Northern Precious Metals 2012 Limited Partnership

Annual Financial Statements

December 31, 2016 and 2015

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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, 2016 and 2015 and the statements of comprehensive loss, changes in net assets attributable to unitholders and cash flows for the years ended December 31, 2016 and 2015, 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, 2016 and 2015, and its financial performance and its cash flows for the years ended December 31, 2016 and 2015 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Petrie Raymond [1]

Chartered Professional Accountant Partnership LLP

Montréal, Québec
March 24, 2017

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

Statement of Financial Position

December 31		2016		2015
ASSETS				
Current assets				
Investments	**$**	**575,476**	$	430,939
Cash		**9,182**		14,944
Total assets	**$**	**584,658**	$	445,883
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**17,700**	$	38,272
Advances from the Manager, at the Bank of Montreal's prime rate (2,7% at December 31, 2016) without terms of repayment		**11,068**		95,737
Total liabilities		**28,768**		134,009
Net assets attributable to unitholders				
Units issued (Note 5)		**4,609,000**		4,609,000
Unit issuance costs		**(685,039)**		(685,039)
Partners' equity		**3,923,961**		3,923,961
Deficit		**(3,368,071)**		(3,612,087)
Net assets attributable to unitholders (Note 6)		**555,890**		311,874
Total liabilities and net assets attributable to unitholders	**$**	**584,658**	$	445,883
Number of units outstanding (Note 5)		**4,609**		4,609
Net assets attributable to unitholders per unit	**$**	**120.61**	$	67.67

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	2016	2015
Income (loss)		
Net realized loss on investments	**$ (227,122)**	$ (63,500)
Change in unrealized depreciation on investments	**604,399**	62,818
Total income (loss)	**377,277**	(682)
Expenses		
Management fees	**14,872**	10,556
Audit fees	**19,697**	17,695
Professional fees	**45,156**	38,774
Unitholders' administration costs	**30,455**	33,504
Transaction costs	**2,333**	367
Custodian fees	**16,870**	17,107
Interests and bank charges	**3,878**	2,752
Total expenses	**133,261**	120,755
Increase (decrease) in net assets attributable to unitholders	**$ 244,016**	$ (121,437)
Increase (decrease) in net assets attributable to unitholders per unit	**$ 52.94**	$ (26.35)
Weighted average number of outstanding units	**4,609**	4,609

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

Statement of Changes in Net Assets Attributable to Unitholders

Years ended December 31, 2016

	Units issued	Unit issuance costs	Deficit	Total
Balance at January 1st, 2015	$ 4,609,000	$ (685,039)	$ (3,490,650)	**$ 433,311**
Decrease in net assets attributable to unitholders	-	-	(121,437)	**(121,437)**
Balance at December 31, 2015	4,609,000	(685,039)	(3,612,087)	**311,874**
Increase in net assets attributable to unitholders	-	-	244,016	**244,016**
Balance at December 31, 2016	$ 4,609,000	$ (685,039)	$ (3,368,071)	**$ 555,890**

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

Statement of Cash Flows

Years ended December 31	2016	2015
Operating activities		
Increase (decrease) in net assets attributable to unitholders	**$ 244,016**	$ (121,437)
Net realized loss on investments	**227,122**	63,500
Changes in unrealized depreciation on investments	**(604,399)**	(62,818)
Proceeds from sale of investments	**232,740**	32,550
Changes in non-cash asset and liability items		
Accounts payable and accrued liabilities	**(20,572)**	20,772
Net cash from operating activities	**78,907**	(67,433)
Financing activities		
Advances from the Manager	**(84,669)**	80,021
Net increase (decrease) in cash	**(5,762)**	12,588
Cash at beginning of year	**14,944**	2,356
Cash at end of year	**$ 9,182**	$ 14,944

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

Schedule of Investments Portfolio

December 31, 2016

EQUITIES	Number of shares	Cost	Carrying value
Canadian equities			
Alexandria Minerals Corp.	923,000	$ 106,145	$ 55,380
Bank Island Gold Ltd.	175,000	147,000	23
Cardero Resources Corp.	21,250	106,250	3,825
Eastmain Resources Inc.	490,500	392,400	250,155
Fancamp Exploration Ltd.	211,000	34,794	8,440
First Mining Finance Corp.	50,000	62,500	43,000
Integra Gold Corp.	156,000	50,700	87,360
Metanor Resources Inc.	940,000	225,600	47,000
SGX Resources Inc.	133,000	46,550	-
Spanish Mountain Gold Ltd.	586,500	187,680	70,380
Yellowhead Mining Inc.	165,214	115,650	9,913
Costs and fair value of investments		$ 1,475,269	$ 575,476

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

Notes to Financial Statements

December, 31, 2016 and 2015

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). These financial statements were authorized for issue by Northern Precious Metals Management Inc. (the "Manager") on March 24, 2017.

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. The liquidation of the Partnership's portfolio started in July 2016 but was not completed by December 31, 2016 as contemplated, for reasons explained in the manager's report dated January 17, 2017. With the liquidation in progress, 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. 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.

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 rated 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.

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

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.

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 December 31, 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. 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.

7. Related party transactions

Operating and management fees

During the year, the Partnership paid to a director and officer of the General Partner $17,400 ($15,900 in 2015) as rent expenses for its premises, presented in unitholders administrative costs. Interests in the amount of $2,621 ($1,429 in 2015), 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 $14,872 ($10,556 in 2015) and professional fees of $35,166 ($33,369 in 2015) to the Manager and professional fees of $5,749 (nil in 2015) to a director and officer of the General Partner. 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.

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.

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 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.

8. Risk associated with financial instruments (cont'd)

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, 2016, the Partnership had accounts payable and accrued liabilities of $17,700 ($38,272 in 2015). 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 $29,000. 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: 96.1% of the Partnership's investments are in gold mining companies and 3.9% are in other metals companies.

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 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.

9. Fair value measurement (cont'd)

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, 2016 and 2015:

As at December 31, 2016	Level 1	Level 2	Level 3	Total
Equities	$ 575,476	$ Nil	$ Nil	**$ 575,476**

As at December 31, 2015	Level 1	Level 2	Level 3	Total
Equities	$ 430,939	$ Nil	$ Nil	**$ 430,939**

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 cannot be determined since they have no terms of repayment.