



**Northern Precious Metals 2012
Limited Partnership**

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

June 30, 2016

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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 preparation and fair presentation of 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 International Financial Reporting Standards as issued by the International Accounting Standards Board 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.

Statement of Comprehensive Income *(unaudited)*

For the six month period ended June 30 2016

Expenses	
Management fees	\$ 6,315
Audit fees	11,896
Professional fees	25,273
Unitholders' administration costs	15,983
Custodian fees	9,757
Transaction costs	1,717
Interest and bank charges	1,984
Net realized loss on investments	104,090
Changes in unrealized depreciation on investments	<u>(574,966)</u>
Increase in net assets attributable to unitholders	\$ 397,951
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Increase in net assets attributable to unitholders per unit	\$ 86.34
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Weighted average number of outstanding units	4,609
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The accompanying notes are an integral part of these financial statements.

Statement of Changes in Net Assets Attributable to Unitholders *(unaudited)*

For the six-month period ended June 30, 2016

Balance at January 1 st , 2016	\$ 311,874
Increase in net assets attributable to unitholders	<u>397,951</u>
Balance at June 30, 2016	<u>\$ 709,825</u>

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

Statement of Financial Position

	June 30 2016	December 31 2015
	<i>(unaudited)</i>	<i>(audited)</i>
ASSETS		
Current assets		
Investments	\$ 806,395	\$ 430,939
Cash	31,251	14,944
	<hr/>	<hr/>
Total assets	\$ 837,646	\$ 445,883
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	30,560	38,272
Advances from the Manager, at the Bank of Montreal's prime rate (2,7% at June 30, 2016) without terms of repayment	97,261	95,737
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Total liabilities	127,821	134,009
	<hr/>	<hr/>
Net assets attributable to unitholders (Note 6)	709,825	311,874
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Total liabilities and net assets attributable to unitholders	\$ 837,646	\$ 445,883
	<hr/> <hr/>	<hr/> <hr/>
Number of units outstanding (Note 5)	4,609	4,609
	<hr/> <hr/>	<hr/> <hr/>
Net assets attributable to unitholders per unit	\$ 154.01	\$ 67.67
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Northern Precious Metals 2012 Inc., General Partner

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

Schedule of Investments Portfolio *(unaudited)*

June 30, 2016

Equities	Number of shares	Cost	Carrying value
Canadian equities			
Alexandria Minerals Corp.	923,000	\$ 106,145	\$ 64,610
Bank Island Gold Ltd.	175,000	147,000	23
Cardero Resources Corp.	21,250	106,250	4,887
Eastmain Resources Inc.	535,500	428,400	326,655
Fancamp Exploration Ltd.	211,000	34,794	10,550
First Mining Finance Corp.	70,000	87,500	53,200
Happy Creek Minerals Ltd.	168,000	41,832	28,560
Integra Gold Corp.	156,000	50,700	124,800
Metanor Resources Inc.	1,521,000	365,040	121,680
SGX Resources Inc.	133,000	46,550	1,995
Spanish Mountain Gold Ltd.	643,000	205,760	57,870
Yellowhead Mining Inc.	165,214	115,650	11,565
		<hr/>	<hr/>
Costs and fair value of investments		\$ 1,735,621	\$ 806,395
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The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows *(unaudited)***For the six-month period ended June 30, 2016**

Operating activities

Increase in net assets attributable to unitholders	\$ 397,951
Net realized loss on investments	104,090
Changes in unrealized depreciation on investments	(574,966)
Proceeds from sale of investments	95,420
Changes in non-cash asset and liability items	
Accounts payable and accrued liabilities	<u>(7,712)</u>
Net cash from operating activities	<u>14,783</u>

Financing activities

Advances from the Manager	<u>1,524</u>
Net cash from financing activities	<u>1,524</u>

Net increase in cash**16,307**

Cash at beginning of year

14,944**Cash at end of the period****\$ 31,251**

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

Notes to Financial Statements (*unaudited*)

June 30, 2016

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 August 8, 2016.

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. Finally, a fourth extension to December 31, 2016 was voted by the Limited Partners at a special meeting held on March 30, 2016.

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).

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. 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.

Notes to Financial Statements (*unaudited*)June 30, 2016

3. Accounting policies (cont'd)*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 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.

Increase in net assets attributable to unitholders per unit

The increase in net assets attributable to unitholders per unit is calculated by dividing the increase 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.

Notes to Financial Statements (*unaudited*)June 30, 2016

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 7).

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, 2016, there was no performance bonus. Finally, the General Partner is entitled to 0.01% of the Partnership's net income.

5. 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.

6. Increase 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 December 31, 2016. 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 December 31, 2016 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.

7. Related party transactions*Operating and management fees*

During the period, the Partnership paid to a director and officer of the General Partner \$8,700 as rent expenses for its premises, presented in unitholders administrative costs. Interests in the amount of \$1,347, 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 \$6,315 and professional fees of \$22,994 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 (*unaudited*)June 30, 2016

8. 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 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, 2016 the Partnership had accounts payable and accrued liabilities of \$30,560 that will have to be paid in the next six months. The advances from the Manager are without terms of repayments.

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 \$40,000. 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: 93.1% of the Partnership's investments are in gold mining companies and 6.9% are in other metals companies.

Notes to Financial Statements (*unaudited*)

June 30, 2016

9. 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 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 June 30, 2016:

	Level 1	Level 2	Level 3	Total
Equities	\$ 806,395	\$ -	\$ -	\$ 806,395
	\$ 806,395	\$ Nil	\$ Nil	\$ 806,395

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