



## **Northern Precious Metals 2012 Limited Partnership**

This report is dated January 17, 2017. All the complete annual as well as semi-annual financial statements of the Limited Partnership are filed on the website. You may obtain a copy of these documents, by visiting the website ([www.npmfunds.com](http://www.npmfunds.com)) or by emailing us at: [info@npmfunds.com](mailto:info@npmfunds.com) or by calling us at (514) 898-3959.

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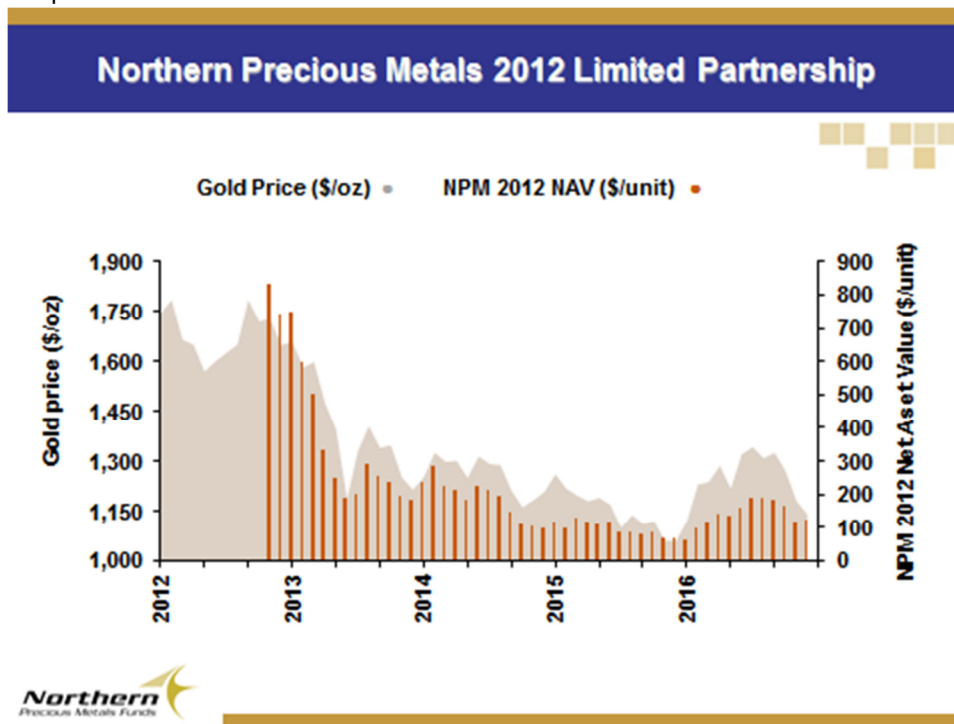
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Vice-president and CFO  
Northern Precious Metals Management Inc.

January 17, 2017

# Northern Precious Metals 2012 Limited Partnership

## Management Report to December 31 2016

The chart below illustrates the evolution of the Net Asset Value (« Nav ») of the portfolio of the Northern Precious Metals 2012 Limited Partnership (« the Partnership ») and its correlation with the price of gold since its inception in November 2012.



The dissolution of the Partnership was not completed by December 31 2016, as contemplated, for reasons explained below. However, the Partnership still remains in liquidation mode and expects completion by next March.

The liquidation of the Partnership's portfolio started in July, some four months after limited partners had voted overwhelmingly for the extension of the dissolution to December 31 2016, and after the Nav had risen about 3 times from \$60 in January to over \$180 per unit in July. The liquidation continued at moderate pace in August and September as the Nav was progressing over the \$200 per unit and with a definite plan to accelerate the pace in line with expectation of further increases close to the \$300 per unit mark before end of the year. But on November 8, the price of gold took a dive along with most resource stocks on low trading volumes. Under these circumstances, the Partnership responded by stopping the liquidation, waiting for a reversal of the situation as most market followers were forecasting higher gold prices under Clinton's and even much higher prices under Trump's presidency. However, gold and stock prices continued to decline in November and part of December which are the reasons why the liquidation of the Partnership was not completed, as contemplated, by December 31 2016.

From November 8 to December 14, the Dow Industrials, the S&P 500 and the U.S. Dollar indices moved up by 10%, 8.5% and 7%, respectively, as the stock market priced in a great deal of expectation on the new Republican administration. During that same period, the price of gold dropped from \$1,350 to \$1,125 as institutions and hedged funds reduced their gold holdings to increase their stock market positions.

Now investors are waiting on the sideline to see if this administration can properly deliver on all its election promises. As a matter of fact, all above US indices have remained flat to somewhat lower since December 14 while the price of gold jumped from \$1,125 to over \$1,218 an ounce. Moreover, a strong V shape reaction has also developed on the gold price technical chart. If the momentum continues, gold could get back up to \$1,350 in early March, the same level as last seen on November 8. Institutions and

hedged funds, which were largely responsible for the lower gold prices last November, should now contribute to higher gold and resource stock prices over the short term by reversing their strategy and increasing their gold holdings.

Although the liquidation has been temporarily suspended for the reasons mentioned above, it still remains in progress with a completion now scheduled for March 31, 2017. To avoid expenses related to a special meeting of limited partners to amend the dissolution date, the General Partner has decided to use Article 15.03 of the Offering Memorandum (Limited Partnership Agreement – page 34) which provides the General Partner with the power and authority to amend the Partnership agreement and extend the dissolution date to March 31, 2017.

The Partnership will issue, in March, a form T-5013, for income tax purposes, to all limited partners for the year 2016.

Although the Partnership is a few months late in completing the liquidation, Limited Partners have made the right decision, last March, to extend the dissolution to December 31, 2016.

The table below shows a portfolio overview as at December 31, 2016.

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## Northern Precious Metals 2012 Limited Partnership

### Portfolio Overview

December 31, 2017

<b>By country (1)</b>	<b>% of total portfolio</b>
Canada	101.4%
Cash and cash equivalents	9.8%
<b>By sector (1)</b>	<b>% of total portfolio</b>
Gold	97.3%
Base metals	4.1%
Cash and cash equivalents	9.8%
<b>By asset type (1)</b>	<b>% of total portfolio</b>
Equity	101.4%
Cash and cash equivalents	9.8%

<b>Top holdings</b>	<b>% of total portfolio</b>
Eastmain Resources Inc	43.7%
Integra Gold Corp	15.2%
Spanish Mountain Gold Ltd	12.3%
Cash and cash equivalents	9.8%
Alexandria Minerals Corp	9.7%
Metanor Resources Inc.	8.3%
First Mining Finance Corp (Clifton Star Resources Inc)	7.6%
Yellowhead Mining Inc	1.9%
Fancamp Exploration LTD	1.7%
Cardero Resources Corp	0.9%

- (1) Excludes other net assets (liabilities).
- (2) The portfolio overview may change because of transactions by the Partnership.

**Caution Regarding Forward-looking Statements**

Certain portions of this report may contain forward-looking statements. Forward-looking statements include statements that are predictive in nature. Any statement that may be made concerning future performance, strategies or prospects and possible future action by the Partnership is also a forward-looking statement.