

Northern
Precious Metals Funds



**Northern Precious Metals 2010
Limited Partnership**

Annual Financial Statements
(unaudited)

December 31, 2014 and 2013

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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 2010 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 2 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.

Statement of Operations

| Years ended December 31 | 2014 | 2013 |
|---|--------------------|---------------------|
| | <i>(unaudited)</i> | <i>(unaudited)</i> |
| Expenses | | |
| Management fees | \$ - | \$ - |
| Legal fees | - | - |
| Accounting fees | 1,000 | 2,383 |
| Professional fees | - | (10,500) |
| Unitholders' administration costs | | (5,563) |
| Transaction costs | 1,684 | 2,010 |
| Custodian fees | - | 11,516 |
| Interests and bank charges | 82 | 3,155 |
| Interests on long-term debt | 8,345 | 4,333 |
| | <hr/> | <hr/> |
| Net investment loss | (11,111) | (7,334) |
| | <hr/> | <hr/> |
| Realized and unrealized loss on investments | | |
| Net realized loss on investments | (219,178) | (443,915) |
| Net unrealized gain on investments | 265,262 | 282,243 |
| | <hr/> | <hr/> |
| Net gain (loss) on investments | 46,084 | (161,672) |
| | <hr/> | <hr/> |
| Increase (Decrease) in net assets from operations | \$ 34,973 | \$ (169,006) |
| | <hr/> <hr/> | <hr/> <hr/> |
| Increase (Decrease) in net assets from operations per unit | \$ 10.35 | \$ (50.02) |
| | <hr/> <hr/> | <hr/> <hr/> |
| Weighted average number of outstanding units | 3,379 | 3,379 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

Northern Precious Metals 2010 Limited Partnership

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Statement of Changes in Net Assets

| <u>Years ended December 31</u> | <u>2014</u> | <u>2013</u> |
|--|---------------------|---------------------|
| | <i>(unaudited)</i> | <i>(unaudited)</i> |
| Net assets at the beginning of period | \$ (168,703) | \$ 303 |
| Decrease in net assets from operations | 34,973 | (169,006) |
| | <hr/> | <hr/> |
| Nets assets at end of period | \$ (133,730) | \$ (168,703) |
| | <hr/> <hr/> | <hr/> <hr/> |

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

Northern Precious Metals 2010 Limited Partnership

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Statement of Net Assets

| December 31 | 2014 | 2013 |
|---|---------------------|---------------------|
| | <i>(unaudited)</i> | <i>(unaudited)</i> |
| Assets | | |
| Investments, at fair value | \$ 68,900 | \$ 183,955 |
| Cash | 1,732 | 359 |
| | <u>70,632</u> | <u>184,314</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | 68,512 | 68,512 |
| Advances with no terms of repayment | 113,408 | 113,408 |
| Long-term debt (Note 5) | <u>22,442</u> | <u>171,097</u> |
| | <u>204,362</u> | <u>353,017</u> |
| Net Assets (Note 6) | <u>\$ (133,730)</u> | <u>\$ (168,703)</u> |
| Number of units outstanding (Note 6) | <u>3,379</u> | <u>3,379</u> |
| Net asset value per unit (Note 7) | <u>\$ (39.58)</u> | <u>\$ (49.93)</u> |

Northern Precious Metals 2010 Inc., General Partner

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

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

Statement of Investments Portfolio (cont'd)

December 31, 2014

| SHARES | Number of shares | Cost | Fair value |
|--|---------------------|------------------------------------|----------------------------|
| Gold | | | |
| Claude Resources | 48,900 | \$ 37,169 | \$ 15,159 |
| Clifton Star Resources Inc. | 42,900 | 235,950 | 3,647 |
| Fortune Bay | 15,000 | - | 4,350 |
| Metanor Resources Inc. | 41,000 | 21,115 | 3,075 |
| Mineral Mountain resources | 170,192 | 110,625 | 5,956 |
| Primero Mining Corp | 8,250 | 97,586 | 36,713 |
| | | <u>502,445</u> | <u>68,900</u> |
| Costs and fair value of investments | | 502,445 | 68,900 |
| Transaction costs | | <u>1,684</u> | |
| Total costs and fair value of investments | | \$ 504,129 | |
| Cash and other assets | | <u><u> </u></u> | 1,732 |
| Advances from the Manager | | | (113,408) |
| Long- term debt | | | (22,442) |
| Other net liabilities | | | <u>(68,512)</u> |
| Net assets | | | <u><u>\$ (133,730)</u></u> |

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

Statement of Cash Flows

| Years ended December 31 | 2014 | 2013 |
|---|--------------------|--------------------|
| | <i>(unaudited)</i> | <i>(unaudited)</i> |
| Operating activities | | |
| Increase in net assets from operations | \$ 34,973 | \$ (169,006) |
| Net realized loss on investments | 219,178 | 443,915 |
| Net unrealized gain on investments | (265,262) | (282,243) |
| Interest capitalized to long-term debt | 8,345 | 4,333 |
| Changes in non-cash asset and liability items | | - |
| Receivables | - | 2,802 |
| Prepaid expenses | - | 496 |
| Accounts payable and accrued liabilities | - | (35,346) |
| | (2,766) | (35,049) |
| Financing activities | | |
| Advances from the Manager | - | 83,155 |
| Long-term debt | (157,000) | (211,500) |
| | (157,000) | (128,345) |
| Investing activity | | |
| Realization of investments | 161,139 | 162,305 |
| Net decrease in cash | 1,373 | (1,089) |
| Cash at beginning of period | 359 | 1,448 |
| Cash at end of period | \$ 1,732 | \$ 359 |

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

Notes to Financial Statements *(unaudited)*

December, 31, 2014 and 2013

1. Organization and nature of activities

Northern Precious Metals 2010 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 started its activities on July 8, 2010 with a dissolution date of March 1, 2012. On February 29, 2012, Limited Partners voted at a special meeting to extend the dissolution date from March 1st, 2012 to July 31, 2012. At a second special meeting which took place on August 8, 2012, Limited Partners approved another extension to December 30, 2012. The Limited Partnership has been dissolved on December 21, 2012. Due to prevailing poor market conditions for the resource stocks, the Limited Partnership has modestly reduced some positions in its portfolio and still remains in a state of liquidation.

The Partnership's general partner is Northern Precious Metals 2010 Inc. (the "General Partner") and the manager of the investment funds 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. No provision for income taxes has been recorded in the financial statements as all income and losses of the Partnership are allocated to the partners.

3. Accounting policies

These financial statements have been prepared by the General Partner using Canadian generally accepted accounting principles ("GAAP") for annual financial statements.

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.

Notes to Financial Statements *(unaudited)***December, 31, 2014 and 2013**

3. Accounting policies (cont'd)*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.

Decrease in net assets from operations per unit

The decrease in net assets per unit from operations, disclosed in the statement of operations, corresponds to the 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.

Notes to Financial Statements *(unaudited)***December, 31, 2014 and 2013**

3. Accounting policies (cont'd)*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.

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. However, the AcSB deferred the mandatory IFRS changeover date for Canadian investment funds to January 1st, 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.

Investment funds may continue to apply existing Canadian GAAP standards until fiscal years beginning after December 31, 2013. However, as the partnership is in liquidation and considering the small amount of shares remaining to be liquidated, the General Partner considers inappropriate, at this time, to incur additional expenses to change the financial reporting to the International Financial Reporting standards ("IFRS").

If the Partnership were to apply IFRS 13, Fair Value Measurement ("IFRS 13"), IFRS 13 defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosure about fair value measurements. It applies when other IFRS require or permit fair value measurement. If an asset or a liability measured at fair value has a bid price and an ask price, it requires that the fair value would be based on a price within the bid-ask spread that is most representative of fair value. It 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. This may result in eliminating the difference between the NAV per unit and net assets per unit under current Canadian GAAP. This is not a material matter.

Notes to Financial Statements *(unaudited)*

December, 31, 2014 and 2013

3. Accounting policies (cont'd)*Future accounting policies (cont'd)**Transition to international financial reporting standards (cont'd)*

In October 31, 2012, the IASB published Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27), which provides a mandatory (not optional) exemption from consolidation of subsidiaries under IFRS 10, Consolidated Financial Statements, for entities which meet the definition of an investment entity. A qualifying investment entity is required to account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss; with the only exception being subsidiaries that are considered an extension of the investment entity's investing activities. The Partnership has no investment in any such entities.

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 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, 2014, 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, 2014) plus 6% was secured by the investments.

6. Net assets

| | <u>2014</u> | <u>2013</u> |
|--|---------------------|--------------------|
| <i>Authorized</i> | | |
| 15,000 units at \$1,000 each, with one vote per unit | | |
| <i>Issued</i> | | |
| 4,609 units issued for cash consideration | \$ 3,379,000 | \$ 3,379,000 |
| Unit issuance costs | <u>(590,842)</u> | <u>(590,842)</u> |
| Partners' equity | 2,788,158 | 2,788,158 |
| Deficit | <u>(2,921,888)</u> | <u>(2,956,861)</u> |
| Net assets | \$ (133,730) | \$ (168,703) |

Notes to Financial Statements *(unaudited)***December, 31, 2014 and 2013**

8. Related party transactions

In 2014, there was no fee paid for services (\$6,673 in 2013). Interests in the amount of \$0 (\$3,155 in 2013), presented in interest and bank charges, were paid on advances from 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.

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. As at December 31, 2014 the Partnership had accounts payable and accrued liabilities of \$68,512 (\$68,512 in 2013). The repayment of the long-term debt has been postponed 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 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.

Notes to Financial Statements *(unaudited)*

December, 31, 2014 and 2013

9. Risk associated with financial instruments (cont'd)*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 \$3,500. 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 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 December 31, 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 | \$ 68,900 | \$ - | \$ - | \$ 68,900 |
| | \$ 68,900 | \$ Nil | \$ Nil | \$ 68,900 |