



**Northern Precious Metals 2012  
Limited Partnership**

**Semi-Annual Financial Statements  
(Unaudited)**

**June 30, 2014**

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## **Management Responsibility for Financial Reporting**

The accompanying financial statements have been prepared by Northern Precious Metals Management Inc. in its capacity as manager (the «Manager») of the Limited Partnership and have been approved by the board of directors of Northern Precious Metals 2012 Inc., in its capacity as general partner (the «General Partner») of the Limited Partnership. The board of directors of the General Partner is responsible for the information and the representations contained in these financial statements.

The investment fund manager maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts based on estimates and judgments made by the investment fund manager. Note 3 to the financial statements describe the significant accounting policies which the investment fund manager believes are appropriate for the limited partnership.

The board of directors of the General Partner has delegated responsibility for oversight of the financial reporting process to the Manager. The Manager is responsible for examining the financial statements and for recommending their approval to the board of directors of the General Partner, in addition to meeting with management and the external auditors in order to discuss the internal controls over the process used to present financial information, auditing matters and problems concerning the presentation of financial information.

Pétrie Raymond, L.L.P., Chartered Accounts, (the “auditors”) serve as the Limited Partnership’s external auditors. They have not reviewed these financial statements. Applicable securities laws require that if an external auditor has not reviewed the Limited Partnership’s financial statements, this must be disclosed in an accompanying notice.

**Statements of Operations** *(unaudited)***For the six month period ended June 30 2014**

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<b>Expenses</b>	
Management fees	\$ 12,490
Legal fees	1,627
Audit fees	6,000
Unitholders' administration costs	39,911
Custodian fees	5,139
Financing fees	3,425
Transaction costs	1,035
Interest and bank charges	1,106
Interest on long-term debt	<u>1,995</u>
<b>Net investment loss</b>	(72,728)
Net realized loss on investments	(42,392)
Net unrealized gain on investments	<u>344,556</u>
<b>Increase in net assets from operations</b>	\$ <u>229,436</u>
<b>Increase in net assets from operations per unit</b>	\$ <u>49.78</u>
<b>Weighted average number of outstanding units</b>	<u>4,609</u>

The accompanying notes are an integral part of these financial statements

**Statements of Change in Net Assets** *(unaudited)*

**For the six-month period ended June 30, 2014**

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<b>Net assets at beginning of period</b>	<b>\$ 805,401</b>
Increase in net assets from operations	<u>229,436</u>
<b>Net assets at end of period</b>	<b>\$ 1,034,837</b>

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

## Statements of Net Assets

	<b>June 30</b>	December 31
	<b>2014</b>	2013
	<i>(unaudited)</i>	<i>(audited)</i>
<b>Assets</b>		
Investments, at fair value	\$ 1,083,948	\$ 878,863
Cash	38,155	4,502
Accounts receivable	336	-
Prepaid expenses	571	673
	<u>1,123,010</u>	<u>884,038</u>
<b>Liabilities</b>		
Accounts payables and accrued liabilities	20,618	15,000
Advances from the Manager, at Bank of Montreal's prime rate (3% at June 30, 2014) with no terms of repayment	14,516	16,588
Long-term debt (Note 5)	53,039	47,049
	<u>88,173</u>	<u>78,637</u>
<b>Net assets</b> (Note 6)	<u>\$ 1,034,837</u>	<u>\$ 805,401</u>
<b>Number of units outstanding</b> (Note 6)	<u>4,609</u>	<u>4,609</u>
<b>Net asset value per unit</b> (Note 7)	<u>\$ 224.53</u>	<u>\$ 174.75</u>

## 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 *(unaudited)*

June 30, 2014

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Shares (104.7 %)	Number of shares	Cost	Fair value
<b>Gold (95.7 %)</b>			
Alexandria Minerals Corp.	923,000	\$ 106,099	\$ 69,225
Banks Island Gold Ltd	175,000	147,000	77,875
Clifton Star Resources Inc.	160,000	200,000	40,000
Eastmain Resources Inc.	760,500	608,400	319,410
Gowest Gold Ltd., warrants, 19-12-2014*	362,500	362	2,284
Harte Gold Corp.	284,000	48,280	62,480
Integra Gold Corp.	224,000	72,800	52,640
Metanor Resources Inc.	2,200,000	528,000	319,000
SGX Resources Inc.	133,000	46,550	4,655
SGX Resources Inc., warrants, 06-12-2014*	200,000	-	20
Slam Exploration Ltd., warrants, 27-11-2014*	250,000	-	1,200
Spanish Mountain Gold Ltd	698,000	223,360	41,880
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		\$ 1,980,851	\$ 990,669
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## Statement of Investments Portfolio (continued)

June 30, 2014

Shares (104.7 %)	Number of shares	Cost	Fair value
Balance carried forward		\$ 1,980,851	\$ 990,669
<b>Other metals (8.2 %)</b>			
Cardero Resources Corp	212,500	106,250	17,000
Fancamp Exploration Ltd	211,000	34,794	11,605
Happy Creek Minerals Ltd	168,000	41,832	29,400
Yellowhead Mining Inc	165,214	115,650	26,434
		298,526	84,439
<b>Uranium (0.9 %)</b>			
Anthem Resources Inc., warrants, 14-12-2014*	400,000	8,000	8,840
<b>Total cost and fair value of investments (104.7 %)</b>		\$ 2,287,377	\$ 1,083,948
<b>Cash and cash equivalent (3.8%)</b>			39,062
<b>Advances from the Manager (-1.4%)</b>			(14,516)
<b>Long-term debt (-5.1%)</b>			(53,039)
<b>Other net liabilities (-2.0%)</b>			(20,618)
<b>Net assets (100.0 %)</b>			\$ 1,034,837

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

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

**Statements of Cash Flows** *(unaudited)***For the six-month period ended June 30, 2014**

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**Operating activities**

Increase in net assets from operations	\$ 229,436
Net realized loss on investments	42,392
Net unrealized gain on investments	(344,556)
Changes in non-cash asset and liability items	
Accounts receivable	(336)
Prepaid expenses	102
Accounts payable and accrued liabilities	5,618
	<u>(67,344)</u>

**Financing activities**

Advances from the Manager	(2,072)
Long-term debt	5,990
	<u>3,918</u>

**Investing activities**

Proceeds from sale of investments	97,079
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**Net increase in cash**

33,653

Cash at beginning of year

4,502**Cash at end of the period****\$ 38,155**

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



**Notes to Financial Statements** (*unaudited*)**June 30, 2014**

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**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 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 Limited Partners.

The Partnership, which started its activities April 25, 2012, was expected to last until March 1<sup>st</sup>, 2014. A special meeting of the Limited Partners, held on February 28, 2014, delayed the dissolution date to December 31, 2014.

The Partnership's general partner is Northern Precious Metals 2012 Inc. (the "General Partner") and the manager is Northern Precious Metals Management 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 being 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 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.

Notes to Financial Statements (*unaudited*)June 30, 2014

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**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, represents 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 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.

Notes to Financial Statements (*unaudited*)June 30, 2014

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**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 conformity 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.

*Transaction costs*

Transaction costs are incremental costs directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges and transfer taxes and duties. In accordance with Section 3855, transaction costs are expensed and are included in the Statement of Operations in "Transaction costs".

*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. However, the AcSB deferred the mandatory IFRS changeover date for Canadian investment funds to January 1<sup>st</sup>, 2014.

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.

**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 June 30, 2014, there was no performance bonus. In addition, the General Partner is entitled to 0.01% of the Partnership's net income.

Notes to Financial Statements (*unaudited*)

June 30, 2014

**5. Long-term debt**

The term loan bearing interest at Royal Bank of Canada, at prime rate (3% as at June 30, 2014) plus 5,5% is repayable with interest at maturity on July 31, 2014 and is secured by the investments.

**6. Net assets**

	<b>June 30</b>	December 31
	<b>2014</b>	2013
	<i>(unaudited)</i>	<i>(audited)</i>
<b>Partners' Equity</b>		
<i>Authorized</i>		
15,000 units at \$1,000 each, with one vote per unit		
<i>Issued</i>		
4,609 units issued for a cash consideration	\$ 4,609,000	\$ 4,609,000
Unit issuance costs	<u>(685,039)</u>	<u>(685,039)</u>
Partners' Equity	\$ 3,923,961	\$ 3,923,961
Change in deficit :		
Deficit at beginning of period	\$ (3,118,560)	\$ (629,441)
Increase (decrease) in net assets from operations	<u>229,436</u>	<u>(2,489,119)</u>
Deficit at the end of period	\$ (2,889,124)	\$ (3,118,560)
Net assets	<u>\$ 1,034,837</u>	<u>\$ 805,401</u>

The Partnership's capital represents 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.

Following the special meeting of the Limited Partners, held on February 28, 2014, the dissolution was reported from March 1<sup>st</sup>, 2014 to December 31, 2014.

The Manager intends to create liquidity for Limited Partners, if possible, before December 31, 2014. Liquidity may be achieved by way of any of the following: (1) at 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, 2014 after all assets of the Partnership are disposed of, all liabilities of the Partnership discharged and all proceeds of dispositions distributed.

## Notes to Financial Statements (unaudited)

June 30, 2014

**7. Reconciliation of net asset value**

The reconciliation below is as at June 30, 2014 and December 31, 2013:

	As at June 30, 2014 Transactional NAV	Application of Section 3855 adjustment	As at June 30, 2014 GAAP Net assets	As at June 30, 2014 Transactional NAV per unit
Northern Precious Metals 2012 Limited Partnership	<b>\$ 1,053,450</b>	<b>\$ 18,613</b>	<b>\$ 1,034,837</b>	<b>\$ 228.56</b>
	As at December 31, 2013 Transactional NAV	Application of Section 3855 adjustment	As at December 31, 2013 GAAP Net assets	As at December 31, 2013 Transactional NAV per unit
Northern Precious Metals 2012 Limited Partnership	<b>\$ 836,909</b>	<b>\$ 31,508</b>	<b>\$ 805,401</b>	<b>\$ 181.58</b>

**8. Related party transactions**

During the year, the Partnership paid \$8,700, 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 \$388, presented in interest and bank charges, were paid on advances from the Manager. The Partnership also incurred management fees of \$12,490 and professional fees of \$17,246 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.

Notes to Financial Statements (*unaudited*)June 30, 2014

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**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.

*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 June 30, 2014 the Partnership had accounts payable and accrued liabilities of \$20,618 that will have to be paid in the next twelve months. The maturity of the long-term debt is presented in Note 5 and the advances from the Manager are without terms of repayments.

*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 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 variable held constant, net assets of the Partnership would have decreased or increased, respectively, by approximately \$54,000. Maximum risk resulting from financial instruments is equivalent to their fair value.

Notes to Financial Statements (*unaudited*)

June 30, 2014

**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 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.

The following table illustrates the classification of the Partnership's investments within the fair value hierarchy as at June 30, 2014. 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.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Shares	\$ 1,071,604	\$ -	\$ -	\$ <b>1,071,604</b>
Warrants	<u>-</u>	<u>-</u>	<u>12,344</u>	<u><b>12,344</b></u>
	<u>\$ 1,071,604</u>	<u>\$ -</u>	<u>\$ 12,344</u>	<u>\$ <b>1,083,948</b></u>

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