



## **Management's Discussion and Analysis**

**For the three months and year ended December 31, 2009**

**Date of Report: April 27, 2010**

### **Overview:**

This Management's Discussion and Analysis of the financial condition and results of operation ("MD&A") of 49 North Resources Inc. (the "Corporation") has been prepared based upon information available to the Corporation as at April 27, 2010 and should be read in conjunction with the annual audited financial statements and the notes thereto as at and for the year ended December 31, 2009 (the "current statements"). All financial data in this MD&A is reported in Canadian dollars and has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") unless otherwise indicated (see "Non-GAAP Measures").

The Corporation is currently a corporation under the laws of Saskatchewan whose common shares are listed on the TSX Venture Exchange ("TSXV") under the trading symbol "FNR". It is a reporting issuer in all of the provinces and territories of Canada. The Corporation is the successor by reorganization to 49 North Resource Fund Limited Partnership, which was constituted a limited partnership under the laws of Saskatchewan in July 2005, originally under the name 49 North Resource Flow-Through Limited Partnership (the "Former Partnership"). The Former Partnership's limited partnership units ("Units") were listed on the TSXV under the trading symbol FNR.UN until, effective January 1, 2008, the Former Partnership converted from the limited partnership into a corporation with the name 49 North Resource Fund Inc. in a series of transactions collectively referred to herein as the "Conversion Transaction". Effective August 14, 2009, the corporate name was changed from "49 North Resource Fund Inc." to "49 North Resources Inc." All references herein to "49 North" or the "Company", and personal pronouns such as "us", "we" or "our", mean the Corporation when used with reference to the period from and after January 1, 2008 and mean the Former Partnership when used with reference to the period prior to January 1, 2008. References herein to the "General Partner" mean the corporation which, under the name 49 North Resource Fund Inc., served as the general partner of the Former Partnership until its dissolution as part of the Conversion Transaction. Unless the context indicates otherwise, references to "common shares", mean common shares of the Corporation when used with reference to the period from and after January 1, 2008 and include Units of the Former Partnership when used with reference to the period prior to January 1, 2008. Additionally, unless otherwise indicated, all current and comparative figures in this MD&A have been adjusted to reflect the 2 Unit for 1 common share consolidation that occurred effective January 1, 2008 as part of the Conversion Transaction.

### **Nature of the Business:**

49 North is a resource investment, financial and managerial advisory and merchant banking company. The Corporation's subsidiary, North Rim Exploration Ltd., provides independent geological consulting services. Currently, 49 North's principal business is to acquire and aggressively manage a diversified portfolio of shares and other securities of resource companies including, without limitation, resource companies engaged in mineral or oil and gas exploration and development, with a view to achieving capital appreciation in the portfolio. In addition, the Corporation is expanding its business into a broader range of activities, including but not limited to an increased role in the management of larger positions (including, potentially, control positions) in selected resource issuers and/or becoming directly or indirectly (through one or more subsidiaries, joint ventures, farm-ins or other arrangements that may be established for that purpose) involved in the acquisition, development and/or commercialization of resource properties.

## Overall Performance:

The economic climate in 2009 began with continued negative sentiment but as the year progressed signs of recovery began to emerge and capital markets showed some stability as commodity and stock prices increased from the lows experienced in late 2008. In fact, numerous stock and commodity prices have increased significantly during the year. However, there still remains continuing uncertainty and constrained access to capital which could hinder a full recovery. For the most part, commodity and stock prices ended the year at higher levels than at the end of 2008, but in most cases, still nowhere near the peaks reached in mid-2008. At this time it is difficult to predict whether this rebound is sustainable.

The Company realized net gains on the sale of investments in the fourth quarter. The improvement in commodity prices and equities resulted in continued unrealized gains in the quarter compared to a loss for full year 2008.

As at December 2009, the fair value of the Company's investments was \$37,140,911 as compared to \$7,672,171 as at December 31, 2008 (a 384% increase) and shareholders' equity stood at \$31,955,460 as at December 31, 2009 compared to \$3,719,302 as at December 31, 2008 (a 759% increase).

Despite the current state of the world market, 49 North remains committed to its investment strategy and long-term objectives. The Company believes that the current volatility in stock prices will remain in the near term and may result in 49 North incurring realized losses on sales of its investments in order to generate cash needed to fund its operations. Additionally, if there are further declines in the trading prices of securities which 49 North holds, the Company may incur additional unrealized losses on its investments.

## Selected Financial Information:

<b>Balance Sheet Information</b> In \$ 000's except per share data	<b>December 31, 2009</b>	<b>December 31, 2008</b>	<b>December 31, 2007</b>
Equity investments, at fair value	\$ 37,141	\$ 7,672	\$ 26,157
Total assets	42,072	8,679	26,157
Liabilities and Minority Interest	10,116	4,960	3,811
Shareholders Equity	31,955	3,719	22,246
Per share, basic	\$ 5.10	\$ 2.05	\$ 15.98
Per share, diluted	\$ 4.72	\$ 1.91	\$ 15.20

<b>Statement of Operations Information</b> In \$ 000's except per share data	<b>Three months ended December 31,</b>		<b>Year ended December 31,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Net realized investment gains (losses)	<b>554</b>	(5,360)	<b>1,696</b>	(4,451)
Net unrealized investment gains	<b>237</b>	(5,831)	<b>14,559</b>	(18,961)
Interest income	<b>31</b>	<u>212</u>	<b>61</b>	<u>232</u>
	<b>\$822</b>	\$(10,979)	<b>\$16,316</b>	\$(23,180)
Expenses	<b>763</b>	552	<b>3,222</b>	2,847
Income before income taxes	<b>59</b>	(11,531)	<b>13,094</b>	(26,029)
Future income taxes	<b>8</b>	(1,686)	<b>1,879</b>	(4,063)
Net Income	<b>51</b>	(9,844)	<b>11,215</b>	(21,966)
Earnings per share, basic	<b>\$0.01</b>	\$(5.38)	<b>\$1.79</b>	\$(12.14)
Earnings per share, diluted	<b>\$0.01</b>	\$(5.38)	<b>\$1.74</b>	\$(12.14)

## Significant Events:

Apart from the general economic factors and specific financial information mentioned above, the following events and developments occurred during and subsequent to the year ended December 31, 2009 that changed or affected the organizational structure, capitalization, operations and/or result of operation of 49 North.

➤ **Roll-over Transaction with 2008-I Fund:** Between February and May 2008, 49 North 2008 Resource Flow-Through Limited Partnership (the “2008-I Fund”) raised \$9,156,550 on the sale of 915,655 flow-through limited partnership units (the “2008-I Units”), at \$10 per 2008-I Unit, in an initial public offering that was carried out in all provinces and territories of Canada pursuant to a prospectus dated February 12, 2008. Pursuant to a transfer agreement made February 12, 2008, as amended and restated as of December 18, 2008, effective February 2, 2009, the 2008-I Fund transferred its assets – consisting of flow-through shares and warrants of 20 resource companies valued, after all adjustments, for the purposes of the transaction (the “2008-I Fund Roll-over Transaction”), at \$4,016,711 – to, and in exchange for 1,656,376 common shares of the Company, which were valued for the purpose of the transaction at \$2.425 per share. Following this transfer, but also effective February 2, 2009, the 2008-I Fund was wound-up and dissolved and these 1,656,376 shares were distributed amongst the (former) partners of the 2008-I Fund with each (former) limited partner of the 2008-I Fund receiving approximately 1.809 common shares for each 2008-I Unit they previously held. Also as a consequence of the 2008-I Fund Roll-over Transaction 49 North became a reporting issuer in Québec and the three territories such that it is now a reporting issuer in all provinces and territories of Canada.

➤ **Roll-over Transaction with 2008-II Fund:** In December 2008, 49 North 2008-II Resource Flow-Through Limited Partnership (the “2008-II Fund”) raised \$2,191,100 in a brokered private placement of 219,110 flow-through limited partnership units (the “2008-II Units”), at \$10 per 2008-II Unit. Pursuant to a framework agreement made as of September 5, 2008, as amended and restated as of November 25, 2008, effective February 2, 2009, the 2008-II Fund transferred its assets – consisting of flow-through shares in 2 resource companies valued, after all adjustments, for the purposes of the transaction at \$1,820,069 – to, and in exchange for, 750,544 common shares of, the Company, which were valued for the purpose of the transaction at \$2.425 per share. Following this transfer, but also effective February 2, 2009, the 2008-II Fund was wound-up and dissolved and these 750,544 common shares were distributed amongst the (former) partners of the 2008-II Fund with each (former) limited partner of the 2008-II Fund received approximately 3.425 FNR shares for each 2008-II Unit they previously held.

➤ **Stock Option Plan:** On April 2, 2009, the board of directors of the Company approved the grant of 295,000 stock options pursuant to the Company’s 2008 Stock Option Plan. 140,000 of the options were granted to directors and executive officers with the balance granted to employees and consultants. The options are exercisable at \$2.00 per share and, if not exercised, expire April 2, 2019, subject to earlier expiration in accordance with the Plan and applicable policies of the TSX Venture Exchange. At the same time, options for 75,000 common shares that were originally granted in July 2008 were cancelled.

On September 9, 2009, the board of directors of the Company approved the grant of 25,000 options to a director of the Company, exercisable at \$2.38 per share. Also in September, 25,000 outstanding options previously granted to Harvey Bay expired effective September 15, 2009 as a consequence of Mr. Bay’s retirement as a director on June 17, 2009.

Subsequent to December 31, 2009, on March 25, 2010, the board of directors of the Company approved an additional grant of 280,000 stock options. 195,000 of the options were granted to directors and executive officers with the balance granted to employees. The options are exercisable at \$2.35 per share, and if not exercised, expire March 25, 2020, subject to earlier expiration in accordance with the 2008 Stock Option Plan and applicable policies of the TSX Venture Exchange.

➤ **Private Placement:** In 2009 the Corporation raised aggregate gross proceeds in an amount equal to \$11,840,614.75 in two closings of its private placement offering, held June 22 and July 14, which private placement was carried out under the “accredited investor exemption” in part 2.3 of National Instrument 45-106 *Prospectus and Registration Exemptions*. A portion of the private placement was comprised of the sale of 3,942,041 units at an issue price of \$2.75 per unit for proceeds of \$10,840,612.75. Each unit is comprised of one common share and one common share purchase warrant, exercisable at \$3.50 within two years of the date of issue of the warrant.

The subscription price for 2,145,178 of the units issued was satisfied by the exchange of shares, where certain subscribers transferred or issued securities to 49 North in return for the units issued to them. Specifically, we received the following common shares in exchange for the 2,145,178 units issued:

<b>Issuer</b>	<b>Number of Common Shares</b>	<b>Purchase Price per Share (CDN)</b>	<b>Aggregate Purchase Price (CDN)</b>
Athabasca Potash Inc. (TSX: API)	315,000	\$4.938	\$1,555,470.00
Pinetree Capital Ltd. (TSX: PNP)	914,796	\$2.45	\$2,241,250.20
Westcore Energy Ltd. (TSXV: WTR)	252,000	\$0.652	\$164,304.00
Eagle Plains Resources Ltd. (TSXV: EPL)	175,500	\$0.262	\$45,981.00
Wescan Goldfields Inc. (TSXV: WGF)	47,000	\$0.206	\$9,682.00
Prairie Hunter Energy Corp. (Private)	1,128,315	\$1.00	\$1,128,315.00
NuCoal Energy Corp. (Private)	1,010,667	\$0.75	\$758,000.25

The purchase price for the acquired common shares was set off against the subscription price of the particular subscriber's units purchased in the private placement. The difference between the subscription price for units and the purchase price of the transferred common shares was paid by 49 North in cash to the appropriate subscriber, resulting in a cash payment of approximately \$3,762.75 by 49 North. All of the acquired shares meet 49 North's investment criteria and the valuation of the acquired shares was approved on behalf of the 49 North by a committee comprised of independent members of its board of directors. The remaining 1,796,863 units were issued for \$4,941,373.25 in cash in the private placement.

The other portion of the private placement saw 49 North complete a share exchange transaction with Grafton Resource Investments Ltd. ("Grafton") in which we issued to Grafton 333,334 common shares (as opposed to units) at \$3.00 per share, in exchange for 21,985 shares of Grafton, representing a value of \$1,000,002 based on the net asset value per share of Grafton as at May 29, 2009. Grafton is a closed-end resource fund managed by Newland Fund Management LLP of London England.

As a result, in aggregate 49 North raised gross proceeds in an amount equal to \$11,840,614.75. If all of the warrants and broker warrants are exercised, the company will receive an additional \$14,920,181.00.

The agents for the private placement received a fee comprised of a commission and a work fee totalling \$758,250. As additional consideration we issued 312,992 broker warrants and agreed to pay a commission of 3.0% of any amount received from the exercise of any warrant underlying the units.

➤ **Payment of Debenture Interest:** On July 24, 2009 the Company paid, in cash, due interest in the amount of approximately \$9.00 per \$100 principal amount of its outstanding 9% convertible, unsecured, subordinated debentures ("Debentures"). Payment was made to debenture holders of record as of June 30, 2009. The total annual interest payment was \$450,000. The Debentures have a three year term maturing July 24, 2011 and bear interest from July 24, 2008 at 9% per annum which, unless the Debentures are earlier converted or redeemed in accordance with their terms, is to be paid on July 24 in each of 2009, 2010 and on maturity.

➤ **Normal Course Issuer Bids:** On July 31, 2009 the Company announced its intention, and its receipt of all required regulatory approvals including approval by the TSXV, to make a normal course issuer bid (the "2009 NCIB") for up to 720,823 of its common shares, representing approximately 10% of 49 North's public float. The 2009 NCIB commenced on August 7, 2009 and will continue until the earlier of August 6, 2010 and the date which 49 North has acquired the maximum 720,823 common shares which may be purchased under the 2009 NCIB. The 2009 NCIB will be made through the facilities of the TSXV and the purchase and payment for the securities will be made in accordance with TSXV requirements at the market price of the common shares at the time of acquisition. All common shares purchased by 49 North under the 2009 NCIB will be cancelled. For the period August 7, 2009

to December 31, 2009, the Company purchased 67,000 common shares under this program at a cost of \$146,618 (on average, \$2.19 per share).

The 2009 NCIB is the third consecutive normal course issuer bid undertaken by the Company, beginning with the Former Partnership in July 2007. During the fiscal year ended December 31, 2008, the Company repurchased 92,600 common shares pursuant to its normal course issuer bids at a total cost of \$733,945 (on average, \$7.93 per share). An additional 73,800 common shares were purchased under the normal course issuer bid between January 1 and June 30, 2009 at a cost of \$147,165 (on average, \$1.99 per share).

➤ **Name Change of the Company:** Effective August 14, 2009, the Company changed its name from “49 North Resource Fund Inc.” to “49 North Resources Inc.” The name change reflects the fact that the Company has ceased to be an “investment fund” for securities law purposes and is expanding its business into a broader range of activities, including but not limited to an increased role in the management of and larger positions (including, potentially, control positions) in selected resource issuers and/or becoming directly or indirectly (through one or more subsidiaries, joint ventures, farm-in or other arrangements that may be established for that purpose) involved in the acquisition, development and/or commercialization of resource properties. In addition to changing the name of the Corporation, the articles of the Corporation were also amended to delete series 1 of the second preferred shares.

➤ **Acquisition of North Rim Exploration Ltd.:** In 2009 the Corporation acquired 750,000 Class “A” common shares (the “NREL Shares”) of North Rim Exploration Ltd. (“NREL”). The acquisition of the NREL Shares was completed in two instalments that closed November 2 and December 31, 2009, respectively. As a result, 49 North now owns 50% of the issued and outstanding shares of NREL and the remaining 50% of the shares are held by key employees and exclusive consultants of NREL.

NREL, a private company, is Saskatchewan’s premier independent geological consulting company specializing in the field of subsurface geology pertaining to petroleum, potash and industrial mineral resources. NREL has provided consulting services to petroleum and mineral resource exploration and development companies, engineering firms and First Nations since 1984. Acquiring a stake in NREL will greatly enhance 49 North’s position as the dominant early stage resource development entity in Saskatchewan.

The NREL Shares were acquired in two tranches. At the closing of the first tranche 49 North paid cash consideration of \$375,000 for 375,000 of the NREL Shares. At the closing of the second and final tranche 49 North received the remaining NREL Shares in consideration of issuing a promissory note to the vendors in the amount of \$375,000 with interest accruing at the Royal Bank of Canada Prime lending rate, as published from time to time, plus 2%. Payment of principal and interest owing under the promissory note shall be completed in no more than eight semi-annual consecutive installments, with the amount of each installment payment based on a percentage of NREL’s net earnings. If after the eighth semi-annual installment payment there remains an amount owing under the promissory note, that amount shall be waived by the vendor. The promissory note is secured by the NREL Shares.

➤ **Rollover Transaction with 2009 Fund:** At three closings held November 16, 2009, December 4, 2009 and December 16, 2009, 49 North 2009 Resource Flow-Through Limited Partnership (the “2009 Fund”) raised \$8,328,800 on the sale of 832,880 flow-through units (the “2009 Units”), at \$10.00 per 2009 Unit, in an initial public offering that was carried out in all provinces and territories of Canada except Quebec pursuant to a prospectus dated November 5, 2009. Pursuant to a transfer agreement made November 5, 2009, effective February 1, 2010, the 2009 Fund transferred its assets – consisting of flow-through shares and warrants of 14 resource companies valued, after all adjustments, for the purposes of the transaction, at \$7,572,149 – to FNR in a Roll-over Transaction in exchange for 4,351,810 common shares of FNR, which were valued for the purpose of the transaction at \$1.74 per share. Following this transfer, but also effective February 1, 2010, the 2009 Fund was wound-up and dissolved and these 4,351,810 FNR shares were distributed amongst the (former) partners of the 2009 Fund, as to 99.99%, *pro rata*, to the (former) limited partners (4,351,374 shares) and as to 0.01% (436 shares) to the general partner. Accordingly, each (former) limited partner of the 2009 Fund received approximately 5.224 FNR shares for each 2009 Unit they previously held.

➤ **Realization on Early Stage Investment in Athabasca Potash Inc.:** On March 23, 2010 BHP Billiton Canada Inc. closed its acquisition of all of the issued and outstanding common shares of Athabasca Potash Inc. pursuant to a statutory plan of arrangement in accordance with section 186.1 of *The Business Corporations Act*

(Saskatchewan) for \$8.35 cash per common share. Upon the divestiture of the 2,254,000 common shares of Athabasca Potash Inc. held by 49 North at the time of closing, 49 North received \$18,820,900 in cash. Based on the 12,754,883 shares then outstanding, this represented a cash injection of approximately \$1.47 per common share.

➤ **Acquisition of AllStar Energy Limited:** Effective April 12, 2010 49 North acquired 89.5% of the issued and outstanding common shares of AllStar Energy Limited (“AllStar”), a private company with oil and gas assets in the Kindersley area of Saskatchewan. The 10.5% residual interest in AllStar is owned by the founders and operators of the private company. The acquisition provides 49 North with a significant interest in just over nine sections of highly prospective land underlain by the prolific Viking oil formation and represents a significant advancement of our oil and gas development strategy to be achieved through acquisition, joint venture and direct exploration. Generally characterized by high quality, economically successful light oil production, activity in the area dates back to the 1950’s with most oil being recovered using traditional vertical well technology. Given the sizable area of this established but relatively undeveloped field, we view the acquired assets as a prime opportunity for enhanced production capabilities using horizontal drilling and newly developed multi-stage fracture technology. 49 North acquired 10,548,502 AllStar shares for \$3,481,005.66 (\$0.33 per share)

➤ **Mineral Property Acquisition and Agreement with Westcore Energy Ltd.:** In March, 2009 the Corporation obtained approval for two coal exploration permits in Manitoba. 49 North received a 100% interest in Quarrying Exploration Permit Nos. QP-216 and QP-229 which were issued by Manitoba Innovation, Energy and Mines, Mines Branch for a term of three years commencing March 5, 2010 and authorize 49 North to explore for coal on the approximately 8,653 hectares covered by the permits. 49 North has also made three further applications for coal exploration permits respecting an additional 1,620 hectares of property in Manitoba, which applications are pending.

49 North subsequently entered into a binding agreement with Westcore Energy Inc. (“Westcore”) on April 22, 2010 for the sale of an interest in the permits and pending permits. Under the agreement, Westcore will initially acquire a 50% interest in the property covered by the permits and pending permits, together with all rights attaching to them with the ability to increase this interest to as much as 80%. The consideration payable to 49 North under the agreement will consist of the issuance of an aggregate of 1,000,000 common shares in the capital of Westcore, together with a cash payment in the amount of \$250,000. Under the agreement, Westcore will operate all exploration and drilling activities in respect of the property and will bear responsibility for all exploration expenditures and related costs until such time as a bankable feasibility study is completed. Westcore is obliged to expend not less than \$500,000 on exploration expenses in respect of the properties during its 2010 – 2011 exploration program and will earn additional interest in these property based upon the following: (a) provided that Westcore incurs and pays exploration expenditures in excess of \$1,000,000 on or before December 31, 2012, Westcore will earn a further 10% interest in the property; and (b) provided that Westcore completes a bankable feasibility study in respect of the property on or before December 31, 2013, Westcore will earn a further 20% interest in the property.

## **Results of Operations:**

### ***Summary of Results:***

The Company’s operating results for year ended December 31, 2009 and for fiscal year ended December 31, 2008 is stated below.

<b>Results of Operation</b>	<b>December 31, 2009</b>	<b>December 31, 2008</b>
Net investment gains (losses)	\$16,315,530	\$ (23,181,304)
Net income (loss) for the year	11,214,731	(21,965,982)
Earnings (loss) per share – basic	1.79	(12.14)
Earnings (loss) per share - diluted	1.74	(12.14)
Total assets	42,071,736	8,679,384
Total liabilities and Minority Interest	10,116,276	4,960,082
Shareholders' equity	31,955,460	3,719,302

The Company's selected quarterly results for the eight most recently completed interim financial periods are as follows:

<b>Quarterly Results of Operations (unaudited)</b>				
<b>In \$ 000's except per share data</b>	<b>Quarter ended</b>			
	<b>Dec 31, 2009</b>	<b>Sept. 30, 2009</b>	<b>June 30, 2009</b>	<b>March 31, 2009</b>
Net investment gains (losses)	\$822	\$6,707	\$3,672	\$5,115
Net income (loss)	51	5,248	2,319	3,598
Earnings (loss) per share – basic	\$0.01	\$0.63	\$0.43	\$1.08
Earnings (loss) per share – diluted	\$0.01	\$0.61	\$0.39	\$0.98
	<b>Dec. 31, 2008</b>	<b>Sept. 30, 2008</b>	<b>June 30, 2008</b>	<b>March 31, 2008</b>
Net investment gains (losses)	\$(10,979)	\$(29,998)	\$ 15,694	\$2,102
Net income (loss)	(9,844)	(25,699)	11,838	1,740
Earnings (loss) per share – basic	\$(5.38)	\$(14.06)	\$ 6.40	\$1.06
Earnings (loss) per share – diluted	\$(5.38)	\$(14.06)	\$ 6.01	\$0.97

***Years Ended December 31, 2009 and 2008:***

For the year ended December 31, 2009, the Company recorded pre-tax income of \$13,093,994 and net income, after-tax, of \$11,214,731 (\$1.79 per share), compared to pre-tax loss of \$26,028,531 and net loss of \$21,965,982 (\$12.14 per share) for the year ended December 31, 2008.

The Company's pre-tax income in 2009 of \$13,093,994 was based on net investment gains of \$16,315,530 less recorded expenses of \$3,221,536; compared to a loss in 2008 of \$26,208,531 on net investment losses of \$23,181,304 and expenses of \$2,847,227. The significant year over year increase is primarily a result of a net change of \$33,520,460 between unrealized gains in 2009 versus unrealized losses in 2008.

The \$16,315,530 of net investment gains in 2009 is comprised of \$1,696,018 of realized gains, \$14,558,605 of unrealized gains and \$60,907 of interest and dividend income. By comparison, in 2008, the Company had realized net investment losses of \$4,451,195, unrealized losses of \$18,961,855, and interest and dividend income of \$231,746. The Company's significant investment losses in 2008 were generally attributable to the significant decrease in commodity and stock prices during the third quarter of 2008 as the recession began to reach a global scale. The investment gains in 2009 are attributable to the mild recovery which has begun with increases in commodities and resource stock prices occurring. In regard to the world-wide economic climate during most of 2008, it was one of continuing global credit failure and associated de-leveraging, which severely constrained access to capital resulting in an intensifying expectation of a protracted global recession. This extreme negative sentiment resulted in extraordinary downward pressure on commodity prices and related equities which in turn has had a substantially negative impact on 49 North's investment portfolio. Commodity prices and stock prices generally ended the year at levels significantly lower than at the beginning of the year and, in many cases, at or near all-time lows. For the second half of 2009 we are seeing a recovery from these lows, which has benefitted our investment portfolio.

The realized investment gains of \$1,696,018 were attributable to disposition of a number of investments held in the portfolio. Of the \$37,140,911 in investments, \$10,088,140 or 27% represents investments in private companies. Management has reviewed the values of these holdings and based upon its accounting policies has not adjusted the values in fourth quarter 2009.

Expenses for the year ended December 31, 2009 were \$3,221,536, compared to expenses of \$2,847,227 for the year ended December 31, 2008. The following table provides a list of all expenses incurred by the Company for the years ended December 31, 2009 and 2008. Additional information about these expenses including the main reasons for changes in expenses is provided in the notes to the table.

Full Year Expenses	Year Ended December 31	
	2009	2008
Amortization <sup>1</sup>	49,580	27,836
Business development and investor relations <sup>2</sup>	598,522	644,419
Interest <sup>3</sup>	681,992	590,036
Management fees <sup>4</sup>	528,063	362,144
Wages and benefits <sup>2</sup>	152,994	84,878
Office and administration <sup>2</sup>	148,132	107,033
Professional fees <sup>5</sup>	363,072	254,086
Stock compensation <sup>6</sup>	442,891	635,818
Transaction costs <sup>7</sup>	256,290	140,977
	<b>3,221,536</b>	<b>2,847,227</b>

**Notes:**

1. Amortization expense is related to amortization of the Companies leasehold improvements and capital assets. These assets were purchased in mid 2008 with some minor additions in 2009.
2. Business development and investor relations costs, wages and benefits, and office and administrative expenses totaled \$899,648 compared to \$836,330 for the year ended December 31, 2008. In 2008 the Company hired its first permanent employees and staff, including a full time Manager of Investor Relations, and initiated several new investor relations activities as well as acquiring new office premises. As well, in 2009 compensation costs associated with the CFO and directors of the Company were recorded which were not incurred in 2008.
3. Interest expense was \$681,992 for the fiscal year 2009 compared to \$590,036 for full year 2008. The increase is due primarily to the fact that the \$5,000,000 principal amount of convertible debentures issued by the Company in July 2008 was outstanding the entire fiscal year at a 9% interest rate, compared to the \$2,000,000 principle amount of convertible debentures at a 9% interest rate that was issued in June 2007 and then converted into preferred shares as part of the January 2008 Conversion Transaction. Interest expense in 2008 included dividends on these preferred shares that accrued until they were redeemed in July of 2008. In addition, the interest expense in 2009 includes the accretion of the liability component of the debentures in the amount of \$278,562.
4. Management performance bonus was \$528,063 for the year compared to \$362,144 for full year 2008. The increase is due to the increased net asset value of the company over the year due to the recovery in global stock markets and correspondingly 49 North's investments. Management fees and, if applicable, the management performance bonus, consist of amounts payable by the Company to TMM Portfolio Management Inc. ("TMM" or the "Portfolio Manager") in accordance with a portfolio management agreement made between the Corporation and TMM as of January 1, 2008 (or, prior to 2008, in accordance with a substantially similar investment management agreement made between the General Partner of the Former Partnership and TMM as of September 30, 2005, as amended and restated effective October 26, 2008, which was terminated and replaced with the above referenced portfolio management agreement as part of the January 2008 Conversion Transaction). Pursuant to these agreements (collectively the "Management Agreement"), TMM provides advice to the Company and, subject to the overall power of the board of directors to supervise and manage the Company, manages 49 North's investment portfolio.

TMM is entitled under the Management Agreement to be paid a quarterly management fee equal to 0.5% of the Published NAV of the Company (see in this regard the discussions below under “Valuation of Assets”, “Net Asset Values” and “Non-GAAP Measures”) calculated as of the last business day of the relevant fiscal quarter, which management fee is payable on or prior to the end of the month next following the relevant fiscal quarter. Additionally, in each fiscal year of the Company, TMM is entitled to receive a performance bonus, calculated as of the last business day of the applicable fiscal year, in an amount equal to 20% of the amount, if any, by which the sum of the Published NAV per common share (or prior to 2008 the Published NAV per Unit) as of that date, plus all dividends or other distributions per common share (or Unit) during that fiscal year, exceeds the greater of a “benchmark value” as stipulated in Management Agreement and the Published NAV per common share (or Unit) as of the last business day of the preceding fiscal year. Any such performance bonus is payable within 30 days following the end of the fiscal year to which it relates. Management fees and, if applicable, any performance bonus not paid by the due dates bear interest at prime plus 2% until paid in full.

The “benchmark value” under the new portfolio management agreement that was entered into as part of the January 1, 2008 Conversion Transaction was increased to \$16.34 per common share.

5. Professional fees for the year ended December 31, 2009 were \$363,072, an increase of \$108,986 over 2008. The increase was due to increased level activity by the Company in 2009 with respect to the acquisition of North Rim and the 49 North Limited Partnership Rollovers.
6. In April 2009 the Company issued stock options. A total of 295,000 options were granted to employees, directors and consultants, all with an exercise price of \$2.00 and a life of 10 years. In addition, the Company issued an additional 25,000 stock options in September 2009 with an exercise price of \$2.38 and a life of 10 years. As a result, the Company’s financial statements for the year ended December 31, 2009 include stock based compensation of \$442,891. The options were valued using the Black-Scholes valuation model. See also “Significant Events - Stock Option Plan”.
7. Transactions costs were higher in 2009 compared to 2008, \$256,290 versus \$140,977 respectively due to the increased level of trading activity as the Company was active in 2009 buying and selling investments. Transaction costs arise from purchases and dispositions of investments through brokers, which are expensed immediately in accordance with the Company’s accounting policy for investments.

The Company also recorded an income tax expense in the year ended December 31, 2009 of \$1,879,263 compared to a recovery of \$4,062,549 in 2008.

#### ***Three Months Ended December 31, 2009 and 2008:***

For the three months ended December 31, 2009, the Company recorded pre-tax income of \$58,697 and net income, after tax, of \$50,469 (\$0.01 per share), compared to a loss of \$9,844,371 (\$5.38 per share) in the three months ended December 31, 2008.

The Company’s pre-tax income in fourth quarter 2009 of \$50,469 was based on net investment gains of \$822,047 less recorded expenses of \$763,350; compared to a loss in fourth quarter 2008 of \$9,844,371 on net investment losses of \$10,979,511 and expenses of \$551,776. The increase in pre-tax income year over year is primarily a result of a net change of \$6,067,266 between unrealized gains in 2009 versus 2008.

The \$822,047 of net investment gains in 2009 is comprised of \$554,469 of realized gains, \$236,607 of unrealized gains and \$30,971 of interest and dividend income. By comparison, in fourth quarter 2008, the Company had realized net investment losses of \$5,360,398, unrealized losses of \$5,830,659 and interest and dividend income of \$211,546. The Company’s investment gains in fourth quarter 2009 were generally attributable to a recovery in prices of commodity related stocks from the sharp declines in the market values of securities in the Company’s investment portfolio as at December 31, 2008. It appears a potential recovery has begun in 2009 but it is still too early to determine if it will be sustainable. However, the Company benefited from this recovery by recording an unrealized gain in fourth quarter of \$236,607.

The realized investment gains of \$554,469 in the three months ended December 31, 2009 were attributable to both selling investments to fund operations and to continue the strategy of consistently reviewing and monitoring the investments the Company holds in the portfolio.

Expenses for the three months ended December 31, 2009 were \$763,350, compared to \$551,776 in the three months ended December 31, 2008. The following table provides a list of all expenses incurred by the Company for the years ended December 31, 2009 and 2008. Additional information about these expenses including the main reasons for year-over-year changes in expenses is provided in the notes to the table.

Fourth Quarter Expenses	Three Months Ended December 31	
	2009	2008
Amortization <sup>1</sup>	12,395	13,704
Business development and investor relations <sup>2</sup>	94,608	159,955
Interest <sup>3</sup>	193,850	254,684
Management fees and performance bonus <sup>4</sup>	144,761	(1,894)
Wages and benefits	22,229	28,799
Office and administration <sup>2</sup>	81,399	74,350
Professional fees <sup>5</sup>	157,515	28,799
Stock compensation <sup>6</sup>	-	(44,182)
Transaction costs <sup>7</sup>	56,593	37,381
	<b>763,350</b>	<b>551,776</b>

**Notes:**

1. Amortization expense is related to amortization of the Companies leasehold improvements and capital assets. These assets were purchased in mid 2008 with some minor additions in 2009.
2. Business development and investor relations costs, wages and benefits, and office and administration expenses totaled \$198,236 compared to \$263,104 for the three months ended December 31, 2008. The savings are due to a continued effort by management to control spending.
3. Interest expense was \$193,850 for fourth quarter 2009 compared to \$254,684 for fourth quarter 2008. The majority of interest relates to the \$5,000,000 principal amount of convertible debentures at a 9% interest rate issued by the Company in July 2008. In addition, the interest expense for fourth quarter 2009 includes the accretion of the liability component of the debentures in the amount of \$68,142.
4. The management fees expense for the fourth quarter 2009 is \$144,761 while there is a small recovery in 2008. The recovery in 2008 is due to the reversal in 2008 of the management performance bonus accrual. In second half of 2008, the stock markets deteriorated significantly resulting in a significant decrease in the Company's NAV directly affecting the performance bonus amount that had been accrued. The criteria for achieving the management performance bonus for both fourth quarter 2009 and 2008 has not been achieved resulting in a nil balance being recorded. However, management fees were recorded and, if applicable, the management performance bonus, consist of amounts payable by the Company to TMM Portfolio Management Inc. ("TMM" or the "Portfolio Manager") in accordance with the Management Agreement. See Note 4 in the table under "Year Ended December 31, 2009 and 2008".
5. Professional fees for the three months ended December 31, 2009 were \$157,515, an increase of \$128,716 over fourth quarter 2008. The increase is attributable to the timing of when the Company in involved in transactions requiring professional consulting services.
6. In April 2009 the Company issued stock options. A total of 295,000 options were granted to employees, directors and consultants, all with an exercise price of \$2.00 and a life of 10 years. In addition, in third quarter 2009, the Company issued an additional 25,000 options resulting in stock based compensation of \$49,768. The options were valued using the Black-Scholes valuation model. See also "Significant Events - Stock Option Plan".

7. Transactions costs in fourth quarter 2009 were significantly higher than 2008 due to the increased trading activity. Transaction costs arise from purchases and dispositions of investments through brokers, which are expensed immediately in accordance with the Company's accounting policy for investments.

The Company also recorded an income tax expense in the three months ended December 31, 2009 of \$8,228 compared to a recovery of \$1,686,916 in 2008.

#### **Cash Flow:**

##### ***Years ended December 31, 2009 and 2008:***

Net cash used in operating activities was \$2,737,682 for the year ended December 31, 2009, compared to net cash used in operating activities of \$2,710,209 in the same period last year, an increase of \$27,473.

Net cash used in investing activities during the year was \$3,472,045 compared to cash generated of \$2,018,491 in the year ended December 31, 2008. This use is due to a purchase of a mineral property in 2009 (\$309,432), providing loans to investee companies (\$2,685,666) and acquiring an interest in North Rim (\$751,500), while in 2008 cash was mainly generated from the net sale of investments of \$2,083,536.

Net cash generated from financing activities was \$3,933,702 in the year ended December 31, 2009 compared to \$944,665 in 2008. The 2008 activity consisted of the issuance of convertible debentures for \$5,000,000 offset by repayment of preferred shares and payment of performance bonuses and repurchase of capital stock while in 2009 the Company issued shares for \$5,016,371. This was offset by share issue costs of \$1,163,886; repurchase of common shares of \$293,783 and issuance of a promissory note of \$375,000.

For the year ended December 31, 2009 the Company had a net decrease in cash of \$2,276,025 compared to an increase of \$252,947 a year ago.

##### ***Three Months Ended December 31, 2009 and 2008:***

Net cash used in operating activities was \$498,154 for the three months ended December 31, 2009, compared to net cash generated in operating activities of \$12,494 in the same period last year, an increase of \$510,648.

Net cash used in investing activities during the quarter was \$3,388,693 compared to cash generation in 2008 of \$1,905,690. This was largely a result of issuing loans to third party entities of \$2,354,195 in fourth quarter 2009.

Net cash generated from financing activities was \$451,214 in the three months ended December 31, 2009 compared to cash use of \$206,597 in the three months ended December 31, 2008. The 2009 activity consisted of the issuance of common shares of \$74,998 offset by the repurchase of common shares of \$43,295 and issuance of a promissory note of \$375,000.

For the three months ended December 31, 2009 the Company had a net decrease in cash of \$3,435,633 compared to an increase of \$1,711,587 a year ago.

#### **Capital Resources:**

##### ***Assets:***

49 North's principle business is to invest in and manage a diversified portfolio of securities of resource companies with the objective of achieving medium to long-term capital appreciation through the aggressive management of and growth in value of the portfolio. At December 31, 2009 we had total assets of \$42,071,736, approximately 88% of which - \$37,140,911 - consisted of equity investments in a total of 92 resource companies.

49 North may invest in securities of any resource company regardless of if or on what stock exchange such securities are listed, regardless of the status or stage of development of the investee company's exploration,

development or other business activities, and regardless of the size or market capitalization of the investee company. However, our portfolio focuses on junior and intermediate resource companies, with funds invested predominately in resource companies that are listed on the TSXV or other junior exchanges; although a significant portion of the portfolio, by value, may also be invested in TSX listed companies. Additionally, a significant portion of our portfolio may at any time or from time to time be invested in unlisted securities, including securities acquired under private placements of what are commonly referred to “founder’s share” or “seed-capital shares”, securities that may otherwise be issued by a resource company prior to completing feasibility studies including, without limitation, a Form 43-101 Technical Report, or securities that may otherwise may be issued prior to a resource company becoming a “reporting issuer”.

There are no fixed restrictions or requirements as to the particular sectors of the resource industry in which we invest and no fixed restrictions or requirements as to the geographical locations in which investee resource companies conduct their exploration and/or development activities. However, we tend to focus predominantly on resource companies with activities in Saskatchewan and our portfolio has historically has been weighted more too mineral exploration companies than to oil and gas companies. We endeavor to diversify the portfolio based on commodity type. As described in more detail in the tables below, as of December 31, 2009, our portfolio included holdings in companies in the potash, oil and gas, coal, precious metals, base metals, uranium, diamond and other resource sectors.

The resource equity investments held by the Company as of December 31, 2009 - valued at \$37,140,911- represents a significant – \$29,468,740 - increase compared to the equity investments of \$7,672,171 held at December 31, 2008. This significant increase in the year is attributable to the factors discussed above under “Results of Operations” and “Significant Events”. Please note that a portion of the increase is attributable to the share swap which occurred as part of the private placement.

The total number of investments held by the Company increased from 44 at December 31, 2008 to 92 at December 31, 2009. During 2009, the Company was very aggressive in the market making purchases of stocks it felt were undervalued. Also, the increase in the number of investments is due to the rollover into the Company of the 2008-I Fund and 2008-II Fund in first quarter and to take advantage of the opportunity to invest in suppressed equities.

At December 31, 2009 the Company's equity investments consisted of the following:

<b>Portfolio Holdings at December 31, 2009<sup>1</sup></b>				
<b>Name of Company<sup>2</sup></b>	<b>Symbol</b>	<b>Number of Shares</b>	<b>Fair Value</b>	<b>Percentage of Portfolio</b>
<b>Mineral Exploration:</b>				
<i>Shares</i>				
Alix Resources Corp.	AIX	1,511,000	67,995	0.18%
Angus Resources Inc.	GUS.P	30,000	-	0.00%
Athabasca Potash Inc. (TSX)	API	2,254,000	13,073,200	35.20%
Bacanora Minerals Ltd.	BCN.P	850,000	191,250	0.51%
Bending Lake Iron Group Ltd. (private)		1,300,000	1,078,570	2.90%
Bralorne Gold Mines Ltd.	BPM	267,000	205,590	0.55%
Canada Gold Corp.	CI	75,000	26,250	0.07%
Canadian Shield Resources Ltd.	EXP	313,000	701,120	1.89%
Claude Resources Inc. (TSX)	CRJ	56,000	68,880	0.19%
Copper Canyon Resources Ltd.	CPY	2,690,035	430,406	1.16%
Copper Reef Mines Ltd. (CNQ)	CZC	2,322,000	464,400	1.25%
Discovery Harbour Resources Inc. (private)		100,000	10,000	0.03%
Dumont Nickel Inc.	DNI	9,505,000	142,575	0.38%
Eagle Plains Resources Ltd.	EPL	3,443,500	619,830	1.67%
El Nino Ventures Inc.	ELN	1,342,540	181,243	0.49%
ESO Uranium Corp.	ESO	590,000	26,550	0.07%
Gobimin Inc.	GMN	414,000	34,363	0.05%
Gold Key Capital Corp.	GKY	400,000	20,000	2.34%
Goldcliff Resources Corp	GCN	6,006,500	870,943	0.02%
Great Western Minerals Group Ltd.	GWG	30,000	8,550	0.93%
Halo Resources Ltd.	HLO	881,915	57,324	0.15%
Hana Mining Ltd.	HMG	13,000	15,860	0.04%
Harmony Gold Corp.	H	285,714	101,428	0.27%
Hathor Exploration Ltd.	HAT	25,086	44,653	0.12%
Hinterland Metals Inc.	HMI	833,332	58,334	0.16%
JNR Resources Inc.	JNN	100,000	24,000	0.06%
J-Pacific Gold Inc.	JPN	391,000	35,190	0.09%
Kent Exploration Inc.	KEX	506,000	88,550	0.24%
Kimpar Resources Inc. (private)		1,104,000	669,643	1.80%
Kirrin Resources Inc.	KYM	1,671,429	183,857	0.50%
Kobex Minerals Inc.	KXM	173,425	163,020	0.44%
Lakota Resources Inc.	LAK	4,918,441	-	0.00%
Laurion Mineral Exploration Inc.	LME	2,077,665	93,495	0.25%
Nebu Resources Inc.	NBU	566,667	235,167	0.63%
Newsk Emerging Resources Ltd. (private)		1,691,848	1,488,826	4.01%
Niogold Mining Corp.	NOX	469,800	150,336	0.40%
Northern Freegold Resources Ltd.	NFR	459,052	142,306	0.38%
NuCoal Energy Corp. (private)		2,446,770	1,688,804	4.55%
Olivut Resources Ltd.	OLV	197,000	39,400	0.11%
Otis Gold Corp.	OOO	139,423	72,500	0.20%
Playfair Mining Ltd.	PLY	1,608,000	112,560	0.30%
Puget Ventures Inc.	PVS	221,667	67,608	0.18%
Red Rock Energy Inc.	RRK	1,815,000	181,500	0.49%

Rochester Resources Ltd.	RCT	34,000	6,800	0.02%
Rockport Mining Corp. (private)		486,274	364,721	0.98%
Roxgold Inc.	ROG	740,000	29,600	0.08%
Salazar Resources Ltd.	SRL	85,000	87,550	0.24%
Sandspring Resources Inc.	SSP	85,100	102,120	0.27%
Senator Minerals Inc.	SNR	938,000	51,590	0.14%
Sheltered Oak Resources Corp.	OAK	1,000,000	125,000	0.34%
Shore Gold Inc. (TSX)	SGF	191,500	181,925	0.49%
Skeena Resources Ltd.	SKE	2,237,500	302,063	0.81%
Soltoro Ltd.	SOL	175,000	66,500	0.18%
Stikine Gold Corporation	SKY	521,167	166,773	0.45%
Tanzania Minerals Corp. (private)		500,000	25,000	0.07%
Tirex Resources Ltd.	TXX	105,000	50,400	0.14%
UEX Corp. (TSX)	UEX	5,000	5,250	0.01%
Uranium North Resources Corp.	UNR	833,333	83,333	0.22%
Virginia Energy Resources Inc.	VAE	88,000	29,040	0.08%
Volcanic Capital Corp.	VOL	100,000	30,000	0.08%
Wallbridge Mining Company Limited (TSX)	WM	677,780	166,056	0.45%
Wescan Goldfields Inc.	WGF	3,708,056	500,588	1.35%
Westcore Energy Inc.	WTR	2,246,500	1,325,435	3.57%
Wildcat Exploration Ltd.	WEL	1,075,000	150,500	0.41%
Xtierra Inc.	XAG	70,000	11,900	0.03%
<b>Warrants</b>				
Alix Resources Corp. - Warrants		1,075,000	-	
Bralorne Gold Mines Ltd. - Warrants		263,000	-	
Canada Gold Corp. - Warrants		37,500	-	
Dumont Nickel Inc. - Warrants		5,000,000	-	
Eagle Plains Resources Ltd. - Warrants		1,075,000	-	
El Nino Ventures Inc. - Warrants		1,250,000	-	
Formation Metals Inc. - Warrants		100,000	-	
Goldcliff Resources Corp. - Warrants		1,750,000	-	
Hinterland Metals Inc. - Warrants		416,666	-	
Kent Exploration Inc. - Warrants		250,000	-	
Kimpar Resources Inc. - Warrants		552,000	-	
Laurion Mineral Exploration Inc. - Warrants		1,063,832	-	
Nebu Resources Inc. - Warrants		283,333	-	
Niogold Mining Corp. - Warrants		234,900	-	
Otis Gold Corp. - Warrants		38,462	-	
Puget Ventures Inc. - Warrants		83,333	-	
Salazar Resources Ltd. - Warrants		85,000	-	
Sandspring Resources Inc. - Warrants		118,250	-	
Senator Minerals Inc. - Warrants		375,000	-	
Skeena Resources Ltd. - Warrants		1,100,000	-	
Ucore Uranium Inc. - Warrants		125,000	-	
Wescan Goldfields Inc. - Warrants		694,445	-	
Western Potash Corp. - Warrants		100,000	-	
Weststar Resources Corp. - Warrants		100,000	-	
Xtierra Inc. - Warrants		35,000	-	

<b>Oil &amp; Gas:</b>				
08586348 BC Ltd. (private)		154,000	46,200	0.12%
Beaufield Resources Ltd.	BFD	525,000	68,250	0.18%
Bulldog Oil & Gas Ltd. (private)		55,000	137,500	0.37%
Cheyenne Energy Corp. (delisted)		714,280	-	0.00%
Colonia Energy Corp.	COL	1,000,000	230,000	0.62%
Fair Sky Resources Inc. (delisted)		65,570	-	0.00%
Greencastle Resources Ltd.	VGN	603,000	93,465	0.25%
Kenosee Resources Ltd. (private)		8,547	44,643	0.12%
KFG Resources Ltd.	KFG	870,000	43,500	0.12%
Lion Energy Corp.	LEO	1,570,500	298,395	0.80%
Nordic Oil & Gas Ltd.	NOG	1,028,870	118,320	0.32%
Nuloch Resources Inc.	NLR.A	367,000	311,950	0.84%
Pacific Roderia Energy Inc.	PRD	75,000	24,000	0.06%
Panwestern Energy Inc.	PW	3,467,822	693,564	1.87%
Petro Uno Resources Ltd.	PUP	115,000	69,000	0.19%
Prairie Hunter Energy Corp. (private)		2,950,059	2,950,059	7.94%
Rallyemont Energy Inc. (private)		3,500,000	350,000	0.94%
Ruby Energy Inc. (private)		916,996	484,174	1.30%
Welton Energy Corporation (delisted)		147,059	-	0.00%
Wilton Resources Inc.	WIL.P	10,000	10,500	0.03%
<b>Warrants</b>				
08586348 BC Ltd. - Warrants		77,000	-	
Enhanced Oil Resources Inc. - Warrants		125,000	-	
KFG Resources Ltd. - Warrants		270,000	-	
Nordic Oil & Gas Ltd. - Warrants		427,935	-	
Panwestern Energy Inc. - Warrants		1,250,000	-	
<b>Other:</b>				
Colorado Resources Corp. (private)		750,000	150,000	0.40%
Grafton Resource Investments Ltd. (private)		21,985	1,012,514	2.73%
Kenna Capital Corp. (private)		1,000,000	100,000	0.27%
Lex Capital Partners Inc. (private)		200	200,000	0.54%
Meize Energy Industry Holdings Ltd. (private)		60,000	300,000	0.81%
Pinetree Capital Ltd. (TSX)	PNP	400,000	848,000	2.28%
Troy Energy Corp.	TEG.H	2,140,000	449,400	1.21%
			<b>\$37,140,911</b>	

Notes:

<sup>1</sup> The information in the table is derived from the Company's current financial statements. See especially note 3 of the statements. See also the discussion below under the heading "Valuation of Investments"

<sup>2</sup> All investee companies are listed on the TSX Venture Exchange unless otherwise noted.

At December 31, 2009, 49 North's portfolio included positions in 92 resource companies, diversified on the basis of what, if any, stock exchange such companies are listed upon and by commodity type as summarized in the tables below:

<b>Exchange Listings of Portfolio Holdings</b>						
<b>Exchange</b>	<b>At December 31, 2009</b>			<b>At December 31, 2008</b>		
	<b>No. of Companies</b>	<b>Value (\$)</b>	<b>% of Portfolio</b>	<b>No. of Companies</b>	<b>Value (\$)</b>	<b>% of Portfolio</b>
TSX Venture	64	11,232,545	30.24%	33	2,637,590	34.38%
Private	18	11,100,655	29.89%	6	2,318,681	30.22%
TSX	6	14,343,311	38.62%	4	2,619,700	34.15%
CNQ	1	464,400	1.25%	1	96,200	1.25%
Defunct/Delisted	3	-	-%	-	-	-
<b>TOTAL</b>	<b>92</b>	<b>\$37,140,911</b>	<b>100.00%</b>	<b>44</b>	<b>\$7,672,171</b>	<b>100.00%</b>

<b>Portfolio Holding by Commodity</b>						
	<b>At December 31, 2009</b>			<b>At December 31, 2008</b>		
	<b>No. of Companies</b>	<b>Value (\$)</b>	<b>% of Portfolio</b>	<b>No. of Companies</b>	<b>Value (\$)</b>	<b>% of Portfolio</b>
Potash	1	13,073,200	35.20%	2	2,485,465	32.40%
Oil & Gas	20	5,973,520	16.08%	12	1,991,842	25.96%
Coal	4	3,603,377	9.70%	2	1,166,325	15.20%
Precious Metals	28	5,658,650	15.24%	11	742,868	9.68%
Base Metals	15	4,442,362	11.96%	8	598,518	7.80%
Uranium	9	598,183	1.61%	6	297,386	3.88%
Diamonds	2	221,325	0.60%	1	1,910	0.02%
Other	13	3,570,295	91.61%	2	387,857	5.06%
<b>TOTAL</b>	<b>92</b>	<b>\$37,140,911</b>	<b>100.00%</b>	<b>44</b>	<b>\$7,672,171</b>	<b>100.00%</b>

In addition to its equity portfolio investments, as at December 31, 2009 the Company had other recorded assets totaling \$4,930,825 (December 31, 2008 – \$1,007,213); including loans and advances receivable of \$3,109,195 from investee companies, capital assets consisting of furniture and equipment and leasehold improvements of \$222,394, mineral properties and deposits of \$309,432, goodwill of \$394,740 and accounts receivable and prepaids of \$883,881. See notes 4, 5, 6 and 7 of the current financial statements.

#### **Valuation of Assets:**

At December 31, 2009 the Company's assets included equity investments having a fair value of \$37,140,911, representing approximately 88% of the Company's total assets. These equity investments are classified as financial instruments held-for-trading and, in accordance with GAAP, are presented in the financial statements and measured at fair value, with changes in fair value recognized in net income. For this purpose, the fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or ask prices, as appropriate, in the most advantageous active market for that instrument to which the Company has immediate access. Where bid and ask prices are unavailable, the Company uses the closing price of the most recent transaction for that instrument. The fair value of securities in the Company's investment portfolio as at the end of a period are determined as follows:

Publicly traded companies. The fair value of any security which is listed or traded upon a stock exchange is estimated by taking the latest bid price. The quoted bid price value of securities that are subject to a hold period will be valued with an appropriate discount. The market values can be impacted by trading volumes, restrictions and market price fluctuations, and the quoted market price may not be indicative of what the Company could realize on the immediate sale as it may take an extended period of time to liquidate positions without causing a significant negative impact on the market price.

Privately held companies. The fair value of any shares which are not listed or traded upon a stock exchange are originally recorded at cost, unless the shares are flow-through shares, in which case they are originally recorded either on an assessment of the most recent price at which the investee company issued common equity without flow-through characteristics or the cost reduced by a typical premium being paid by the Company for similar flow-through securities. After the initial transaction, adjustments are made to reflect any changes in value as a result of an independent third party transaction. Downward adjustments to the carrying values are also made when there is evidence of a decline in value, as indicated by an assessment of the financial condition of the investment based on operational results, forecasts and other developments.

Warrants. Warrants are valued at nil during the period in which they are not exercisable and valued based on either quoted market values if traded or the amount by which the warrant is in the money (less an appropriate risk discount) when they become exercisable. A warrant is in the money when the stock price is greater than the exercise price of the warrant.

Any difference between the estimated fair value and the cost of the investments is treated as unrealized gains or losses in the statement of operations.

***Net Asset Values:***

Until June of 2008 49 North was classified by securities legislation as an “investment fund” and its financial statements were presented in accordance with GAAP applicable to investment funds, which varies from the manner in which GAAP requires financial statements to be prepared for corporations that are not investment funds. Amongst other things, the financial statements of investment funds include a statement of the fund’s investment portfolio and a calculation of the fund’s net asset value (“NAV”) and NAV per security. Under GAAP applicable to corporations that are not investment funds, 49 North’s financial statements no longer include a statement of portfolio investments (although this information is included in note 3 of the Company’s current statements) nor a calculation of the Company’s NAV or NAV per share. Additionally, investment funds are required by securities legislation to publish their NAV and NAV per security on a quarterly or more frequent basis. The NAV and NAV per security, as historically published by 49 North when it was an investment fund (“Published NAV”), like that published by investment funds generally, varied from the NAV and NAV per security that is included in, or derived from, its financial statements. In particular, as mentioned above, under GAAP, the fair value of securities which are listed or traded upon a stock exchange, and the resulting calculation of NAV and NAV per security (“GAAP NAV”), are normally estimated by taking the latest bid prices for the securities. The Published NAV and NAV per security of an investment fund, on the other hand, normally estimates the fair value of publicly traded securities as of any particular date based on the closing price of such security on that date, unless the security did not trade, in which case it is valued at the average of the bid and ask price on that date; which was the general standard of measurement prior to the adoption, effective January 1, 2007, of new accounting standards issued by the Canadian Institute of Chartered Accountants (“CICA”): Handbook Section 3855, Financial Instruments – Recognition and Measurement. See also the discussion in this MD&A under the heading “Non-GAAP Measures”.

Since 49 North has ceased to be an investment fund, it is no longer required by securities legislation to publish its NAV or NAV per share. However, because the management fees and, if applicable, performance bonuses, paid by the Company to TMM are based on Published NAV, the Company continues to calculate its NAV and NAV per common share on a quarterly basis. The following table reconciles 49 North’s Published NAV to its GAAP NAV as of December 31, 2009.

	<b>Published NAV</b>	<b>GAAP NAV</b>	<b>Difference</b>
Assets	\$42,472,320	\$42,071,736	\$400,584
Liabilities and Minority Interest	\$10,116,276	\$10,116,276	-
Shareholder Equity (or Net Asset Value)	\$32,356,044	\$31,955,460	\$400,584
Common shares outstanding	8,345,572	8,345,572	-
Net Asset value per common share, basic	\$3.89	\$3.83	\$0.06
Net Asset value per common share, diluted	\$3.58	\$3.52	\$0.06

***Liabilities:***

At December 31, 2009 the Company had recorded liabilities of \$9,824,022 (December 31, 2008, \$4,960,082). These liabilities include the following:

- Accounts payable and accrued liabilities of \$891,510 consisting of accruals for normal operating expenses, professional fees and interest payable on convertible debentures.
- Bank indebtedness of \$2,023,078.
- \$4,484,649 representing the redemption price (less the equity component) as at the end of the current period on the \$5,000,000 aggregate principal amount of convertible debentures that were issued in July 2008. Refer to note 11 of the current financial statements for a detailed description of the terms of these debentures; and
- \$375,000 promissory note related to purchase of North Rim.
- \$2,049,785 related to future income taxes primarily attributable to applying the expected tax rate for future periods (32%) to the excess of fair value over tax cost on certain investments held at December 31, 2009.

**Liquidity and Capital Management:**

Management's objectives when managing the Company's capital are to:

- (a) ensure that the Company maintains the level of capital necessary to meet the requirements of its brokers and bank;
- (b) allow the Company to respond to changes in economic and/or marketplace conditions by maintaining the Company's ability to purchase new investments;
- (c) give shareholders sustained growth in shareholder value by increasing shareholders' equity; and
- (d) maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its underlying assets. Traditionally, 49 North has relied on various sources of funds for its ongoing operational and investing activities, including:

- (a) proceeds from the disposition of its investments (and, in the current year, interest and dividend income from investments);
- (b) utilizing leverage in the form of margin (due from brokers) and the Company's bank credit line;
- (c) capital raising activities such as equity or convertible debt financings;
- (d) borrowing funds from the Company's bank, brokers (margin account) and/or related parties; and
- (e) purchasing the Company's own shares for cancellation pursuant to normal course issuer bids.

49 North is not subject to any capital requirements imposed by a regulator and, as at December 31, 2009, the Company had no material outstanding commitments for capital expenditures. Cash operating expenses in 2009 were approximately \$3,100,000 and management anticipates that the Company's cash operating expenses, excluding interest payments, will be approximately the same in 2010. In addition, the first interest payment on the convertible debentures was paid in July 2009 in the amount of \$450,000.

Management anticipates that the Company's current capital resources will be sufficient to discharge its liabilities over the course of 2010 and that it will be able to generate sufficient cash to fund its operations through the normal course of purchasing and selling existing investments.

During the first nine months of 2009, 49 North tried to reduce its reliance on margin borrowing as part of its ongoing capital management program and management expects to maintain a minimal margin borrowing balance in the near term future. However, at year end the Company is in a bank indebtedness position. The bank indebtedness has been cleared as at March 31, 2010.

See also the discussion herein concerning financial instruments and related risks under the heading "Financial Instruments" and see the disclosure herein under the heading "Risk Factors" for a detailed discussion of the main risk factors that may have a material effect on the Company's business and on an investment in the securities of 49 North.

#### **Transactions with Related Parties:**

During the year ended December 31, 2009, management fees of \$11,183 were actually recoverable due to overpayment. At December 31, 2008 there was an accrual of \$160,288 to TMM, a company controlled by the President and CEO of the Company. There was no management performance bonus payable in first quarter 2010.

These transactions are in the normal course of operations and are measured at the exchange amount, which approximates fair value and is the amount of consideration established and agreed to by the related parties.

#### **Critical Accounting Estimates:**

The Company's financial statements have been prepared in accordance with GAAP. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of appreciation (depreciation) of investments and expenses during the reporting period. Actual results could differ from these estimates. The significant accounting policies used by the Company in this regard are discussed in detail in the notes to the 2008 annual audited financial statements. See especially note 2.

#### **Non-GAAP Measures:**

This MD&A contains references to "net asset value" and "net asset value per share" (or "net asset value per Unit"). Net asset value, or "NAV", is a non-GAAP measure defined as total shareholders' equity divided by the total number of common shares of the Company outstanding, in the case of NAV per share (basic), and total shareholders' equity divided by the total number of common shares of the Company outstanding, calculated based on the assumption that all outstanding securities that are convertible into common shares of the Company, including, if applicable, convertible preferred shares, convertible debentures, options or warrants of the Company have been exercised, in the case of NAV per share (diluted). The terms net asset value and net asset value per share do not have any standardized meaning according to GAAP and therefore may not be comparable to similar measures presented by other companies. From its inception in 2005 until ceasing to be an "investment fund" for the purposes of applicable securities legislation, in June of 2008, the Company published its NAV in a consistent manner, and continues to calculate (and may occasionally publish) its NAV and/or NAV per share for the purpose of calculating management fees and, if applicable, any performance bonus payable to TMM pursuant to the Management Agreement. See also the discussion in this MD&A under the headings "Valuation of Investments" and "Net Asset Values".

#### **Financial Statement Presentation and Change of Accounting Policies:**

Until June of 2008 49 North was classified by securities legislation as an "investment fund" and its financial statements were presented in accordance with GAAP applicable to investment funds, which varies from the manner in which GAAP requires financial statements to be prepared for corporations that are not investment funds. Amongst other things, the financial statements of investment funds include a statement of the fund's investment portfolio and

a calculation of the fund's NAV and NAV per security. Under GAAP applicable to corporations that are not investment funds, 49 North's financial statements no longer include a statement of portfolio investments (although this information is included in note 3 of the Company's current statements) nor a calculation the Company's NAV or NAV per share.

The comparative figures that are included in the current financial statements and/or in this MD&A but that relate to periods ending prior to January 1, 2008 are those of the Former Partnership which, throughout such periods was classified as an "investment fund". The manner of presentation of such comparative financial information and certain terminology used in the current statements and this MD&A has been changed to conform to the manner of presentation for the current period and the fact that 49 North is now a corporation rather than a partnership and is not an investment fund.

The Canadian Institute of Chartered Accountants ("CICA") issued a new accounting standard, Section 3064, Goodwill and Intangible Assets, which clarifies that costs can be deferred only when they relate to an item that meets the definition of an asset. As a result, start-up costs must be expensed as incurred. Section 1000, Financial Statement Concepts, was also amended to provide consistency with this new standard. These new standards are effective for years beginning on or after October 1, 2008. The Company believes the impact of these standards is minimal on its financial statements.

The CICA issued a new accounting standard, CICA Handbook Section 1582, Business Combinations ("Section 1582"), which improves the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects; CICA Handbook Section 1601 ("1601"), Consolidated Financial Statements, which establishes standards for the preparation of consolidated financial statements; and CICA Handbook Section 1602 ("1602"), Non –Controlling Interests, which establishes accounting for non –controlling interests in consolidated financial statements subsequent to a business combination. These new standards are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of the plan, accounting standards in Canada for public companies are to converge with International Financial Reporting Standards ("IFRS") effective for fiscal periods beginning on or after January 1, 2011. The Corporation continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS. On February 13, 2008, the AcSB confirmed January 1, 2011 as the official changeover date for publicly listed Canadian companies to start using IFRS. Management is currently assessing the impact on the financial statements because of this change.

### **Financial Instruments:**

The investment operations of Company's business involve the purchase and sale of securities and, accordingly, the majority of the Company's assets are currently comprised of financial instruments. The use of financial instruments can expose the Company to several risks, including liquidity, market, interest and credit risks. A discussion of the Company's use of financial instruments and their associated risks is provided below.

### ***Liquidity Risk:***

Liquidity risk is the risk that the Company will have insufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company, or if the value of the Company's investments declines, resulting in losses upon disposition. The Company generates cash flow primarily from its financing activities and proceeds from the disposition of its investments, in addition to interest and dividend income earned on its investments. The Company has sufficient marketable securities which are freely tradable and relatively liquid to fund its obligations as they become due under normal operating conditions.

The Company uses financial leverage (or "margin") when purchasing investments. Trading on margin allows the Company to borrow part of the purchase price of the investments (using marginable investments as collateral), rather

than pay for them in full. Buying on margin allows the Company to increase its portfolio size by increasing the number and amount of investments through leverage. However, if the market moves against the Company's positions and the Company's investments decline in value, the Company may be required to provide additional funds to its brokers. Given the nature of the Company's business, the Company may not have sufficient cash on hand to meet margin calls and may be required to liquidate investments pre-maturely and/or at a loss, in order to generate funds needed to satisfy the Company's obligations.

The Company has at times borrowed funds from other sources to meet its obligations, but there can be no assurances that such funds will be available in the future, or available on reasonable terms, and the absence of available funding and/or the sale of the Company's investments in order to meet margin calls could have a materially adverse impact on the Company's operating results.

The Company manages liquidity risk by reviewing the amount of margin available, and managing its cash flow. The Company holds investments which can be converted into cash when required. During first two quarters of 2009, the Company continued to reduce its reliance on margin relative to prior years and management expects to maintain a minimal margin borrowing balance in the near term future.

***Market Risk:***

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate because of changes in market prices. The value of the financial instruments can be affected by changes in interest rates, equity and commodity prices. The Company is exposed to market risk in trading its investments and unfavorable market conditions could result in dispositions of investments at less than favorable prices.

The Company manages market risk by having a portfolio which is not singularly exposed to any one issuer or class of issuers. The Company's investment activities are currently concentrated primarily across several sectors in the natural resource industry, including potash, oil and gas, coal, precious metals, base metals, uranium, diamonds and other commodities.

***Interest Rate Risk:***

Interest rate risk is the impact that changes in interest rates could have on the Company's earnings and liabilities. As at December 31, 2009, the Company had liabilities payable (collectively "interest risk liabilities"), which bear interest at rates fluctuating with the prime rate. All of the interest risk liabilities can be repaid by the Company at any time, without notice or penalty, which provides the Company with some ability to manage and mitigate its interest rate risk.

***Credit Risk:***

Credit risk is the risk associated with the inability of a third party to fulfill its payment obligations. The Company is exposed to the risk that third parties that owe it money or securities (in connection with its loans receivable, for example) will not perform their underlying obligations.

At December 31, 2009 the Company had loans and advances receivable from third parties, totaling \$3,109,195 which represents approximately 7.4% of the Company's total assets.

***Fair Value:***

The fair value of the Corporation's financial assets and liabilities approximate their carrying values unless otherwise disclosed in the accounting policies.

**Disclosure Controls and Procedures:**

There have been no significant changes to the Company's internal controls over financial reporting for the most recent period that would have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. Internal controls are continually being reviewed and assessed.

**Risk Factors:**

An investment in 49 North involves various risks. The following is a brief discussion of the main risk factors that may have a material effect on our business and on your investment in our common shares. Additional risks not currently known to us or that we currently deem immaterial may also impair our business operations.

***Reliance on Management:***

Shareholders must rely on the discretion, knowledge and expertise of management of the Company and the Portfolio Manager in determining the composition of our investment portfolio, negotiating the pricing of resource securities purchased for or sold from the portfolio and in determining if, when and on what terms to acquire or dispose of portfolio securities.

***Risks Associated with Resource Issuers:***

In general, our business is to invest in resource issuers, with such investments made predominantly in junior or intermediate resource issuers. There is no assurance that any of the resource issuers in which we invest will prove to be profitable or viable over the short or long term. The resource industries are highly competitive and resource issuers in which we invest must compete with many companies, many of which have far greater financial strength, experience and technical resources. Generally, there is intense competition for the acquisition of resource properties considered to have commercial potential as well as for equipment and personnel necessary to exploit such properties. The business activities of the resource issuers that we invest in are typically speculative and may be adversely affected by sector specific risk factors, outside the control of the resource issuers, which may ultimately have an impact on our investments in such issuers' securities and/or on an investor's investment in 49 North. Risks associated with the resource sector include, without limitation, the following:

- (a) The business of exploring for minerals and/or oil and gas involves a high degree of risk, many of which risks are beyond the control of the relevant resource issuer. Many of the resource issuers that we invest in may not hold, discover or successfully exploit commercial quantities of minerals, petroleum or natural gas and/or may not have a history of earnings or payment of dividends.
- (b) The marketability of natural resources which may be acquired or discovered by a resource issuer will be affected by numerous factors which are beyond the control of such resource issuer. These factors include market fluctuations in the price of minerals, petroleum and/or natural gas, as applicable, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of materials and environmental protection. The exact effect of these factors cannot be accurately predicted, but any one or a combination of these factors could result in a resource issuer not receiving an adequate return for its shareholders.
- (c) There are certain risks inherent in the mineral exploration, mining and oil and gas industries, including potential claims arising from operational activities, which may or may not be insurable, or against which a resource issuer may elect not to insure. Such liabilities may have a material, adverse effect on such resource issuer's financial position and on the value of the securities of such resource issuer held as part of our investment portfolio.
- (d) Mining and oil and gas operations and the resource industries in general are subject to extensive controls and regulations imposed by various levels of government. In addition to federal regulation, each province has legislation and regulations which govern land tenure, royalties, production rates, environmental protection and other matters. The royalty regime is a significant factor in the profitability of resource production. Royalties payable on production from lands other than Crown lands are determined by negotiations between the mineral owner and the lessee. Crown royalties are determined by government regulation and are generally calculated as a percentage of the value

of the gross production, and the rate of royalty's payable generally depends in part on prescribed reference prices, productivity, geographical location, discovery date and the type or quality of the commodity produced. Operations may be effected from time to time in varying degrees due to political and environmental developments such as tax increases, expropriation of property and changes in conditions under which resources may be developed, produced, generated and/or exported. Additionally, a resource issuer may have property interests that are located in foreign jurisdictions, and its operations in such jurisdictions may be affected in varying degrees by the extent of political and economic stability, and by changes in regulations or shifts in political or economic conditions that are beyond the control of the resource issuer. Such factors may adversely affect the resource issuer's business and/or its property holdings. Although a resource issuer's activities may be carried out in accordance with all applicable rules and regulations at any point in time, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development of the resource issuer's operations. Amendments to current laws and regulations governing the operations of a resource issuer or more stringent enforcement of such laws and regulations could have a substantial adverse impact on the financial results of the resource issuer.

(e) The mineral exploration, mining and oil and gas industries are subject to various environmental regulations set by federal and provincial governments. Environmental legislation prescribes restrictions and prohibitions on releases or emissions of various substances produced or utilized in association with certain mining and oil and natural gas operations. Such legislation also prescribes certain requirements for the abandonment and reclamation of mines, wells and other facility sites. A breach of such legislation may result in the imposition on a resource issuer of fines and penalties and/or liability to third parties and may require a resource issuer to incur costs to remedy such breach. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which has led to stricter standards and enforcement and greater fines and penalties for non-compliance. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the resource issuer's financial condition, results of operations or prospects.

#### ***Marketability of Underlying Securities and Related Risks:***

The value of our shares fluctuates as a result of numerous factors, including fluctuations resulting from changes in the value of the securities in our investment portfolio. The value of securities in our portfolio is affected by numerous factors such as investor demand, resale restrictions, general market trends or regulatory restrictions. Our investment portfolio generally focuses on junior and intermediate resource companies, with investments made predominantly in resource companies that are listed on the TSXV. However, we may invest in securities of any resource company regardless of if or on what stock exchange such securities are listed, regardless of the status or stage of development of the investee company's exploration, development or other business activities, and regardless of the size or market capitalization of the investee company. A significant portion of our portfolio may at any time be comprised of unlisted securities, including securities acquired under private placements of what are commonly referred to as "founders shares" or "seed-capital shares", securities that may otherwise be issued by a company prior to completing feasibility studies including, without limitation, a Form 43-101F1 Technical Report, or securities that may otherwise be issued prior to a resource company becoming a "reporting issuer". Investing in relatively smaller companies that are listed on a junior exchange (or are not listed) may be considered to be riskier than investing in securities of relatively larger companies whose securities are listed on a senior exchange such as the TSX. These risks include, without limitation, the following:

(a) The share price of smaller companies is usually more volatile than that of larger, more established companies. Smaller companies may have limited resources, including limited access to funds, and their shares may trade less frequently and in smaller volume than shares of larger companies. They may have fewer shares outstanding, so a sale or purchase of shares will have a greater impact on the share price. The value of these investments may rise and fall substantially.

(b) In general, investments in smaller companies tend to be less liquid than other types of investments. Investments in illiquid securities may be difficult to value accurately and/or may trade at prices significantly lower than their value. In general, the less liquid an investment, the more its market value tends to fluctuate. As a result, we may have difficulty in converting some of our portfolio investments to cash at a fair market price when funds are required or we may incur additional costs in doing so.

(c) The securities of non-reporting issuers that we hold may not be sold unless an exemption is available under applicable securities laws.

More generally, many of the securities held in our investment portfolio, regardless of the industry sector in which the issuer conducts business and including those listed and not subject to resale restrictions, may be relatively illiquid and may decline in price if a significant number of shares are offered for sale.

On the other hand, the potential returns on investment in smaller, relatively early stage companies may be greater than the returns experienced from investment in larger, more established companies.

#### ***Conflicts of Interest:***

Each director and officer of the Corporation also is or has been a director and/or officer of the general partners of one or more of the 49 North Flow-Through Funds<sup>1</sup>; the Portfolio Manager, TMM, has also been the portfolio manager of each 49 North Flow-Through Fund; and Mr. Tom MacNeill, the President and Chief Executive Officer and a director of the Corporation, is also the President, sole director and sole shareholder of TMM. Potential conflicts of interest may arise or be perceived between the officers and directors of the Corporation, and especially Mr. MacNeill, acting on the one hand in their capacity as an officer and/or director of the Corporation and, on the other hand, as an officer, director and/or shareholder of the general partner of a 49 North Flow-Through Fund and, in the case of Mr. MacNeill, as an officer, director and shareholder of TMM, and potential conflicts of interest may arise or be perceived between the Corporation and other funds or entities, outside of the 49 North Group<sup>1</sup>, of which the directors and officers of the Corporation may also be directors, officers, or otherwise involved. Investors must appreciate that they are relying on the expertise, good faith and integrity of the officers and directors of the Corporation and the Portfolio Manager, and especially on the expertise, good faith and integrity of Mr. Tom MacNeill, for the success of their investment in the shares of the Corporation. Persons who are unwilling to accept this risk should not invest in our securities. More generally, the services of the officers and directors of the Corporation and of TMM are not exclusive to the Corporation. The officers and directors of the Corporation and their affiliates may engage in activities for their own account which compete with the Corporation. Conflicts may arise from time to time in allocating investment opportunities, timing investment decisions and exercising rights in respect of and otherwise dealing with securities and companies in which the Corporation and/or the officers and directors of the Corporation and/or their affiliates invest. Conflicts of interest may also arise in the enforcement of the terms and conditions of the Management Agreement and other agreements to which the Corporation is now or may in the future become a party, whether such agreements are being enforced by or against the Corporation.

#### ***Market for Shares and Net Asset Value:***

As an investment fund, and in accordance with securities legislation applicable to investment funds, we calculated and published our net asset value and net asset value per share on a regular basis. Although since ceasing to be an investment fund we are no longer required to do so, we continue to calculate (and may publish) our net asset value and net asset value per share from time to time. However, our shares are not redeemable by shareholders. Rather, a person desiring to buy or sell our common shares may do so through the facilities of the TSXV by contacting his or her broker or investment advisor. The prices at which our common shares are traded are generally established through the “bid” and “ask” mechanisms of the Exchange and will typically be something less (but may be more) than the net asset value of the shares.

#### ***Future Roll-over Transactions:***

We have been involved in the establishment of new 49 North Flow-Through Funds, on an annual or more frequent basis, in each year from 2006 to 2009; and each of the 49 North Flow-Through Funds that has been established to date has subsequently completed a transaction (herein referred to as a “Roll-over Transaction”) with 49 North

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<sup>1</sup> 49 North has been involved in the establishment of “flow-through limited partnerships” on an annual, or more frequent basis, in each year from 2006 to 2009 inclusive, including, without limitation, the 2007 Fund, 2008-I Fund, 2008-II Fund and 2009 Fund, as discussed above herein under “Significant Events”. These flow-through funds are sometimes referred to herein, collectively, as the “49 North Flow-Through Funds” and, individually, as a “49 North Flow-Through Fund” and such Funds, together with the Company, are sometimes referred to herein collectively as the “49 North Group”.

pursuant to which the flow-through units acquired in the Flow-Through Fund's own offering were subsequently exchanged for common shares of 49 North (or, prior to the January 2008 Conversion Transaction, for Units of the Former Partnership). Each of these prior Roll-over Transactions has been completed in February of the year following the year that the respective Funds completed their own offerings of flow-through units, with this timing designed, in part, to allow individual investors who so choose to contribute the securities they acquire in 49 North through the Roll-over Transaction to a self-directed RRSP by the end of February deadline for making contributions that may be claimed in the preceding year. We anticipate that new 49 North Flow-Through Funds may be established in the future and, at about the time that any particular new 49 North Flow-Through Fund is established, we may enter into agreements to acquire the portfolios of such funds in a proposed Roll-over Transaction. Such agreements are typically subject to various conditions, including, without limitation, the receipt of all necessary regulatory approvals. Accordingly, there is no assurance that a proposed Roll-over Transaction with any particular 49 North Flow-Through Fund will be completed within the time frames contemplated by the relevant agreements, or at all. Further, depending on the methodology used to value our shares and/or the assets of a new 49 North Flow-Through Fund, respectively, for the purpose of a proposed Roll-over Transaction; the size and timing of the new Fund's own offering and the length of time between such offering and the completion of a proposed Roll-over Transaction; the requirements of stock exchanges on which 49 North's shares may then be listed; and other factors which may not be known at this time and/or which may be outside of the control of management, the completion of any particular Roll-over Transaction may be dilutive to the persons who then hold shares of 49 North.

***Concentration Risk:***

We invest predominantly in securities of junior and intermediate resource companies engaged in mineral or oil and gas exploration in Canada, with a focus on resource companies with exploration programs in Saskatchewan. Concentrating our investments in the resource sector in this manner may result in the value of our shares fluctuating to a greater degree than if we invested in a broader spectrum of issuers or a broader geographical area.

**Segmented Information:**

The Company has three reportable segments – merchant banking and resource investing, resource exploration and geophysical consulting.

**Outstanding Share Data:**

The Corporation is authorized to issue an unlimited number of common shares; an unlimited number of first preferred shares, issuable in series; and an unlimited number of second preferred shares, issuable in series. A detailed description of the rights, privileges, restrictions and conditions attached to the authorized shares of the Corporation is included in the Company's annual information form for the year ended December 31, 2009, a copy of which may be found on SEDAR at [www.sedar.com](http://www.sedar.com). No series of first preferred or second preferred shares exist and, as at the date of this MD&A, no first preferred or second preferred shares are outstanding.

As of April 27, 2010, the number of common shares of the Corporation outstanding, or reserved for issue under convertible securities, is as follows:

<b>Common Shares</b>	<b>Number</b>
Outstanding <sup>1</sup>	12,651,383
Issuable upon conversion of warrants <sup>2</sup>	3,942,041
Issuable upon conversion of convertible debentures <sup>3</sup>	425,531
Issuable under options <sup>4</sup>	575,000
Issuable upon conversion of broker warrants <sup>5</sup>	312,992
<b>Total diluted common shares</b>	<b>17,906,947</b>
<b>Notes:</b>	
<p>1. Takes into account the common shares that have been purchased by the Company pursuant to the 2009 and 2008 NCIB that are to be cancelled. See discussion herein under “Significant Events – Normal Course Issuer Bids”.</p> <p>2. Please refer to note 13 in the December 31 financial statements.</p> <p>3. Assumes all \$5,000,000 principal amount of convertible debentures are converted into common shares at the lowest possible conversion price of \$11.00 per share. See the discussion in the Annual Information Form for the fiscal year ended December 31<sup>st</sup>, 2009 “General Development of the Business – Three Year History – Convertible Debentures” which can be found on the SEDAR website at <a href="http://www.sedar.com">www.sedar.com</a>.</p> <p>4. Effective December 31<sup>st</sup>, 2009, there were 295,000 common shares issuable under options. An additional 280,000 were issued in first quarter 2010.</p> <p>5. Please refer to note 13 in the December 31 financial statements.</p>	

#### **Caution Regarding Forward-Looking Information:**

Certain information contained in this MD&A constitutes forward-looking information, which is information regarding possible events, conditions or results of operations of the Company that is based upon assumptions about future economic conditions and courses of action and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as “seek”, “anticipate”, “budget”, “plan”, “continue”, “estimate”, “expect”, “forecast”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, without limitation, our expectations regarding anticipated investment activities and results and financing activities, the impact of changes in accounting policies and other factors on our operating results, and the performance of global capital markets and interest rates.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to: risks relating to investment performance, market fluctuations, fluctuations in prices of commodities underlying the Company’s interests and equity investments, the strength of the Canadian, U.S. and other economies, foreign exchange fluctuations, political and economic conditions in the countries in which the

interests of the Company's portfolio investments are located and other risks discussed elsewhere in this MD&A and/or the Company's current annual information form and other public disclosure documents filed with Canadian securities regulatory authorities and available at [www.sedar.com](http://www.sedar.com).

Readers are cautioned that the foregoing lists of factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The forward-looking information contained in this MD&A is provided as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

**Additional Information:**

Additional information about 49 North, including its annual information form for the Company's most recently completed financial year, is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).