

**Northern Precious Metals 2012
Limited Partnership**

Annual Financial Statements

December 31, 2018 and 2017

Independent Auditor's Report	1 - 3
Statement of Financial Position	4
Statement of Comprehensive Loss	5
Statement of Changes in Net Assets Attributable to Unitholders	6
Statement of Cash Flows	7
Schedule of Investments Portfolio	8
Notes to Financial Statements	9 - 15

Independent Auditor's Report

To the shareholders of
Northern Precious Metals 2012 Limited Partnership:

Opinion

We have audited the financial statements of **Northern Precious Metals 2012 Limited Partnership** (the "Partnership"), which comprise the statement of financial position as at December 31, 2018, and 2017, and the statements of comprehensive loss, changes in net assets attributable to unitholders and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2018, and 2017, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report (Cont'd)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Partnership or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Partnership's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Partnership's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report (Cont'd)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Partnership to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

 1

Montréal, Québec
March 21, 2019

Chartered Professional Accountant Partnership LLP

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

Statement of Financial Position

December 31	2018	2017
ASSETS		
Current assets		
Investments	\$ 175,364	\$ 379,256
Cash	<u>70,452</u>	<u>134,011</u>
Total assets	\$ 245,816	\$ 513,267
LIABILITIES		
Current liabilities		
Accrued liabilities	\$ 13,900	\$ 16,500
Advances from the Manager, at the Bank of Montreal's prime rate (3.95% at December 31, 2018)	<u>11,866</u>	<u>10,641</u>
Total liabilities	25,766	27,141
Net assets attributable to unitholders		
Units issued (Note 6)	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
Deficit	<u>(3,703,911)</u>	<u>(3,437,835)</u>
Net assets attributable to unitholders (Note 7)	220,050	486,126
Total liabilities and net assets attributable to unitholders	\$ 245,816	\$ 513,267
Number of units outstanding (Note 6)	4,609	4,609
Net assets attributable to unitholders per unit	\$ 47.74	\$ 105.47

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 Comprehensive Loss

Years ended December 31	2018	2017
Income (loss)		
Net realized loss on investments	\$ (108,923)	\$ (168,320)
Change in unrealized depreciation in value of investments	<u>(71,599)</u>	<u>220,893</u>
Total income (loss)	<u>(180,522)</u>	<u>52,573</u>
Expenses		
Management fees	7,123	12,674
Audit fees	8,612	14,077
Professional fees	21,322	38,402
Unitholders' administration costs	29,493	35,936
Transaction costs	194	2,639
Custodian fees	16,092	16,676
Interests and bank charges	<u>2,718</u>	<u>1,933</u>
Total expenses	<u>85,554</u>	<u>122,337</u>
Decrease in net assets attributable to unitholders	<u>\$ (266,076)</u>	<u>\$ (69,764)</u>
Decrease in net assets attributable to unitholders per unit	<u>\$ (57.72)</u>	<u>\$ (15.14)</u>
Weighted average number of outstanding units	<u>4,609</u>	<u>4,609</u>

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

Statement of Changes in Net Assets Attributable to Unitholders

Years ended December 31, 2018

	Units issued	Unit issuance costs	Deficit	Total
Balance at January 1st, 2017	4,609,000	\$ (685,039)	\$ (3,368,071)	\$ 555,890
Decrease in net assets attributable to unitholders	-	-	(69,764)	(69,764)
Balance at December 31, 2017	4,609,000	(685,039)	(3,437,835)	486,126
Decrease in net assets attributable to unitholders	-	-	(266,076)	(266,076)
Balance at December 31, 2018	4,609,000	\$ (685,039)	\$ (3,703,911)	\$ 220,050

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

Statement of Cash Flows

Years ended December 31	2018	2017
Operating activities		
Decrease in net assets attributable to unitholders	\$ (266,076)	\$ (69,764)
Net realized loss on investments	108,923	168,320
Changes in unrealized depreciation in value of investments	71,599	(220,893)
Proceeds from sale of investments	23,370	248,793
Changes in non-cash asset and liability items		
Accrued liabilities	<u>(2,600)</u>	<u>(1,200)</u>
Net cash from operating activities	(64,784)	125,256
Financing activity		
Advances from the Manager	<u>1,225</u>	<u>(427)</u>
Net increase (decrease) in cash	(63,559)	124,829
Cash at beginning of year	<u>134,011</u>	<u>9,182</u>
Cash at end of year	\$ 70,452	\$ 134,011

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

Schedule of Investments Portfolio

December 31, 2018

EQUITIES	Number of shares	Cost	Carrying value
Canadian equities			
Alexandria Minerals Corp.	305,500	\$ 35,133	\$ 9,165
Eastmain Resources Inc.	490,500	392,400	80,933
First Mining Gold Corp.	50,000	62,500	12,250
Bonterra Resources Inc.	13,472	201,598	34,893
55 North Mining Inc.	44,333	46,550	-
Spanish Mountain Gold Ltd.	586,500	187,680	38,123
Costs and fair value of investments		\$ 925,861	\$ 175,364

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

Notes to Financial Statements**December, 31, 2018 and 2017**

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 on May 2, 2012. The address of the Partnership's registered office is 361 Dufresne Street, Sainte-Adèle (Québec) J8B 2S9. The Partnership invested 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 financial statements are presented in Canadian dollars (CAD), which is the Partnership functional currency. These financial statements were authorized for issue by Northern Precious Metals Management Inc. (the "Manager") on March 21, 2019.

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

On February 28, 2014, the limited partners voted at a special meeting to extend the dissolution date from March 1st, 2014 to December 31, 2014 due to prevailing poor market conditions for the resource stocks. A second extension to July 31, 2015 was voted by the limited partners at a special meeting held on October 29, 2014. A third extension to March 31, 2016 was voted by the limited partners at a special meeting held on July 23, 2015. At a special meeting held on March 30, 2016, a fourth extension to December 31, 2016 was voted by the limited partners. As the liquidation of the Partnership's portfolio, which started in July 2016, was not completed by December 31, 2016 as contemplated and for the reasons explained in the manager's report dated January 17 and September 8, 2017, the General Partner decided on December 12, 2016 to use Article 15.03 of the Offering Memorandum to amend the Partnership agreement, extend the dissolution date and avoid expenses related to a special meeting of limited partners.

2. Basis of presentation

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB).

3. Changes to accounting standards*Financial instruments*

IFRS 9, the final version was published in July 2014 to replace IAS 39 – *Financial instruments: Recognition and Measurement*. It simplifies the classification and measurement of financial assets and financial liabilities by reducing the number of measurement categories. The new standard also includes new requirements with regards to general hedge accounting and impairment of financial assets.

IFRS 9 was adopted effective January 1st, 2018, and resulted in no adjustments.

Notes to Financial Statements**December, 31, 2018 and 2017**

3. Changes to accounting standards (cont'd)

Future changes to accounting standard applicable to annual periods beginning on or after January 1st, 2019

IFRS 16, *Leases*January 1st, 2019 – Early adoption permitted

IFRS 16, *Leases*, replaces the previous leases Standard, IAS 17, *Leases*, and related Interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer (lessee) and the supplier (lessor). IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. IFRS 16 also substantially carries forward the lessor accounting requirements. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and the account for the two types of leases differently. The amendments are to be applied for accounting periods beginning on or after January 1st, 2019.

The Partnership is evaluating the impact of this standard in its financial statements.

4. Accounting policies*Financial instruments*

The Partnership recognized financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Regular way purchases and sales of financial assets are recognized at their trade date. The Partnership's investments are measured at fair value through profit or loss (FVTPL). All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. The Partnership's accounting policies for measuring the fair value of its investments are identical to those used in measuring its net asset value (NAV) for transactions with unitholders.

Interest income from investments in bonds and short-term investments is recognized at the effective interest rate. Interest receivable is shown separately in the statement of financial position based on the debt instruments' stated rate of interest. Dividends are recognized as income on the ex-dividend date. Gains or losses on the sale of investments are determined using the average cost method.

Fair value measurement

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 of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Partnership uses the last traded market price for both financial assets and financial liabilities (where the last traded price falls within that day's bid-ask-spread. In circumstances where the last traded price is not within the bid-ask-spread, the Manager determines the point within the bid-ask-spread that is most representative of fair value based on the specific facts and circumstances). The fair value of financial assets that are not traded in an active market, is determined using valuation techniques, such as the Black-Scholes option pricing model.

Notes to Financial Statements**December, 31, 2018 and 2017**

4. Accounting policies (cont'd)*Impairment of financial assets*

At each reporting date, the Partnership assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Partnership recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Cash

Cash is comprised of deposits with financial institutions.

Units

The Partnership's units are classified as equity as the Partnership has full discretion on repurchasing the units and on dividend distributions.

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.

Decrease in net assets attributable to unitholders per unit

The decrease in net assets attributable to unitholders per unit is calculated by dividing the decrease in net assets attributable to holders of units by the weighted average number of units outstanding during the period.

Taxation

The Partnership qualifies as a mutual fund trust under the Income Tax Act (Canada). All of the Partnership's net income for tax purposes and sufficient net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Partnership (99.99% of the net income is allocated to the limited partners and 0.01% to the General Partners). As a result, the Partnership does not record income taxes. Since the Partnership does not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the statement of financial position as a deferred income tax asset.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the reporting period. Actual results could differ from these estimates.

5. 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 7).

Notes to Financial Statements**December, 31, 2018 and 2017**

5. Partnership agreement (cont'd)

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, 2018, there was no performance bonus. Finally, the General Partner is entitled to 0.01% of the Partnership's net income.

6. Units

The authorized units of the Partnership are 15,000 with a par value of \$1,000 per unit and with one vote per unit. The Partnership issued 4,609 units for cash consideration.

7. Net asset attributable to unitholders

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 Offering Memorandum.

Unless limited partners decide otherwise and vote for another extension, the Manager intends to create liquidity by continuing to liquidate the portfolio of securities in an orderly fashion bearing in mind market conditions. After the liquidation is completed, the General Partner shall dissolve the Partnership and distribute the net asset value amount thereof to its limited partners on a pro rata basis.

8. Related party transactions*Operating and management fees*

During the year, the Partnership paid to a director and officer of the General Partner \$17,400 (\$17,400 in 2017) as rent expenses for its premises, presented in unitholders administrative costs. Interests in the amount of \$1,524 (\$654 in 2017), presented in interest and bank charges, were paid on advances from the Manager. The Partnership under the management agreement (Note 4) also paid management fees of \$7,123 (\$12,674 in 2017) and professional fees of \$18,960 (\$34,493 in 2017) 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 (Note 4) 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 financial position.

Notes to Financial Statements**December, 31, 2018 and 2017**

8. Related party transactions (cont'd)*Independent review committee fees*

The members of the independent review committee (IRC) have voted to dissolve the committee on March 31, 2014, after a thorough analysis with the manager of all the expenses of the Partnership. The IRC concluded that the charges related to the committee, including fees, insurance and other expenses had become disproportionate in relation to the value of the portfolio. According to the offering memorandum, the committee's mandate expired on March 1st, 2014 unless extended. To reduce expenses for the benefit of limited partners, the members approved the dissolution of the IRC.

9. Risk associated with financial instruments*Risk factors*

Investment activities of the Partnership expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, 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. All investments result in a risk of loss of capital.

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 December 31, 2018, the Partnership had accounts payable and accrued liabilities of \$13,900 (\$16,500 in 2017). The advances from the Manager are without terms of repayment.

Market risk

The Partnership's investments are subject to market risk which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The following include sensitivity analyses that show how the net assets attributable to unitholders would have been affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ and the differences could be material.

Notes to Financial Statements

December, 31, 2018 and 2017

9. Risk associated with financial instruments (cont'd)*Price risk*

The Partnership is exposed to price risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Partnership's investments are subject to the risk of changes in the prices of equity securities and the risk of loss of capital. The majority of the Partnership's equity investments are publicly traded and are included in the TSX Venture. The Partnership's policy requires that the overall market position is monitored on a daily basis by the Manager.

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 \$9,000. Maximum risk resulting from financial instruments is equivalent to their fair value.

Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The following is a summary of the Partnership's concentration risk: 100% of the Partnership's investments are in Canadian gold mining.

10. Fair value measurement

The Partnership classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

- Level 1: Quote prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs are unobservable for the asset or liability.

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The following table illustrates the classification of the Partnership's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2018 and 2017:

As at December 31, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 175,364	\$ Nil	\$ Nil	\$ 175,364
	=====	=====	=====	=====
As at December 31, 2017	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 379,256	\$ Nil	\$ Nil	\$ 379,256
	=====	=====	=====	=====

Notes to Financial Statements

December, 31, 2018 and 2017

10. Fair value measurement (cont'd)

All fair value measurements above are recurring. Fair values are classified as Level 1 when the related security is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

Equities

The Partnership's equity positions are classified as Level 1 when the security is actively traded and a reliable price is observable.

Other financial instruments

The fair value of cash is equivalent to its carrying value due to the possibility of quick settlement of this instrument and is classified as Level 1.

The fair value of the advances from the Manager is equivalent to its carrying value because they are due on demand.