The fair value of some securities could be estimated using some valuation techniques based on assumptions that could not be supported by inputs observable in active markets.

3. In a situation where, in the opinion of the Manager, a quoted market price for a security is inaccurate, not readily available or does not accurately reflect fair value, the security is valued at a fair value as determined by the Manager.

4. Warrants are valued using the Black Scholes option valuation model.

Other financial instruments
The Partnership classifies its cash as a financial instrument held for trading which is accounted for at fair value and classifies its accounts payable, advances and long-term debt as other liabilities which are accounted for at the amortized cost using the effective interest method.

3. Accounting policies (cont'd)

Interests on long-term debt
In accordance with the agreement, interests on the long-term debt are capitalized to amount of the debt.

Use of estimates
The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amounts of revenues and expenses. Significant items of the financial statements that need more use of estimates include the quantification of the warrants' fair value. Actual results could differ from these estimates.

Future accounting policies

Transition to international financial reporting standards
The Canadian Accounting Standards Board ("AcSB") confirmed in 2011, that International Financial Reporting Standards ("IFRS") replaced Canadian accounting standards and interpretations for publicly accountable enterprises.

The Partnership has developed a changeover plan to IFRS. The key elements of the changeover plan include assessment of significant IFRS and Canadian GAAP differences, analysis and conclusion on accounting policy choices, identification of additional disclosure requirements under IFRS, and preparation of the financial statements in accordance with IFRS with comparatives.

Based on its current assessment of the differences between IFRS and Canadian GAAP, the partnership has presently determined that there will be no significant impact to the Net Asset or Net Asset per unit as a result of the changeover. It is expected that the impact of IFRS will be limited to additional disclosure and potential modification to the presentation of unitholder interest and certain other items. This present determination is subject to change if new standards or new interpretations of existing standards are issued before the changeover.

In September 2010, the AcSB approved a one year deferral of adoption of IFRS for investment companies currently applying *Accounting Guideline 18, Investment Companies,* which include investment funds. In January 2012, the AcSB made a decision to extend the deferral of IFRS adoption by investment companies for an additional year to January 2013. In March 2012, the AcSB has, again, made a decision to extend the deferral of IFRS adoption by investment companies until January 2014. This results in a three-year deferral of IFRS adoption by investment companies compared to other publicly accountable entities. The AcSB noted in its *Decision Summary* that the new deferral reflects the probability that final standard would likely not be issued by IASB before January 2013.

Investment funds may continue to apply existing Canadian GAAP standards until fiscal years beginning after December 31, 2013. Accordingly, the Partnership will adopt IFRS for the fiscal period beginning January 1st, 2014, and will issue the first financial statements under IFRS, including comparative information, for the interim period ending June 30, 2014.

4. Partnership Agreement

The investment fund Manager is responsible for the management of the Partnership in accordance with the terms and conditions of the Partnership Agreement. In consideration for these services, the Manager is entitled, until the final distribution of the assets of the Partnership to an annual management fee equal to 2% of the liquidative net asset value of the Partnership, payable monthly in cash on the net asset value at the end of the preceding month (and pro-rated in respect of any partial month, if applicable) (Note 8).

The Manager is entitled to a per unit performance bonus equal to 20% of the amount by which the net asset value per unit as of the relevant measurement date, exceeds $1,100. As at December 31, 2012, there was no performance bonus. Finally, the General Partner is entitled to 0.01% of the Partnership's net income.

5. Long-term debt

The term loan, bearing interest at the Royal Bank of Canada's prime rate (3% as at December 31, 2012) plus 5.5% is repayable with interest at maturity on July 31, 2014 and is secured by the investments.

6. Net assets

	2012
Authorized	
15,000 units at $1,000 each, with one vote per unit	
Issued	
4,609 units issued for cash consideration	**$ 4,609,000**
Unit issuance costs	**(685,039)**
Partners' equity	**3,923,961**
Deficit	**(629,441)**
Net assets	**$ 3,294,520**

The Partnership's capital is represented by the net assets of the Partnership. The Partnership is not subject to any regulatory requirements on capital and is managed in accordance with the Partnership's investment objectives, policies and restrictions, as outlined in the Partnership's prospectus.

The Manager intends to create liquidity for the Limited Partners, if possible, before September 30, 2013 and in any event, no later than December 31, 2013. Liquidity may be achieved by way of any of the following: (1) in the discretion of the Manager, distributing the cash proceeds from the sale of shares of Mining Companies to the Limited Partners from time to time on a *pro rata* basis; or (2) dissolving and terminating the partnership by no later than December 31, 2013 after all assets of the Partnership are disposed of, all liabilities of the Partnership discharged and all proceeds of dispositions distributed.

7. Reconciliation of net asset value

The reconciliation below is as at December 31, 2012:

	As at December 31, 2012 Transactional NAV	Application of Section 3855 adjustment	As at December 31, 2012 GAAP Net assets	As at December 31, 2012 Transactional NAV per unit
Northern Precious Metals 2012 Limited Partnership	**$ 3,360,484**	**$ 65,964**	**$ 3,294,520**	**$ 729.11**

8. Related party transactions

During the year, the Partnership paid $3,828 as rent expenses for its premises, presented in unitholders administrative costs, to a director and officer of the General Partner, Mr. Jean-Guy Masse. Interests in the amount of $310, presented in interest and bank charges, were paid on advances from the Manager. The Partnership also incurred management fees of $41,623 to the Manager. These transactions, concluded in the normal course of operations, were measured at the exchange amount which is the amount established and agreed to by the parties.

Pursuant to a management agreement entered into by the Partnership and the Manager, the Manager is responsible for managing the Partnership's day-to-day operations. It pays all of the administrative costs and operations related expenses, as legal fees, audit fees, interests, as well as costs related to the financials and other reports, and compliance with all applicable laws, regulations and policies. The Manager is then reimbursed by the Partnership. These amounts are included in the advances from the Manager presented on the statement of net assets.

9. Risk associated with financial instruments

Investment activities of the Partnership expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, other price risk and currency risk). The Manager seeks to minimize these risks by employing experienced portfolio managers that will manage the security portfolios of the Partnership on a daily basis according to market events and the investment objectives of the Partnership.

Credit risk
Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with the Partnership. The fair value of a financial instrument takes into account the credit rating of its issuer. All transactions in securities are settled or paid for upon delivery through brokers. Credit risk is considered minimal in the Partnership, as delivery of securities sold is made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade is cancelled if either party fails to meet its obligation.

9. Risk associated with financial instruments

Liquidity risk
Liquidity risk is the risk that a partnership may not be able to settle or meet its obligation on time or at a reasonable price. The Partnership retains sufficient cash and cash equivalent positions to maintain its liquidity. As at December 31, 2012 the Partnership had accounts payable and accrued liabilities of $30,246 that will have to be paid in the next twelve months. The maturity date of the long-term debt is presented in Note 5 and the advances from the Manager are without terms of repayment.

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk also arises when a partnership invests in interest-bearing financial instruments. The Partnership is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. The Partnership is exposed to interest risk because its long-term debt and advances bear interest at a floating rate. If prevailing interest rate had been raised or lowered by 1%, with all other variables held constant, net assets of the Partnership would have not changed significantly.

Other price risk
Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. The Partnership is exposed to market risk since all financial instruments held by the Partnership are exposed to market risk and present a risk of loss of capital. If prices of the investments had decreased or increased by 5%, with all other variables held constant, net assets of the Partnership would have decreased or increased, respectively, by approximately $202,000. Maximum risk resulting from financial instruments is equivalent to their fair value.

10. Financial instruments – Fair value

The fair value of cash is equivalent to its carrying value due to the possibility of quick settlement of this instrument.

The fair value of the receivables and the accounts payable is equivalent to its carrying value due to their short-term maturity.

The fair value of long-term debt is equivalent to its carrying value since it bears interest at current borrowing rates for similar types of borrowing arrangements.

The fair value of these financial instruments is of Level 1.

The fair value of the advances to the Manager cannot be determined since they have no terms of repayment.

10. Financial instruments – Fair value (cont'd)

The following table illustrates the classification of the Partnership's investments within the fair value hierarchy as at December 31, 2012. The three levels of fair value hierarchy are:

Level 1: Unadjusted quoted prices in active markets for identical assets of liabilities.

Level 2: Quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to establish the fair value of the assets or liabilities.

	Level 1	Level 2	Level 3	Total
Shares	$ 3,836,853	$ -	$ -	**$ 3,836,853**
Warrants	-	-	210,449	**210,449**
	$ 3,836,853	$ Nil	$ 210,449	**$ 4,047,302**

The fair value of the investments based on level 3 inputs derives entirely from unrealized gains.