

**Northern Precious Metals 2012
Limited Partnership**

Annual Financial Statements

December 31, 2014 and 2013 and January 1st, 2013

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Independent Auditor's Report

To the shareholders 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 financial position as at December 31, 2014 and 2013 and January 1st, 2013 and the statements of comprehensive loss, changes in net assets attributable to unitholders and cash flows for the years ended December 31, 2014 and 2013, 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 financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board 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.

Independent Auditor's Report (cont'd)

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, 2014 and 2013 and January 1st, 2013, and its financial performance and its cash flows for the years ended December 31, 2014 and 2013 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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Montréal, Québec
April 1st, 2015

Limited Liability Partnership
Chartered Professional Accountants

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

Statement of Financial Position

	December 31, 2014	December 31, 2013	January 1 st , 2013
ASSETS			
Current assets			
Investments	\$ 464,171	\$ 878,863	\$ 4,047,302
Cash	2,356	4,502	34,534
Receivables	-	-	16,931
Prepaid expenses	-	673	-
Total assets	\$ 466,527	\$ 884,038	\$ 4,098,767
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 17,500	\$ 15,000	\$ 32,246
Advances from the Manager, at the Bank of Montreal's prime rate (3% at December 31, 2014) without terms of repayment	15,716	16,588	18,331
Long-term debt repaid in totality during the year (Note 6)	-	47,049	-
	33,216	78,637	50,577
Non-current liabilities			
Long-term debt repaid in totality during the year (Note 6)	-	-	753,670
Total liabilities	33,216	78,637	804,247
Net assets attributable to unitholders			
Units issued (Note 7)	4,609,000	4,609,000	4,609,000
Unit issuance costs	(685,039)	(685,039)	(685,039)
Partners' equity	3,923,961	3,923,961	3,923,961
Deficit	(3,490,650)	(3,118,560)	(629,441)
Net assets attributable to unitholders (Note 8)	433,311	805,401	3,294,520
Total liabilities and net assets attributable to unitholders	\$ 466,527	\$ 884,038	\$ 4,098,767
Number of units outstanding (Note 7)	4,609	4,609	4,609
Net assets attributable to unitholders per unit	\$ 94.01	\$ 174.75	\$ 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 Changes in Net Assets Attributable to Unitholders

Years ended December 31, 2014

	Units issued	Unit issuance costs	Deficit	Total
Balance at January 1st, 2013	\$ 4,609,000	\$ (685,039)	\$ (629,441)	\$ 3,294,520
Decrease in net assets attributable to unitholders	-	-	(2,489,119)	(2,489,119)
Balance at December 31, 2013	4,609,000	(685,039)	(3,118,560)	805,401
Decrease in net assets attributable to unitholders	-	-	(372,090)	(372,090)
Balance at December 31, 2014	\$ 4,609,000	\$ (685,039)	\$ (3,490,650)	\$ 433,311

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

Statement of Cash Flows

Years ended December 31	2014	2013
Operating activities		
Decrease in net assets attributable to unitholders	\$ (372,090)	\$ (2,489,119)
Penalty on early repayment capitalized to long-term debt	-	15,095
Interests capitalized to long-term debt	2,508	32,435
Amortization of financing fees	3,995	6,849
Net realized loss on investments	175,054	1,261,281
Changes in unrealized depreciation on investments	37,003	1,004,832
Proceeds from sale of investments	202,635	902,326
Changes in non-cash asset and liability items		
Receivables	-	16,931
Prepaid expenses	673	(673)
Accounts payable and accrued liabilities	2,500	(17,246)
Net cash from operating activities	52,278	732,711
Financing activities		
Advances from the Manager	(872)	(1,743)
Long-term debt	(53,552)	(761,000)
Net cash used in financing activities	(54,424)	(762,743)
Net decrease in cash	(2,146)	(30,032)
Cash at beginning of year	4,502	34,534
Cash at end of year	\$ 2,356	\$ 4,502

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

Schedule of Investments Portfolio

December 31, 2014

EQUITIES	Number of shares	Cost	Carrying value
Canadian equities			
Alexandria Minerals Corp.	923,000	\$ 106,145	\$ 36,920
Bank Island Gold Ltd.	175,000	147,000	23,625
Cardero Resources Corp.	212,500	106,250	7,438
Clifton Star Resources Inc.	160,000	200,000	13,600
Eastmain Resources Inc.	698,000	558,400	160,540
Fancamp Exploration Ltd.	211,000	34,794	8,440
Happy Creek Minerals Ltd.	168,000	41,832	15,120
Integra Gold Corp.	224,000	72,800	42,560
Metanor Resources Inc.	1,650,000	396,000	115,500
SGX Resources Inc.	133,000	46,550	665
Spanish Mountain Gold Ltd.	643,000	205,760	25,720
Yellowhead Mining Inc.	165,214	115,650	14,043
Costs and fair value of investments		\$ 2,031,181	\$ 464,171

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

Notes to Financial Statements**December, 31, 2014 and 2013**

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). The Partnership intended 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 financial statements are presented in Canadian dollars (CAD). These financial statements were authorized for issue by Northern Precious Metals Management Inc. (the "Manager") on April 1st, 2015.

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.

2. Basis of presentation and adoption of IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB). The Partnership adopted this basis of accounting in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Partnership prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CICA Handbook (Canadian GAAP). The Partnership has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1st, 2013 and throughout all periods presented, as if these policies had always been in effect. Note 12 discloses the impact of the transition to IFRS on the Partnership's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Partnership's financial statements for the year ended December 31, 2013 prepared under Canadian GAAP.

3. 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.

Notes to Financial Statements**December, 31, 2014 and 2013**

3. Accounting policies (cont'd)*Financial instruments (cont'd)*

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.

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.

Notes to Financial Statements**December, 31, 2014 and 2013**

3. Accounting policies (cont'd)*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.

Interests on long-term debt

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

4. Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Partnership has made in preparing the financial statements:

Fair value measurement of financial assets not quoted in an active market

The Partnership holds financial assets that are not quoted in active markets. Fair values of such assets are determined using valuation techniques.

Models use observable data to the extent practicable. However, areas such as volatilities require the Manager to make estimates. Changes in assumptions about this factor could affect the reported fair values of financial assets. The Partnership considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to Note 11 for further information about the fair value measurement of the Partnership's financial instruments. The model used by the Partnership is Black-Scholes option pricing model.

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 6).

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, 2014, there was no performance bonus. Finally, the General Partner is entitled to 0.01% of the Partnership's net income.

Notes to Financial Statements**December, 31, 2014 and 2013**

6. Long-term debt repaid in totality during the year

The term loan, bare interest at the Royal Bank of Canada's prime rate (3% as at December 31, 2013) plus 5.5% was repaid in totality with interest, at maturity on July 31, 2014 and was secured by the investments.

7. 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.

8. Decrease in net assets 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 vote for another extension, the Manager intends to create liquidity for the Limited Partners, if possible, before July 31, 2015. Liquidity may be achieved by way of any of the following: (1) at the discretion of the Manager, selling the shares of Mining Companies and distributing the cash proceeds to the Limited Partners from time to time on a *pro rata* basis; or (2) dissolving the partnership by no later than July 31, 2015 and terminating the partnership after all assets of the Partnership are disposed of, all liabilities of the Partnership discharged and all proceeds of dispositions distributed.

9. Related party transactions*Operating and management fees*

During the year, the Partnership paid to a director and officer of the General Partner \$17,400 (\$16,313 in 2013) as rent expenses for its premises, presented in unitholders administrative costs. Interests in the amount of \$800 (\$1,286 in 2013), presented in interest and bank charges, were paid on advances from the Manager. The Partnership under the management agreement (Note 5) also paid management fees of \$20,594 (\$32,976 in 2013) and professional fees of \$34,493 (\$22,995 in 2013) 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 5) 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.

Independent review committee fees

The members of the independent review committee has waived any remuneration (\$2,295 in 2013) during the year ended December 31, 2014.

Notes to Financial Statements**December, 31, 2014 and 2013**

10. 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, 2014 the Partnership had accounts payable and accrued liabilities of \$17,500 (\$15,000 in 2013) that will have to be paid in the next seven months. 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.

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 \$23,000. 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: 90.3% of the Partnership's investments are in gold mining companies and 9.7% are in other metals companies.

Notes to Financial Statements

December, 31, 2014 and 2013

11. 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 of 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, 2014, December 31, 2013 and January 1st, 2013:

As at December 31, 2014	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 464,171	\$ -	\$ -	\$ 464,171
Warrants	-	-	-	-
	<u>\$ 464,171</u>	<u>\$ Nil</u>	<u>\$ Nil</u>	<u>\$ 464,171</u>
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>
As at December 31, 2013	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 867,660	\$ -	\$ -	\$ 867,660
Warrants	-	-	11,203	11,203
	<u>\$ 867,660</u>	<u>\$ Nil</u>	<u>\$ 11,203</u>	<u>\$ 878,863</u>
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>
As at January 1st, 2013	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 3,836,853	\$ -	\$ -	\$ 3,836,853
Warrants	-	-	210,449	210,449
	<u>\$ 3,836,853</u>	<u>\$ Nil</u>	<u>\$ 210,449</u>	<u>\$ 4,047,302</u>
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

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.

Notes to Financial Statements**December, 31, 2014 and 2013**

11. Fair value measurement (cont'd)*Equities*

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

Warrants

Warrants are valued using the Black-Scholes option pricing model are classified as Level 3.

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 to the Manager cannot be determined since they have no terms of repayment.

12. Transition to IFRS

The effect of the Partnership's transition to IFRS is summarized in this note as follows:

Transition elections

The Partnership did not apply any transition exceptions or exemptions to full retrospective applications of IFRS.

When preparing the first IFRS financial statements in accordance with IFRS 1, the Company did not avail itself of any exemption. There were no impact due to IFRS transition on the Company's reported statements of financial position, loss and comprehensive loss and changes in deficiency for the periods presented.

Revaluation of investments at FVTPL

Under Canadian GAAP, the Partnership measured the fair values of its investments in accordance with Section 38.55, *Financial Instruments – Recognition and Measurement*, which required the use of bid prices for long positions and ask prices for short positions, to the extent such prices are available. Under IFRS, the Partnership measures the fair values of its investments using the guidance in IFRS 13, *Fair Value Measurement* (IFRS 13), which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask-spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask-spread. The adoption of IFRS had no impact on the fair value measurement of the investments.