

A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities offered hereby have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “1933 Act”), or any state securities laws. Accordingly, these securities may not be offered or sold within the United States of America, and this short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States. See “Plan of Distribution”.

The Offering (as defined below) is only being and may only be made to, and this document is only being and may only be addressed to, distributed to and directed at, (i) persons outside the United Kingdom; or (ii) only those persons in the United Kingdom who are sufficiently knowledgeable to understand the risks involved, and who (a) are “qualified investors” within the meaning of Section 86(7) of the United Kingdom Financial Services and Markets Act 2000, as amended, (the “FSMA”) and fall within the categories of persons referred to in Article 19 (Investment professionals) or Article 49 (High net worth companies, unincorporated associations etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, (the “Order”), or (b) are persons to whom, or at whom, communications in respect of the securities being offered hereunder may otherwise be lawfully made or directed (all such persons together being referred to as “relevant persons”). Any investment or investment activity to which this document relates is available in the United Kingdom only to relevant persons and will be engaged in, in the United Kingdom, only with relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents. This document does not constitute or contain an offer of transferable securities to the public in the United Kingdom within the meaning of Sections 85(1) and 102B of the FSMA. This document is not an approved prospectus for the purposes of Section 85(1) of the FSMA. Accordingly, this document has not been examined or approved as a prospectus by the United Kingdom Financial Services Authority (the “FSA”) under Section 87A of the FSMA, and has not been filed with the FSA pursuant to the United Kingdom Prospectus Rules issued by the FSA and has not been approved by a person authorized under the FSMA for the purposes of Section 21 of FSMA or by London Stock Exchange plc. See “Plan of Distribution”.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer and Secretary of 49 North Resources Inc. at 602, 224 – 4th Avenue South, Saskatoon, Saskatchewan S7K 5M5, Telephone (306) 653-2692, and are also available electronically at www.sedar.com.

PRELIMINARY SHORT FORM PROSPECTUS

New Issue

May 26, 2011



**Maximum \$10,000,000
(100,000 Debentures)**

8% Convertible Unsecured Subordinated Debentures due ●, 2014

49 North Resources Inc. (the “Company” or “49 North” and, where the context requires, also includes the Company’s subsidiaries) is hereby qualifying for distribution an aggregate of \$10,000,000 principal amount of 8% convertible unsecured subordinated debentures (the “Debentures”) in denominations of \$100 and integral multiples thereof with a minimum subscription amount (and minimum face value per Debenture) of \$5,000 (the “Offering”). See “Plan of Distribution”.

The Debentures will be created and issued pursuant to a trust indenture (the “Indenture”) to be entered into between the Company and Alliance Trust Company, as trustee (the “Trustee”), on or prior to the date of closing of the Offering (“Closing”), which Indenture will set forth the specific attributes of the Debentures.

The Debentures will have a three-year term to maturity, with the principal sum and any accrued but unpaid interest to mature and come due on the third anniversary of the closing of the Offering (the “Maturity Date”) (i.e. ●, 2014 assuming a closing date of ●, 2011). The Debentures will bear interest at the rate of 8% per annum, which interest will be paid in arrears in annual instalments on each of the first and second anniversaries of the Closing and on the Maturity Date or earlier in the event of conversion or redemption of the Debentures in accordance with the terms of the Indenture, see “Description of the Securities Being Distributed”.

All Debenture holders will have the right (the “Conversion Right”) to convert the whole or any part of the principal amount of their Debentures into common shares in the capital of the Company (“Shares”) in accordance with the terms of the Indenture at any time prior to 5:00 pm (Toronto time) on the business day immediately preceding the Maturity Date or the business day immediately preceding the date the Debentures are redeemed. The Conversion Right may be exercised at a price (the

“**Conversion Price**”) of \$4.50 per Share. Only the principal amount of the Debentures (and not interest) may be converted into Shares. The Conversion Right is subject to conventional anti-dilution adjustments.

The Company may redeem the Debentures following the Closing regardless of the trading price of the Shares at a price (the “**Redemption Price**”) equal to the outstanding principal amount of the Debenture, plus all interest due or accruing due to (but not including) the redemption date, plus an early redemption premium equal to: (i) 6% of the outstanding principal amount of the Debenture prior to the first anniversary of the Closing; (ii) 4% of the outstanding principal amount of the Debenture if after the first but prior to the second anniversary of the Closing; or (iii) 2% of the outstanding principal amount of the Debenture on or after the second anniversary of the Closing. The Company may not redeem any Debentures if an Event of Default has occurred and is continuing and unless it redeems all Debentures that are outstanding at the time that it sends a redemption notice, other than Debentures that are thereafter converted in accordance with the Indenture by the Debenture holders.

The terms and offering price of the Debentures were determined by negotiation between the Company and MGI Securities Inc. (the “**Agent**”).

The Shares are listed and posted for trading on the TSV Venture Exchange (the “**TSXV**”) under the symbol “**FNR**”. On May 25, 2011, the last trading day prior to the public announcement of the Offering, the closing price of the Shares on the TSXV was \$3.30 per Share. **There is no market through which the Debentures may be sold and purchasers may not be able to resell Debentures purchased under this short form prospectus. This may affect the pricing of the Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the Debentures, and the extent of issuer regulation.** The Company has applied to list the Shares issuable upon the conversion of any Debentures on the TSXV. Listing will be subject to the Company fulfilling all the listing requirements of the TSXV.

An investment in the Debentures and the underlying Shares is speculative and includes a high degree of risk. The risk factors outlined or incorporated by reference in this short form prospectus should be carefully reviewed and considered by prospective purchasers in connection with an investment in the Debentures and the underlying Shares. See “Risk Factors”.

	<u>Price to the Public</u>	<u>Agent’s Fee</u> ⁽¹⁾	<u>Net Proceeds to the Company</u> ⁽¹⁾⁽²⁾
Per \$100 denomination	\$100	\$5	\$95
Minimum Offering ⁽³⁾⁽⁴⁾	\$2,000,000	\$100,000	\$1,900,000
Maximum Offering ⁽⁴⁾	\$10,000,000	\$500,000	\$9,500,000

Notes:

- (1) Does not take into account that the Agent has waived the Agent’s fee in connection with up to \$2,000,000 of subscriptions for Debentures from the president’s list.
- (2) After deducting the Agent’s fee, but before deducting expenses of the Offering estimated at \$78,000 in the case of the minimum Offering and \$165,000 in the case of the maximum Offering, which will be paid by the Company from the proceeds of the Offering.
- (3) There will be no closing of the Offering unless a minimum of \$2,000,000 of Debentures are sold.
- (4) The Company has granted to the Agent an option (the “**Over-Allotment Option**”) to purchase an aggregate of up to 15% of the aggregate amount of Debentures issued on Closing on the same terms as set forth above within 30 days from the date of the Closing solely to cover over-allotments, if any. If the Over-Allotment Option is exercised in full under the maximum Offering, the total price to the public, Agent’s fee and net proceeds to the Company, before deducting expenses of the Offering, will be \$11,500,000, \$575,000 and \$10,925,000, respectively. This short form prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Debentures issuable upon the exercise of the Over-Allotment Option. A purchaser who acquires Debentures forming part of the Over-Allotment Option acquires those Debentures under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases (up to an aggregate maximum for all such purchases of the Debentures actually issued upon the exercise of the Over-Allotment Option). See “Plan of Distribution”.

The following table sets out information relating to the Over-Allotment Option:

<u>Agent’s Position</u>	<u>Maximum Available</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	\$1,500,000 aggregate principal amount of Debentures	30 days from date of Closing	\$100 denominations

The Agent, as principal, conditionally offers the Debentures, subject to prior sale, if, as and when issued by the Company and accepted by the Agent, in accordance with the conditions contained in the Agency Agreement referred to under “Plan of Distribution” and subject to the approval of certain legal matters relating to the Offering on behalf of the Company by McKercher LLP, and on behalf of the Agent by Stikeman Elliott LLP.

MGI Securities Inc. and Jovian Asset Management Inc. are each, directly or indirectly, a wholly-owned or majority-owned subsidiary of Jovian Capital Corporation. A director of 49 North is the managing partner of Jovian Asset Management Inc. Consequently, the Company may be considered to be a connected issuer of the Agent, under applicable securities legislation. See “Relationship Between the Company and the Agent”.

The net proceeds from the Offering are expected to be used by the Company to retire the 9% convertible unsecured subordinated debentures due July 24, 2011 (the “**2008 Debentures**”), to carry out additional oil and gas drilling, to expand the Company’s investing activities and for general corporate purposes. See “Use of Proceeds”.

The principal and head office of the Company is located at 602, 224 – 4th Avenue South, Saskatoon, Saskatchewan S7K 5M5, and the registered office of the Company is located at 374 – 3rd Avenue South, Saskatoon, Saskatchewan, S7K 1M5.

Subscriptions for Debentures will be received subject to rejection or allotment in whole or in part and the Agent reserves the right to close the subscription books at any time without notice. Except with respect to a purchaser resident in a foreign jurisdiction, a book-entry only certificate representing the Debentures will be issued in registered form to CDS Clearing and Depository Services Inc. (“**CDS**”) or its nominee and will be deposited with CDS on the date of the Closing, which is expected to occur on or about ●, 2011, or such later date as the Company and the Agent may agree, but in any event no later than 90 days after a final receipt for this short form prospectus has been issued. A purchaser of Debentures will receive only a customer confirmation from the registered dealer, which is a CDS participant, and from or through which the Debentures are purchased.

Prospective purchasers are advised to consult their own legal counsel and other professional advisers in order to assess income tax, legal and other aspects of this investment based upon their personal circumstances.

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FORWARD-LOOKING STATEMENTS

This short form prospectus, including the documents incorporated by reference, contains or refers to certain forward-looking statements (within the meaning of applicable securities laws) with respect to the Company relating to, but not limited to, the Company's expectations, intentions, plans and beliefs including information as to the future financial or operating performance of the Company. Such forward-looking statements include, but are not limited to, those with respect to the Company's investment approach, including any focus on specific sectors, the structuring of the Company's investments and its plans to manage investments, expectations regarding the demand for and prices of certain commodities, the performance characteristics of the Company's oil and natural gas properties; oil and natural gas production levels; the size of oil and natural gas reserves; projections of market prices and costs; supply and demand for oil and natural gas; expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development; treatment under governmental regulatory regimes and tax laws; tax horizon and future income taxes; capital expenditure programs; and abandonment and reclamation costs.

In certain cases, forward-looking statements can be 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. Such forward-looking statements or forward looking information reflect management's beliefs, estimates and opinions regarding the Company's future growth, results of operations, performance, and business prospects and opportunities at the time such statements are made and the Company takes no obligation to update forward-looking statements if these beliefs, estimates and opinions or circumstances should change. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Forward-looking statements are not guarantees of future performance. Undue reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the Company's control and which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and uncertainties include, among others, the nature of the Company's investments and the risks affecting its investments, dependency on management of investee companies, the concentration of the Company's investments in certain industries and sectors, dependency on key personnel, investments in private issuers which have illiquid securities, volatility in market prices for oil and natural gas; liabilities inherent in oil and gas operations; uncertainties associated with estimating oil and natural gas reserves; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; geological, technical, drilling and processing problems; fluctuations in foreign exchange or interest rates and stock market volatility; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry; and the other factors discussed under "Risk Factors" in the 2010 AIF (as defined herein), as well as those factors referred to in the section entitled "Risk Factors" in this short form prospectus.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, events or otherwise, except in accordance with applicable securities laws.

Readers should rely only on the information contained in, or incorporated by reference into, this short form prospectus. The Company has not authorized anyone to provide different information. The Offering is not being made in any jurisdiction where it is not permitted to be made. Unless otherwise expressly provided, prospective investors should not assume that the information contained herein is accurate as of any date other than the date on the front page of this short form prospectus.

All subsequent written and oral forward looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this notice.

NON-GAAP MEASURES

This short form prospectus and certain of the documents incorporated by reference herein contain references to certain financial measures that do not have a standard meaning prescribed by Canadian GAAP and may not be comparable to similar measures presented by other entities. Holders of Debentures and Shares and prospective purchasers are cautioned that these non-Canadian GAAP measures should not be construed as an alternative to net earnings and cash flow from operations or other measures of financial performance calculated in accordance with Canadian GAAP. These measures provided additional information that management believes is meaningful regarding the Company's operational performance, liquidity in its capacity to fund capital expenditures and other investing activities. References to "net asset value", "net asset per share", and "Published NAV", which are non-GAAP terms, are included throughout the documents incorporated by reference herein. The specific rationale for each non-Canadian GAAP measure is discussed in the management's discussion analysis of the Company for the year ended December 31, 2010.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents of the Company filed with securities commissions or similar regulatory authorities in Canada are incorporated by reference into this short form prospectus:

- (a) the annual information form of the Company dated April 28, 2011 ("2010 AIF") for the year ended December 31, 2010;
- (b) the audited consolidated financial statements of the Company for the years ended December 31, 2010 and 2009, together with the notes thereto and the auditor's report thereon;
- (c) the management's discussion and analysis of the Company for the year ended December 31, 2010;
- (d) the management information circular of the Company dated April 7, 2011 for the annual and special meeting of shareholders of the Company ("Shareholders") held on May 5, 2011;
- (e) the management information circular of the Company dated May 13, 2010 for the annual and special meeting of Shareholders held on June 15, 2010;
- (f) the material change report of the Company dated May 12, 2011 in connection with the follow-on acquisition of an additional 25% interest in Vicarage Capital Limited;
- (g) the material change report of the Company dated February 2, 2011 in connection with the roll-over transaction with 49 North 2010 Resource Flow-Through Limited Partnership; and
- (h) the material change report of the Company dated January 27, 2011 in connection with the conditional acceptance from the TSXV regarding the proposed roll-over transaction with 49 North 2010 Resource Flow-Through Limited Partnership.

Any document of the type referred to in Section 11.1(1) of Form 44-101F1 - *Short Form Prospectus* with a securities commission or similar regulatory authority in Canada after the date of this short form prospectus and prior to the termination of the Offering shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

THE COMPANY

The Company is the successor by reorganization to 49 North Resource Fund Limited Partnership, which was constituted as a limited partnership under the laws of Saskatchewan, originally under the name 49 North Resource Flow-Through Limited Partnership, pursuant to a declaration of limited partnership registered under *The Business Names Registration Act* (Saskatchewan) and *The Partnership Act* (Saskatchewan) on July 20, 2005, which

declaration was amended November 8, 2006 to, amongst other things, change the name of the partnership to 49 North Resource Fund Limited Partnership.

The companies that amalgamated to form the Company on January 1, 2008 were the general partner of the partnership, a corporation named 49 North Resource Fund Inc., which was incorporated pursuant to *The Business Corporations Act* (Saskatchewan) (the “**SBCA**”) on October 13, 2004 under the name 101062093 Saskatchewan Ltd. and amended its articles effective May 11, 2005 to change its name to 49 North Resource Fund Inc.; and 101110207 Saskatchewan Ltd. which was incorporated pursuant to the SBCA on October 30, 2007 for the sole purpose of facilitating the reorganization of the Company from its former structure as a limited partnership to its current structure as a corporation.

The Company restated its articles on January 17, 2008. By articles of amendment dated August 14, 2009, the corporate name was changed from “49 North Resource Fund Inc.” to “49 North Resources Inc.”.

The Company owns 50% of the issued and outstanding voting shares of North Rim Exploration Ltd., (“**North Rim**”) a private Saskatchewan corporation, and the remaining 50% of the voting shares are held by key employees and exclusive consultants of North Rim.

The Company owns 89.5% of the issued and outstanding voting shares of Allstar Energy Limited (“**Allstar**”), a private Saskatchewan corporation, and the remaining 10.5% of the voting shares are held by the founders and operators of Allstar.

The Company owns 80% of the issued and outstanding voting shares of Kimpar Resources Inc. (“**Kimpar**”), a private Canada corporation.

The Company owns 50% of the issued and outstanding voting shares of Vicarage Capital Limited (“**Vicarage**”), a private company limited by shares incorporated and registered in England and Wales.

As discussed in the Company’s annual financial statements for its fiscal year ended December 31, 2010, the Company’s investment in Newsk Emerging Resources Ltd. (“**Newsk**”) constitutes a variable interest entity (“**VIE**”) in which the Company is the primary beneficiary. Therefore, the Company is required under applicable accounting principals to consolidate the VIE.

49 North’s head office is located at 602, 224 – 4th Avenue South, Saskatoon, Saskatchewan, S7K 5M5 and its registered office is located at 374 – 3rd Avenue South, Saskatoon, Saskatchewan, S7K 1M5.

SUMMARY DESCRIPTION OF THE BUSINESS

The Company is a resource investment, financial and managerial advisory, and merchant banking company. North Rim provides independent geological consulting services. Allstar is involved in oil and gas exploration and extraction in Saskatchewan. Kimpar is involved in mineral exploration in Quebec. Vicarage is a corporate development, investor relations and stock broking firm based in London, England. Newsk is involved in mineral exploration in British Columbia.

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 of the portfolio. In addition, the Company 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.

49 North increasingly provides managerial, administrative, property development and other advice and/or assistance to individuals and companies at the very early, start-up stages and/or in some cases acquiring a controlling interest in certain investee companies or a direct interest in resource properties, all with a view to developing resource properties, creating the appropriate corporate vehicle for that development, raising exploration funds and, more generally, moving a resource property from a concept to a properly capitalized operating property. The overall business strategy of the Company is to enhance Shareholder value by positioning itself to take advantage of early stage and/or undervalued opportunities that exist in the resource sector, with a focus predominantly on Saskatchewan’s relatively untapped resource exploration and development opportunities.

RECENT DEVELOPMENTS

Follow-on Investment in Vicarage Capital Limited

On May 9, 2011, 49 North acquired an additional 25% interest in Vicarage, a private corporate development, investor relations and stock broking firm based in London, England that focuses on supporting small and mid cap natural resource companies. 49 North had acquired an initial 25% stake in the company in June of 2010. Vicarage provides a wide range of corporate development, debt, equity, hedge-structuring, pre-IPO advice and capital raising services for junior resource companies who “fall beneath the radar” of larger brokers in the London and European market. Vicarage is authorized and regulated by the United Kingdom’s Financial Services Authority.

Letter of Intent with Mayen Minerals Ltd.

Effective May 6, 2011, the Company and Kimpar entered into a letter of intent respecting the acquisition of all of Kimpar’s mineral claims by Mayen Minerals Ltd. (the “**Transaction**”). Mayen Minerals Ltd. is listed on the TSXV under the symbol “MYM” and the Transaction, if completed, will constitute a reverse take-over of Mayen Minerals Ltd. by Kimpar. For further information about the Transaction, please see Mayen Minerals Ltd.’s news release dated May 12, 2011. Additional information about Mayen Minerals Ltd. is available under its profile at www.sedar.com.

Completion of the Transaction is subject to a number of conditions, including TSXV acceptance and approval by the shareholders of both Mayen Minerals Ltd. and Kimpar. The Transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the Transaction will be completed as proposed or at all.

CONSOLIDATED CAPITALIZATION OF THE COMPANY

Other than as described below, there have been no material changes in the capitalization or in the indebtedness of the Company since December 31, 2010. The following table sets forth the consolidated capitalization of the Company as at December 31, 2010, both before and after giving effect to: (a) the roll-over transaction with 49 North 2010 Resource Flow-Through Limited Partnership on February 2, 2011; and (b) the roll-over transaction with 49 North 2010 Resource Flow-Through Limited Partnership on February 2, 2011 and the Offering:

<u>Designation</u>	<u>As at December 31, 2010</u>	<u>As at December 31, 2010, after giving effect to the roll-over transaction</u>	<u>As at December 31, 2010, after giving effect to the roll-over transaction and Offering⁽¹⁾⁽²⁾</u>
Long-term debt ⁽³⁾			
Loan capital	\$3,632,876	\$3,632,876	\$3,632,876
2008 Debentures	5,000,000	5,000,000	-
2010 Debentures ⁽⁴⁾	4,690,800	4,690,800	4,690,800
Debentures	-	-	10,000,000
Total long-term debt	13,323,676	13,323,676	18,323,676
Share capital ⁽⁵⁾	47,233,937	55,322,021	55,322,021
Total capitalization	\$60,557,613	\$68,645,697	\$73,645,697

Notes:

(1) Assumes maximum Offering and the Over-Allotment Option is not exercised.

(2) After giving effect to the proposed use of proceeds of the Offering outlined under “Use of Proceeds”.

(3) Long-term debt includes the current portion thereof. The general terms of the long-term indebtedness in the above table are set out in notes 11, 12 and 13 of the audited consolidated financial statements of the Company for the years ended December 31, 2010 and 2009.

(4) The 8% convertible unsecured subordinated debentures due September 23, 2013 (the “**2010 Debentures**”).

(5) An unlimited number of Shares, first preferred shares and second preferred shares are authorized. At December 31, 2010, there were 12,298,483 Shares outstanding, and there were 15,480,769 Shares outstanding on May 25, 2011. This does not include: (i) 630,000 (December 31, 2010) or 791,490 (May 25, 2011) Shares issuable pursuant to the Company’s stock option plan; (ii) approximately 400,000 Shares issuable if the holders of the 2008 Debentures choose to exercise their conversion rights; (iii) approximately 1,172,700 Shares issuable if the holders of the 2010 Debentures choose to exercise their conversion rights; and (iv) 4,568,025 (December 31, 2010) or 4,090,671 (May 25, 2011) Shares issuable upon the exercise of warrants and broker warrants.

USE OF PROCEEDS

The net proceeds to the Company from the minimum Offering, after deducting the Agent's fee of \$100,000 and estimated expenses of the Offering of \$78,000, are estimated to be approximately \$1,822,000, assuming no exercise of the Over-Allotment Option. The net proceeds to the Company from the maximum Offering, after deducting the Agent's fee of \$500,000 and estimated expenses of the Offering of \$165,000, are estimated to be approximately \$9,335,000, assuming no exercise of the Over-Allotment Option, or approximately \$10,760,000 if the Over-Allotment Option is exercised in full under the maximum Offering.

The net proceeds from the Offering are expected to be used by the Company to retire an aggregate of \$5,000,000 principal amount of the 2008 Debentures, to carry out, through Allstar, additional oil and gas drilling, to expand the Company's investing activities and for general corporate purposes. Under the minimum Offering, the Company would be required to use cash on hand in addition to the net proceeds from the Offering to retire the 2008 Debentures.

<u>Use of Proceeds</u>	<u>Assuming Minimum Offering</u> ⁽¹⁾⁽²⁾	<u>Assuming Maximum Offering</u> ⁽¹⁾⁽²⁾
Retirement of 2008 Debentures	\$1,822,000	\$5,000,000
Oil and gas drilling	-	3,000,000
Future resource investing activities	-	1,000,000
General corporate purposes	-	335,000
Total	\$1,822,000	\$9,335,000

Notes:

(1) Does not take into account that the Agent has waived the Agent's fee in connection with up to \$2,000,000 of subscriptions for Debentures from the president's list.

(2) Assumes the Over-Allotment Option is not exercised.

While the Company intends to use the net proceeds as stated above, there may be circumstances that are not known at this time in which a reallocation of the net proceeds may be advisable for business reasons that management believes are in the Company's best interests.

DESCRIPTION OF THE SECURITIES BEING DISTRIBUTED

Debentures

The Company is offering to sell 8% convertible unsecured subordinated debentures (the "Debentures") having an aggregate face value and subscription price of up to \$10,000,000, which Debentures will be issued in denominations of \$100 and integral multiples thereof with a minimum subscription amount (and minimum face value per Debenture) of \$5,000. The Debentures will be created and issued pursuant to the Indenture, which will set forth the specific attributes of the Debentures. The following is a summary of certain provisions of the Indenture and of the Debentures to be issued thereunder. This summary does not purport to be complete and is subject to and qualified in its entirety by all of the express terms and conditions of the Indenture and the Debentures. A copy of the Indenture (in draft form until executed) may be inspected during normal business hours during the course of the Offering at the head office of the Company at 602, 224 – 4th Avenue South, Saskatoon, Saskatchewan S7K 5M5.

The Debentures will have a three-year term to maturity, with the principal sum and any accrued but unpaid interest to mature and come due on the Maturity Date (i.e. ●, 2014 assuming a Closing date of ●, 2011).

The Debentures will bear interest at the rate of 8% per annum, which interest will be paid in arrears in annual instalments on each of the first and second anniversaries of the Closing and on the Maturity Date (or earlier in the event of conversion or redemption of the Debentures in accordance with the terms of the Indenture as summarized below). Every Debenture shall bear interest at the rate aforesaid from its date of issue or from the last preceding date on which interest was paid to the day preceding the next applicable interest payment date, and any interest not paid on an applicable interest payment date will be compounded with the principal amount of the Debenture, with such compounded interest to bear interest as aforesaid until paid in full.

All Debenture holders will have the right to convert the whole or any part of the principal amount of their Debentures into Shares in accordance with the terms of the Indenture at any time prior to 5:00 pm (Toronto time) on the business day immediately preceding the Maturity Date or the business day immediately preceding the date the Debentures are redeemed. The Indenture provides that a Conversion Right may be exercised by delivering to the

Trustee's Toronto office the Debenture that is to be converted, with the conversion notice that is attached as a schedule thereto duly executed and completed by or on behalf of the registered holder of the Debenture (collectively the "**Conversion Notice**") in which case the principal amount of the Debenture that is to be converted shall be converted into fully-paid, non-assessable Shares at \$4.50 per Share (the "**Conversion Price**").

Notwithstanding the foregoing:

(a) Only the principal amount of the Debentures (and not interest) may be converted into Shares. All interest that has accrued since the last applicable interest payment date on the principal amount being converted to the date immediately preceding the effective date on which the Debenture is converted, but is otherwise not yet paid, shall be paid to or to the order of the Debenture holder on, or as soon as reasonably possible following, the effective time of conversion.

(b) No fractional Shares will be issued on any conversion. In lieu of fractional Shares, the Company shall satisfy fractional interests by a cash payment (computed to the nearest cent) equal to the appropriate fraction of the last reported sale price of Shares on the business day preceding the conversion.

(c) The aforesaid Conversion Price and/or the number of Shares (or other securities or property) to be issued to a holder who converts a Debenture shall be subject to conventional anti-dilution adjustments as described in the Indenture.

Where Debentures are properly converted in accordance with the provisions of the Indenture as summarized above, the Company shall issue that number of Shares (or, as applicable, other securities or property) effective as at the date the Conversion Notice is received by the Trustee and shall issue or cause certificates for such Shares to be issued at, or as soon as reasonably possible following, such date. The Company shall also certify and deliver new Debentures in an aggregate principal amount equal to any unconverted part (if any) of the principal amount of Debentures so surrendered.

Except with respect to a purchaser resident in a foreign jurisdiction, Shares that are issued upon the conversion of Debentures will be issued in registered form in the name of CDS (or another Depository) in accordance with the Book-Entry System. Accordingly, Debenture holders who convert their Debentures into Shares will not receive certificates in respect of such Shares and will not be entitled to any receipt or other instrument from the Company or from CDS in respect of their investment, and will not be shown in the records of CDS as the holder of any Shares. They will however receive a customer confirmation from the applicable CDS Participant through whom their respective Debentures (and Shares acquired upon the conversion of the Debentures) are held in accordance with the Book-Entry System and the applicable reporting policies and procedures of such intermediaries.

The Indenture contains provisions pursuant to which Debentures that have not been converted in accordance with the terms of the Indenture as summarized above may be redeemed at the option of the Company at any time following the date of Closing, regardless of the trading price of the Shares, subject, however, to certain conditions including the following:

(a) The Company shall not redeem any Debentures unless it redeems all Debentures that are outstanding at the time that it sends the Redemption Notice described in paragraph (c) below (other than Debentures that are thereafter converted by the holders as described in paragraph (d) below).

(b) The Company shall not redeem any Debentures if at the date of the Redemption Notice an Event of Default has occurred and is continuing.

(c) The Company shall provide or cause the Trustee to provide to each Debenture holder a written notice (a "**Redemption Notice**"), which Redemption Notice shall indicate that the Company intends to redeem all Debentures that are then outstanding effective as of a date determined by the Company (the "**Redemption Date**"), and specified in such Redemption Notice, which Redemption Date shall not be earlier than 60 days and not be later than 90 days following the date of such Redemption Notice.

(d) Where a Redemption Notice is given in accordance with the foregoing provisions, any Debenture holder may exercise his Conversion Right to convert the whole or any part of the principal sum of his Debentures in accordance with the provisions of the Indenture (as summarized above) at any time prior to the Redemption Date provided that, in such case, in order to be effective against the Company and/or the Trustee, the Conversion Notice must be delivered to and received by the Trustee prior to 5:00 pm (Toronto time) on the business day immediately preceding the Redemption Date. Where this is done the provisions of the Indenture as summarized above shall apply mutatis mutandis in respect of such conversion.

(e) All Debentures that are called for redemption and not converted in accordance with the foregoing provisions shall be redeemed by the Company effective as at the Redemption Date, or as soon as reasonably possible

thereafter, at which time the Company shall pay to or to the order of the respective holders of such Debentures an amount (the “**Redemption Amount**”) equal to the sum of the following:

- i. the outstanding principal amount of the Debenture;
- ii. an early redemption premium equal to:
 - A. 6% of the outstanding principal amount of the Debenture if the Redemption Date is prior to the first anniversary of the Closing;
 - B. 4% of the outstanding principal amount of the Debenture if the Redemption Date is on or after the first but prior to the second anniversary of the Closing; or
 - C. 2% of the outstanding principal amount of the Debenture if the Redemption Date is on or after the second anniversary of the Closing.
- iii. all interest due or accruing due to (but not including) the Redemption Date.

The holders of the Debentures may not force the Company to redeem Debentures (except upon the occurrence of certain Events of Default as stipulated in, and then subject to the enforcement provisions of, the Indenture as summarized below) and the Debentures do not confer any rights as Shareholders upon the Debenture holders or entitle the Debenture holders to any voting privileges or to receive notice of or attend at any meetings of the Shareholders. Moreover, the Debentures and all obligations of the Company under or in respect thereof are unsecured obligations of the Company and will be subordinated in right of payment to all existing and future indebtedness of the Company or any affiliate or subsidiary of the Company.

Neither the Indenture nor the Debentures contain or will contain any provisions that restrict the Company’s ability, at any time and on such terms and conditions as the management determines in accordance with applicable laws to be in the best interest of the Company, to: conduct and carry on such business or businesses as management considers desirable; issue additional Shares or other securities at such prices and otherwise on such terms and conditions as the board of directors of the Company (the “**Board**”) considers appropriate; declare and/or pay dividends or make other distributions on its shares; borrow money or incur additional indebtedness; mortgage, charge or otherwise grant security on or encumber all or any of its present or future property of whatsoever kind or nature; acquire new assets; or undertake one or more fundamental changes including, without limitation, amending its articles of incorporation, amalgamating with one or more other corporations, continuing under the laws of a jurisdiction other than Saskatchewan, selling, leasing or otherwise disposing of all or substantially all of its property; or entering into one or more merger, acquisition or reorganization transactions involving the Company and one or more other entities whether pursuant to a plan of arrangement under the SBCA or otherwise. Further, neither the Indenture nor any of the Debentures require the Company to observe or maintain any particular financial covenants or ratios as a condition to doing any of the foregoing or as a condition to the Company remaining in compliance with its representations, warranties, covenants and obligations under the Indenture and the Debentures. See also “Risk Factors”.

The Indenture will provide that an Event of Default will occur if any one or more of the following described events has occurred and is continuing with respect to the Debentures:

- (a) Default in payment of the principal of any Debentures when same becomes due;
- (b) Default in payment of any premium and interest due on the Debentures, unrectified after a period of 5 business days following receipt of notice provided by the Trustee to the Company;
- (c) Certain events of bankruptcy, insolvency or reorganization of the Company under bankruptcy or insolvency laws;
- (d) Default in the observance or performance of any material covenant or condition of the Indenture and a continuance of such default for a period of 30 days after notice in writing has been given by the Trustee to the Company specifying such default and requiring the Company to rectify the same;
- (e) Failure to deliver Shares (or cash in lieu of fractional Shares) upon conversion of a Debenture and continuance of such default for 10 days;
- (f) Default in the observance or performance of any secured indebtedness and the failure by the Company to remedy such default within any period provided for and such default is a material adverse change for the Company and its subsidiaries, taken as a whole.

If an Event of Default has occurred and is continuing, the Trustee may in its discretion, and shall upon request of holders of not less than 25% of the principal amount of Debentures then outstanding, declare the principal and interest on all outstanding Debentures and any other monies payable pursuant to the Indenture to be immediately

due and payable. In certain cases, the holders of more than 50% of the principal amount of the Debentures then outstanding may, on behalf of the holders of the Debentures, waive any Event of Default and/or cancel any declaration of default upon such terms and conditions as such holders shall prescribe (except a default in the payment of principal or interest on the Debentures, which default may only be waived by an extraordinary resolution passed at a meeting of Debenture holders at which the holders of at least 25% of the principal amount of the Debentures then outstanding are present in person or by proxy and passed by the favourable votes of the holders of not less than 66 $\frac{2}{3}$ % of the principal amount of Debentures then outstanding represented at the meeting).

If an Event of Default has occurred, the Trustee may in its discretion proceed to enforce the rights of the Trustee and of the Debenture holders as authorized or permitted by the Indenture or by law or equity. No holder of any Debenture shall have any right to institute any action, suit or proceeding or to exercise any other right authorized or permitted by the Indenture or by law or by equity unless, after receiving written notice of an Event of Default, authorization to act, sufficient funds, and an indemnity, the Trustee shall have failed after reasonable opportunity to act.

The Indenture will contain conventional anti-dilution provisions pursuant to which the Conversion Price for the Shares into which the Debentures may be converted and/or the number or type of securities or other property that may be issued upon a conversion of the Debentures may be adjusted upon the occurrence of certain adjustment events such as a subdivision, consolidation or reclassification of the Shares or if the Company makes certain rights offerings, enters into certain reorganization transactions or makes certain distributions to all or substantially all of its Shareholders (other than the payment of cash dividends in the ordinary course). The Indenture will also contain provisions for the payment of fees to the Trustee, the substitution of the Trustee with a replacement of, or successor to, Alliance Trust Company and for the protection of the Trustee.

Shares

The Company's authorized capital consists of an unlimited number of Shares; an unlimited number of first preferred shares, issuable in series; and an unlimited number of second preferred shares, issuable in series. As at May 25, 2011, 15,480,769 Shares were issued and outstanding. There are no outstanding first preferred or second preferred shares.

Each Share entitles its holder to receive notice of and attend at all annual and special meetings of Shareholders, other than meetings at which only the holders of another particular class or series are entitled to vote, and each such Share entitles its holder to one vote. Shareholders are entitled to receive, out of amounts properly applicable to the payment of dividends, such dividends on the Shares as may be declared by and in the discretion of the Board from time to time. Additionally, the Shareholders are entitled to share equally in any distribution of the assets of the Company upon the liquidation, dissolution or winding up of the Company or other distribution of its assets among its Shareholders. The rights of the Shareholders to participate in dividends and upon winding-up of the Company are subject to the prior rights, privileges, restrictions and conditions attached to any issued and outstanding first preferred shares or second preferred shares.

EARNINGS COVERAGE RATIO

The following earnings coverages and adjusted earnings coverages are calculated on a consolidated basis for the year ended December 31, 2010 and are derived from audited financial information.

The earnings of the Company before interest expense and income tax expense for the year ended December 31, 2010 was \$15.63 million. The interest expense for the year ended December 31, 2010 was \$1.04 million, for a coverage ratio of 14.96 times.

After giving effect to the Offering and before any exercise of the Over-Allotment Option, the pro forma earnings of the Company before interest expense and income tax expense for the year ended December 31, 2010 was \$15.63 million. After giving effect to this Offering and before any exercise of the Over-Allotment Option, the pro forma interest expense for the year ended December 31, 2010 was \$1.39 million, resulting in a coverage ratio of 11.20 times.

These coverage ratios reflect historical earnings adjusted for the net impact of the Debentures, as noted. Under GAAP, a portion of the Debentures will be classified on the balance sheet as a liability and a portion allocated to equity to reflect the conversion feature. The related interest expense and financial charges will be amortized using the effective interest method. For purposes of the pro forma calculations above, interest expense has been calculated as though the Debentures (excluding Debentures issued upon the exercise of the Over-Allotment Option) had been accounted for in their entirety as debt. Also, for the purposes of the calculation, interest expense includes related financing charges (i.e. the amortization of debt issuance costs) and accretion of discount on long term debt.

The pro forma earnings set forth above: (i) has been prepared in accordance with Canadian disclosure requirements using financial information that was prepared in accordance with GAAP; (ii) gives effect to the issuance of the Debentures under this short form prospectus as of the beginning of the applicable period; (iii) assumes there are no additional earnings derived from the use of the net proceeds of the Offering; and (iv) does not purport to be indicative of earnings coverage ratios for any future periods.

TRADING PRICE AND VOLUME

The outstanding Shares are traded on the TSXV under the trading symbol “FNR”. The following table sets forth the reported minimum and maximum prices and total monthly trading volumes of the Shares as reported by the TSXV for the periods indicated.

<u>Period</u>	<u>Maximum Price</u>	<u>Minimum Price</u>	<u>Total Monthly Volume Traded</u>
Month in 2011			
May 1-25	\$3.75	\$3.05	532,848
April	\$4.30	\$3.51	1,260,141
March.....	\$4.08	\$3.15	2,675,140
February.....	\$3.24	\$2.69	1,184,766
January.....	\$3.05	\$2.50	592,323
Month in 2010			
December.....	\$3.02	\$2.52	711,633
November	\$2.72	\$2.15	915,414
October	\$2.70	\$1.78	715,497
September.....	\$1.91	\$1.68	858,126
August	\$1.88	\$1.60	351,627
July	\$2.05	\$1.59	412,782
June.....	\$2.48	\$1.88	624,523
May.....	\$2.64	\$2.27	649,319

PRIOR SALES

For the twelve-month period before the date of this short form prospectus, the Company issued the following Shares and securities convertible into Shares:

- (a) On May 5, 2011, the Company issued 195,000 options, exercisable at \$3.60 per Share.
- (b) On February 1, 2011, the Company issued 2,174,122 Shares in exchange for all of the assets of 49 North 2010 Resource Flow-Through Limited Partnership valued at \$8,088,084 on a tax deferred “roll-over” basis.
- (c) On October 15, 2010, the Company issued 60,000 options, exercisable at \$2.00 per Share.
- (d) The Company raised aggregate gross proceeds of \$4,690,800 through the private placement of the 2010 Debentures which closed on September 23 and October 12, 2010. The Debentures are convertible into Shares at a conversion price of \$4.00 (before July 28, 2011), \$4.25 (after July 28, 2011 and before July 28, 2012) or \$4.50 (after July 28, 2012 and before July 28, 2013).
- (e) On June 18, 2010, the Company issued 20,000 options, exercisable at \$2.35 per Share.

PLAN OF DISTRIBUTION

Pursuant to the agency agreement dated as of ●, 2011 between the Company and the Agent in respect of the Offering (the “Agency Agreement”), the Company has agreed to issue and sell up to a maximum of an aggregate of \$10,000,000 principal amount of Debentures to the Agent, and the Agent has agreed to act as, and has been appointed as, the sole and exclusive agent of the Company to offer the Debentures for sale, on a best efforts basis, if, as and when issued by the Company in accordance with the conditions contained in the Agency Agreement. The terms of the Debentures were determined by negotiation between the Company and the Agent. Delivery of the Debentures is conditional upon payment by the Agent to the Company on Closing of the aggregate principal amount of the Debentures issued and sold. The Agency Agreement provides that the Company will pay the Agent’s fee of

\$5 per \$100 denomination of Debentures issued and sold by the Company, for an aggregate fee payable by the Company of \$500,000 under the maximum Offering, in consideration for their services in connection with the Offering. The Agent's fee in respect of the Debentures is payable upon the closing of the Offering. While the Agent has agreed to use their best efforts to sell the Debentures offered hereby, the Agent will not be obligated to purchase any Debentures which are not sold. The Agency Agreement also provides that the Company will indemnify the Agent and their directors, officers, agents, shareholders and employees against certain liabilities and expenses.

The Company has granted the Agent the Over-Allotment Option, exercisable for a period of up to 30 days following the Closing, to purchase an aggregate of up to 15% of the aggregate amount of Debentures issued on Closing at the initial Offering price. If the Over-Allotment Option is exercised in full under the maximum Offering, the total price to the public, the Agent's fee and the net proceeds to the Company will be \$11,500,000, \$575,000 and \$10,925,000, respectively. A purchaser who acquires Debentures forming part of the Agent's over-allocation position acquires those Debentures under this short form prospectus, regardless of whether the Agent's over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. This short form prospectus qualifies the grant of the Over-Allotment Option and the issuance of the Debentures on the exercise of the Over-Allotment Option.

Subscription amounts received in trust will be held in segregated accounts with a depository who is a registered dealer, bank or trust company until the minimum amount of subscriptions for Debentures has been obtained. If subscriptions for a minimum of \$2,000,000 of Debentures have not been received within 90 days following the date of issuance of a final receipt for this prospectus, the Offering may not continue and subscription proceeds will be returned to subscribers, without interest or deduction, unless an amendment to this prospectus is filed. In the event the Closing does not occur for any reason, subscription proceeds received from prospective purchasers in respect of the Offering will be returned to such purchasers promptly without interest or deduction. The maximum amount of Debentures which will be sold pursuant to the Offering is \$10,000,000 of Debentures. Under the terms of the Agency Agreement, the Agent, at its discretion on the basis of its assessment of the state of the financial markets and upon the occurrence of certain stated events, may terminate the Agency Agreement and withdraw all subscriptions for Debentures on behalf of subscribers. Subscriptions for Debentures will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice. The Closing will take place on or about ●, 2011 or such later date as the Company and the Agent may agree, but in any event not later than 90 days after a final receipt for this prospectus is issued.

In addition to offering and selling Debentures pursuant to this short form prospectus, the Company, at its discretion, may contemporaneously offer and sell Debentures at the same price per Debenture and otherwise on substantially the same terms as the Debentures are offered and sold under this short form prospectus, on a private placement basis in reliance on the accredited investor exemption or other available exemptions from the applicable registration and prospectus requirements of applicable securities legislation in the jurisdictions in which such Debentures are so offered and sold. The Debentures issued on a private placement basis, if any, will be counted for the purposes of determining if the minimum Offering and the maximum Offering hereunder is achieved. The Agency Agreement includes provisions applicable to any such private placements of Debentures, including the payment of agency fees, that are substantially similar to the provisions of the Agency Agreement referred to above with respect to the public offering of Debentures pursuant to this short form prospectus.

Except with respect to a purchaser resident in a foreign jurisdiction, the Debentures will be issued in "book-entry only" form and must be purchased or transferred through a participant in the depository service of CDS. See "Description of the Securities Being Distributed"

The Company has applied to list the Shares issuable upon the conversion of any Debentures on the TSXV. Listing will be subject to the Company fulfilling all the listing requirements of the TSXV.

The Company has agreed that it will not offer or issue, or enter into an agreement to offer or issue, Shares or any securities convertible or exchangeable into Shares for a period of 90 days subsequent to the Closing without the consent of the Agent, which consent may not be unreasonably withheld.

Neither the Debentures nor the Shares issuable upon conversion thereof have been, or will be, registered under the 1933 Act or any state securities laws. Accordingly, the Debentures and such Shares may not be offered or sold within the United States (as such term is defined in Regulation S under the 1933 Act).

The Offering is only being made to, and this document is being addressed to, and are distributed to and directed at, only those persons in the United Kingdom who are sufficiently knowledgeable to understand the risks involved, and who are "relevant persons".

Any investment or investment activity to which this document relates is available in the United Kingdom only to relevant persons and will be engaged in, in the United Kingdom, only with relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents. This document does not

constitute or contain an offer of transferable securities to the public in the United Kingdom within the meaning of Sections 85(1) and 102B of the FSMA. This document is not a prospectus for the purposes of Section 85(1) of the FSMA. Accordingly, this document has not been examined or approved as a prospectus by the FSA under Section 87A of the FSMA, and has not been filed with the FSA or published pursuant to the United Kingdom Prospectus Rules issued by the FSA and has not been approved by a person authorized under the FSMA for the purposes of Section 21 of FSMA or by London Stock Exchange plc.

The Agent has represented and agreed that: (i) it has not offered or sold and will not offer or sell any securities in contravention of Section 21(1) of the FSMA or in circumstances which would require the publication of an approved prospectus pursuant to Section 85(1) of the FSMA; and (ii) it has complied and will comply with all applicable securities laws and regulations in the United Kingdom including, without limitation, the FSMA, the Order and the Prospectus Rules with respect to anything done by it in relation to the securities in, or otherwise involving, the United Kingdom.

RELATIONSHIP BETWEEN COMPANY AND THE AGENT

The Agent and Jovian Asset Management Inc. are each, directly or indirectly, a wholly-owned or majority-owned subsidiary of Jovian Capital Corporation. A director of 49 North is the managing partner of Jovian Asset Management Inc. Consequently, the Company may be considered to be a connected issuer of the Agent under applicable securities legislation.

The decision of the Agent to participate in the Offering was made independently of its affiliates and the Offering was not required or suggested by its affiliates. The decision to distribute the Debentures offered hereby and the determination of the terms of the distribution were made through negotiations primarily between the Company and the Agent. Other than having been advised of the issuance and the terms of the Debentures, the Agent's affiliates did not have any involvement in such decision or determination. As a consequence of this Offering, the Agent will receive the Agent's fee.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The discussion below is a general description of the principal Canadian federal income tax considerations generally applicable to an investment in the Debentures and any Shares issued under the terms of the Debentures. It does not take into account the individual circumstances of any particular investor. Therefore, prospective investors are urged to consult their own tax advisors with respect to the tax consequences of an investment in the Debentures.

In the opinion of McKercher LLP, counsel for the Company, and Stikeman Elliott LLP, counsel for the Agent, the following is, as of the date of this short form prospectus, a general summary of the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) (the "**Tax Act**") and the regulations thereunder generally applicable to a holder of Debentures (a "**Holder**") who acquires Debentures pursuant to this Offering and who, at all relevant times, for purposes of the Tax Act, holds the Debentures, and will hold Shares acquired under the terms of the Debentures ("**Underlying Shares**"), as capital property, is not affiliated with the Company and deals with the Company at arm's length for purposes of the Tax Act. Generally, a Debenture or Underlying Share will be considered to be capital property to a Holder provided that the Holder does not hold the Debenture or Underlying Share in the course of carrying on a business and has not acquired such Debenture or Underlying Share in one or more transactions considered to be an adventure or concern in the nature of trade. This summary is not applicable to a Holder: (i) that is a "financial institution" (within the meaning of the Tax Act) for the purposes of the "mark-to-market" rules contained in the Tax Act; (ii) that is a "specified financial institution" (within the meaning of the Tax Act); (iii) an interest in which would be a "tax shelter investment" (within the meaning of the Tax Act); or (iv) that has elected to report its "Canadian tax results" (as defined in the Tax Act) in a currency other than the Canadian currency. Any such Holder should consult its own tax advisor with respect to an investment in the Debentures and the Underlying Shares.

This summary is based on the current provisions of the Tax Act and the regulations thereunder and counsels' understanding of the current published administrative practices and assessing policies of the Canada Revenue Agency (the "**CRA**"). This summary also takes into account all specific proposals to amend the Tax Act (the "**Tax Proposals**") publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof.

This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Tax Proposals, does not take into account or anticipate any changes in law or the administrative practices or

assessing policies of the CRA, whether by judicial, governmental or legislative decision or action, nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder and no representation with respect to the income tax consequences to any particular Holder is made. Each Holder should consult with such Holder's own tax advisor with respect to the Canadian federal income tax consequences set forth below as applicable in the Holder's particular circumstances and any other federal, provincial, state, local or foreign tax consequences to it of holding and disposing of Debentures and Underlying Shares.

Residents of Canada

The following portion of the summary is generally applicable to a Holder, who at all relevant times, for the purposes of the Tax Act, is or is deemed to be resident in Canada (a "**Resident Holder**"). Certain Holders whose Debentures or Underlying Shares might not otherwise qualify as capital property may be able to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to deem the Debentures and the Underlying Shares, and every other "Canadian security" owned by such Holders in the taxation year of the election or any subsequent taxation year, to be capital property.

Taxation of Interest on Debentures

A Resident Holder that is a corporation, partnership, unit trust or trust of which a corporation or partnership is a beneficiary will be required to include in computing its income for a taxation year all interest on a Debenture that accrues to the Resident Holder to the end of that taxation year (or to the time of disposition or Qualifying Conversion (as defined below)) or becomes receivable or is received by the Resident Holder before the end of that taxation year, including on a conversion, redemption or repayment on maturity, to the extent that such amount was not otherwise included in the Resident Holder's income for that or a preceding taxation year.

Any other Resident Holder, including an individual, will be required to include in computing its income for a taxation year any interest on a Debenture received or receivable by such Resident Holder in that year (depending upon the method regularly followed by the Resident Holder in computing income), including on a conversion, redemption or repayment on maturity, to the extent that such amount was not otherwise included in the Resident Holder's income for that or a preceding taxation year. In addition, if at any time a Debenture is an "investment contract" (as defined in the Tax Act) in relation to such Resident Holder, the Resident Holder will be required to include in computing its income for a taxation year any interest that accrues to the Resident Holder on the Debenture to the end of any "anniversary day" (as defined in the Tax Act) in that taxation year to the extent such interest was not otherwise included in the Resident Holder's income for that taxation year or a preceding taxation year.

If a Debenture acquired by a Resident Holder is a "prescribed debt obligation" (within the meaning of the Tax Act and the regulations thereunder), interest may be deemed to accrue on the Debenture and may be required to be included in the Resident Holder's income for a taxation year, except to the extent such amount was otherwise included in the income of the Resident Holder for that taxation year or a preceding taxation year. Resident Holders should consult their own tax advisors as to whether a particular Debenture is a prescribed debt obligation.

On a disposition or deemed disposition of a Debenture, including a payment on maturity, redemption or purchase for cancellation of a Debenture, a Resident Holder will generally be required to include in income the amount of interest accrued on the Debenture from the date of the last interest payment to the date of disposition to the extent that such amount has not otherwise been included in the Resident Holder's income for that or a preceding taxation year.

Any amount paid by the Company as a penalty or bonus because of early repayment of all or part of the principal amount of the Debenture will generally be deemed to be received by the Resident Holder as interest on the Debenture and will be required to be included in the Resident Holder's income as described above, to the extent such amount can reasonably be considered to relate to, and does not exceed the value at the time of payment of, interest that would otherwise have been payable on the Debenture for periods ending after the payment of such amount.

A Resident Holder that is a "Canadian controlled private corporation" (as defined in the Tax Act) may be liable for a refundable tax of 6 $\frac{2}{3}$ % on investment income, including interest income.

Qualifying Conversion

A Resident Holder that converts a Debenture into Underlying Shares pursuant to the Resident Holder's right of conversion and only receives Underlying Shares on such conversion (other than cash received in lieu of a fractional Underlying Share) (a "**Qualifying Conversion**") will generally be deemed not to have disposed of the

Debenture and accordingly will not be considered to realize a capital gain or capital loss on such conversion. A Resident Holder's cost of the Underlying Shares acquired on a Qualifying Conversion will be equal to the adjusted cost base of the Debentures converted, subject to the discussion below regarding cash in lieu of a fraction of an Underlying Share, and must be averaged with the adjusted cost base of all other Shares held by the Resident Holder as capital property for the purpose of calculating the adjusted cost base of each such Share to the Resident Holder.

Under the current administrative practice of the CRA, a Resident Holder who upon conversion of a Debenture, receives an amount not in excess of \$200 in lieu of a fraction of an Underlying Share may either treat this amount as proceeds of disposition of a portion of a Debenture thereby realizing a capital gain or capital loss, or alternatively may reduce the adjusted cost base of the Underlying Shares that the Resident Holder receives on the conversion by the amount received.

Disposition of Debentures

In general, a disposition or deemed disposition of a Debenture, including a redemption, payment on maturity, a purchase for cancellation or a conversion (other than a Qualifying Conversion) will give rise to a capital gain (or capital loss) to the extent the Resident Holder's proceeds of disposition, net of any accrued interest included in the Resident Holder's income on a redemption of the Debenture, exceed (or are less than) the aggregate of the adjusted cost base of the Debenture to the Resident Holder immediately before the disposition and any reasonable costs of disposition. See "Taxation of Capital Gains and Capital Losses".

Dividends on Underlying Shares

Dividends received or deemed to be received on Underlying Shares held by a Resident Holder will be included in the Resident Holder's income for the purposes of the Tax Act. Such dividends received by a Resident Holder that is an individual (including most trusts) will be subject to the gross-up and dividend tax credit rules in the Tax Act normally applicable to dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit in respect of dividends designated by the Company as "eligible dividends". There may be limitations on the ability of the Company to designate dividends as "eligible dividends."

A Resident Holder that is a corporation will include such dividends in computing its income and generally will be entitled to deduct the amount of such dividends in computing its taxable income. A Resident Holder that is a "private corporation" or "subject corporation" (as such terms are defined in the Tax Act) may be liable under Part IV of the Tax Act to pay a refundable tax of 33 $\frac{1}{3}$ % of dividends received or deemed to be received on the Underlying Shares to the extent such dividends are deductible in computing the Resident Holder's taxable income.

Taxable dividends received by an individual (including certain trusts) may give rise to liability for alternative minimum tax.

Disposition of Underlying Shares

A Resident Holder who disposes, or is deemed to dispose of, Underlying Shares will realize a capital gain (or a capital loss) equal to the amount, if any, by which the Resident Holder's proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the Resident Holder's aggregate adjusted cost base of such Underlying Shares. See "Taxation of Capital Gains and Capital Losses" below.

Taxation of Capital Gains and Capital Losses

A Resident Holder will be required to include in income for any particular taxation year one-half of the amount of any capital gain (a "taxable capital gain") realized in the year and will generally be required to deduct one-half of the amount of any capital loss (an "allowable capital loss") realized in any particular taxation year against taxable capital gains realized in the year, subject to the limitations contained in the Tax Act. Allowable capital losses in excess of taxable capital gains realized in a particular year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any following year against taxable capital gains realized in such year, to the extent and under the circumstances described in the Tax Act.

In general, a capital loss otherwise arising on the disposition of an Underlying Share by a corporation may be reduced by dividends previously received, or deemed to have been received, thereon. Similar rules may also apply in circumstances where a corporation is a member of a partnership or a beneficiary of a trust that owns Underlying Shares. Resident Holders to whom these rules may be relevant should consult their own tax advisers.

A Resident Holder that is a "Canadian controlled private corporation" (as defined in the Tax Act) may be liable for a refundable tax of 6 $\frac{2}{3}$ % on investment income, including capital gains.

Capital gains realized by an individual (including certain trusts) may give rise to liability for alternative minimum tax.

Non-Residents of Canada

The following portion of the summary is applicable to a Holder who, at all relevant times, for purposes of the Tax Act, is neither resident nor deemed to be resident in Canada and does not and is not deemed to use or hold a Debenture or an Underlying Share acquired under the terms thereof in carrying on business in Canada (a “**Non-Resident Holder**”). Special rules, which are not discussed below, may apply to a Non-Resident Holder who is an insurer that carries on business in Canada and elsewhere. In addition, this summary does not apply to a Non-Resident Holder in respect of a disposition of a Debenture to a transferee resident, or deemed to be resident, in Canada for purposes of the Tax Act with whom the Non-Resident Holder does not deal at arm’s length.

Taxation of Interest on Debentures

A Non-Resident Holder should not be subject to Canadian withholding tax in respect of amounts paid or credited by the Company as, on account or in lieu of payment of, or in satisfaction of, interest, principal or premium on the Debentures. See “Risk Factors - Withholding Tax”.

Qualifying Conversion

The Qualifying Conversion of a Debenture into Underlying Shares will generally be deemed not to constitute a disposition of the Debenture and, accordingly, a Non-Resident Holder will not realize a gain or loss on such conversion. A Non-Resident Holder’s cost of the Underlying Shares acquired on a Qualifying Conversion will be equal to the adjusted cost base of the Debentures converted, subject to the discussion below regarding cash in lieu of a fraction of an Underlying Share, and will be averaged with the adjusted cost base of all other Shares held by the Non-Resident Holder as capital property for the purpose of calculating the adjusted cost base of each such Share to the Non-Resident Holder. Under the current administrative practice of the CRA, a Non-Resident Holder who, upon a Qualifying Conversion, receives cash not in excess of \$200 in lieu of a fraction of an Underlying Share may either treat this amount as proceeds of disposition of a portion of the Debentures, thereby realizing a capital gain or capital loss, as discussed below under the heading “Taxation of Capital Gains and Capital Losses”, or alternatively may reduce the adjusted cost base of the Underlying Shares that the Non-Resident Holder received on the Qualifying Conversion by the amount of cash received.

Disposition of Debentures

A redemption, payment on maturity, a purchase for cancellation or a conversion (other than a Qualifying Conversion) of Debentures will be a disposition for the purposes of the Tax Act which will give rise to a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any accrued interest paid or deemed to be paid, exceed (or are less than) the adjusted cost base of the Debentures to the Non-Resident Holder immediately before the disposition and any reasonable costs of disposition. Such capital gain or (capital loss) will be subject to the tax treatment described below under the heading “Taxation of Capital Gains and Capital Losses”.

Taxation of Capital Gains and Capital Losses

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Resident Holder on a disposition of a Debenture or an Underlying Share, as the case may be, unless the Debenture or Underlying Share constitutes “taxable Canadian property” (as defined in the Tax Act) of the Non-Resident Holder at the time of disposition and the Holder is not entitled to relief under an applicable income tax treaty or convention.

Generally, Debentures and Underlying Shares will not be taxable Canadian property to a Non-Resident Holder at a particular time provided that either: (i) the Underlying Shares are listed on a designated stock exchange (which currently includes the TSXV) at that time and at no time during the 60-month period that ends at that time did the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm’s length, or such holder together with such persons, own 25% or more of the issued shares of any class or series of the Company, or (ii) at no time during such 60-month period did the Underlying Shares derive more than 50% of their value from any combination of: (a) real property situated in Canada, (b) “timber resource property” (within the meaning of the Tax Act), (c) “Canadian resource property” (within the meaning of the Tax Act) or (d) options in respect of, or interests in, or for civil law, rights in any of the foregoing, whether or not the property exists.

Even if a Debenture or Underlying Share is considered to be taxable Canadian property of a Non-Resident Holder at the time of disposition of the Debenture or Underlying Share, a capital gain realized on the disposition of the Debenture or Underlying Share may nevertheless be exempt from tax under the Tax Act pursuant to the terms of an applicable income tax treaty or convention.

Generally, if a Debenture or Underlying Share constitutes taxable Canadian property to a Non-Resident Holder at the time of disposition of the Debenture or Underlying Share and any capital gain realized by the Non-Resident Holder on the disposition of the Debenture or Underlying Share is not exempt from tax under the Tax Act

by virtue of an applicable income tax treaty or convention, the Non-Resident Holder will be required to include one-half of the amount of the capital gain (a “taxable capital gain”) in its income for the year. Subject to and in accordance with the provisions of the Tax Act, one-half of any capital loss realized by a Non-Resident Holder in a taxation year from the disposition of taxable Canadian property (an “allowable capital loss”) may be deducted from any taxable capital gains realized by the Non-Resident Holder in the year from the disposition of taxable Canadian property. If allowable capital losses for a year exceed taxable capital gains from the disposition of taxable Canadian property, the excess may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years from the disposition of taxable Canadian property to the extent and in the circumstances prescribed by the Tax Act.

Taxation of Dividends

Any amount paid or credited, or deemed to be paid or credited, by the Company to a Non-Resident Holder as, on account or in lieu of payment of, or in satisfaction of dividends on the Underlying Shares will be subject to non-resident withholding tax under the Tax Act at the rate of 25% of the gross amount of the dividend, subject to reduction under the provisions of an applicable income tax treaty or convention between Canada and the country of residence of the Non-Resident Holder.

ELIGIBILITY FOR INVESTMENT

In the opinion of McKercher LLP, counsel for the Company, and Stikeman Elliott LLP, counsel for the Agent, provided that the Shares are listed on a designated stock exchange for the purposes of the Tax Act (which includes the TSXV (Tiers 1 and 2)), the Debentures and the Shares issuable under the terms thereof will be qualified investments under the Tax Act and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, registered disability savings plans, registered education savings plans, tax-free savings accounts and deferred profit sharing plans (other than, in the case of Debentures, a deferred profit sharing plan to which payments are made by the Company or any other person with which the Company does not deal at “arm’s length” for purposes of the Tax Act).

The Debentures and the Shares issuable under the terms thereof will not be a “prohibited investment” for a trust governed by a tax-free savings account provided that the holder thereof deals at arm’s length with the Company for the purposes of the Tax Act and does not have a “significant interest” (within the meaning of the Tax Act) in the Company or in a corporation, partnership or trust with which the Company does not deal at arm’s length for purposes of the Tax Act. Tax Proposals contain similar rules with respect to registered retirement savings plans and registered retirement income funds. Holders are advised to consult their own tax advisors in this regard.

RISK FACTORS

An investment in the Debentures and the Underlying Shares is subject to a number of risks that should be carefully considered by a prospective purchaser. Before deciding whether to invest, prospective investors should carefully consider the risks described below and incorporated by reference into this short form prospectus, including in the 2010 AIF under “Risk Factors” and those described under the “Financial Instruments” and “Risk Factors” sections of the management’s discussion and analysis of the Company for the year ended December 31, 2010.

The Company may not be able to satisfy payments of interest and principal on the Debentures

There is no guarantee that the Company will have sufficient cash available to make interest and principal payments on the Debentures on a timely basis or at all. The likelihood that purchasers will receive the payments owing to them in connection with the Debentures will be dependent upon the financial health, and creditworthiness of the Company and the ability of the Company to earn revenues and the status of the global financial markets generally.

Market for the Debentures

There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures purchased under this short form prospectus. This may affect the pricing of the Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation. The Company does not currently intend to apply to have the Debentures listed on any securities exchange or marketplace. There can be no assurance that a secondary market for trading in the Debentures will develop or that any secondary market which does develop will continue. Also, there can be no assurances that any such secondary market will be active.

Conversion Following Certain Transactions

In the case of certain transactions, each Debenture will become convertible into securities, cash or property receivable by a holder of Shares in the kind and amount of securities, cash or property into which the Debenture was convertible immediately prior to the transaction. This change could substantially lessen or eliminate the value of the conversion right associated with the Debentures in the future.

The Debentures are Unsecured Subordinated Obligations of the Company

The Debentures will be direct, unsecured obligations of the Company subordinated in right of payment to the prior payment of any senior indebtedness of the Company, but will rank equally with one another and with all other unsecured and subordinated indebtedness of the Company, except as prescribed by law. Therefore, if the Company becomes bankrupt, liquidates its assets, reorganizes or enters into certain other transactions, the Company's assets will be available to pay its obligations with respect to the Debentures only after it has paid all of its senior indebtedness and liabilities to trade creditors in full. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the Debentures then outstanding.

Potential Dilution

The Company is authorized to issue an unlimited number of Shares for such consideration and on such terms and conditions as shall be established by Company's directors, in many cases, without the approval of Shareholders. Except as described under the heading "Plan of Distribution", the Company may issue additional Shares in subsequent offerings (including through the sale of securities convertible into or exercisable or exchangeable for Shares) and on the conversion, exercise or exchange of options or other securities convertible into Shares. The Company may also issue Shares to finance future acquisitions and other projects. The size of future issuances of Shares or the effect that future issuances and sales of Shares will have on the market price of the Shares cannot be predicted at this time. Issuances of a substantial number of additional Shares, or the perception that such issuances could occur, may adversely affect prevailing market prices for the Shares. With any additional issuance of Shares, investors will suffer dilution to their voting power and the Company may experience dilution in its earnings per Share.

Coverage Ratios

See "Earnings Coverage", which is relevant to an assessment of the risk that the Company may be unable to pay interest or principal on the Debentures when due.

Stability Rating

The Company does not have a stability rating and has no current plans to apply for a stability rating.

Absence of Covenant Protection

The Debentures and all obligations of the Company under or in respect thereof are unsecured obligations of the Company and will be subordinated in right of payment to all existing and future indebtedness of the Company or any affiliate or subsidiary of the Company. Neither the Indenture nor the Debentures contain or will contain any provisions that restrict the Company's ability, at any time and on such terms and conditions as the management determines in accordance with applicable laws to be in the best interest of the Company, to: conduct and carry on such business or businesses as management considers desirable; issue additional Shares or other securities at such prices and otherwise on such terms and conditions as the Board considers appropriate; declare and/or pay dividends or make other distributions on its shares; borrow money or incur additional indebtedness; mortgage, charge or otherwise grant security on or encumber all or any of its present or future property of whatsoever kind or nature; acquire new assets; or undertake one or more fundamental changes including, without limitation, amending its articles of incorporation, amalgamating with one or more other corporations, continuing under the laws of a jurisdiction other than Saskatchewan, selling, leasing or otherwise disposing of all or substantially all of its property; or entering into one or more merger, acquisition or reorganization transactions involving the Company and one or more other entities whether pursuant to a plan of arrangement under the SBCA or otherwise. The implementation of any one or more of the forgoing may have a material adverse effect on the financial condition of the Company, which in turn may adversely effect the Company's ability to perform its obligations under the Indenture including its ability to pay interest and/or repay the principal of the Debenture at the times and in the amounts contemplated by the Indenture and the Debentures. Further, neither the Indenture nor any of the Debentures require the Company to observe or maintain any particular financial covenants or ratios as a condition to doing any of the foregoing or as a condition to the Company remaining in compliance with its representations, warranties, covenants and obligations under the Indenture and the Debentures.

Not a Shareholder

Debentures do not confer any rights as a Shareholder upon the Debenture holders or entitle the holders to any voting privileges or to receive notice of or attend at any meetings of the Shareholders. Debenture holders will

not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions.

Limitation in Company’s Ability to Finance Purchase of Debentures

The Company cannot assure holders of Debentures that, if required, it would have sufficient cash or other financial resources, or would be able to arrange financing, to pay the purchase price of the Debentures in cash. The Company’s ability to purchase the Debentures in such an event may be limited by law, by the terms of present or future agreements relating to the Company’s credit facilities and other indebtedness and agreements that the Company may enter into in the future which may replace, supplement or amend the Company’s future debt. The Company’s future credit agreements or other agreements may contain provisions that could prohibit the purchase by the Company of the Debentures without the consent of the lenders or other parties thereunder. The Company’s failure to purchase the Debentures when required would constitute an Event of Default under the Indenture, which might constitute a default under the terms of the Company’s other indebtedness at that time.

Conversion Price Risk

As at the date hereof, the Shares are trading on the TSXV at prices below the Conversion Price of the Debentures, and there is no assurance that the Shares will ever trade at prices above the Conversion Price and therefore no assurance that a Debenture holder will be able to profitably convert Debentures into Shares and/or sell the Shares into which the Debentures are so converted.

Redemption Prior to Maturity

Prior to the Maturity Date, the Company may at its option redeem the Debentures at the Redemption Amount on certain conditions regardless of the trading price of the Shares. Holders of Debentures should understand that this redemption option may be exercised if the Company is able to refinance at a lower interest rate or it is otherwise in the interests of the Company to redeem the Debentures. See “Description of the Securities Being Offered”.

Prevailing Yields on Similar Securities

Prevailing yield on similar securities will affect the market value of the Debentures. Assuming all other factors remain unchanged, the market value of the Debentures will decline as prevailing yields for similar securities rise, and will increase as prevailing yields for similar securities decline.

Market Price and Volatility of the Shares and Debentures

The market price of the Shares and Debentures will be based on a number of factors including the financial condition, results of operation, liquidity and prospects of the Company; changes in the industry and competition affecting the Company; domestic and global commodity prices and market perceptions of the attractiveness of particular industries and general market and economic conditions. The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations in these factors could have an adverse effect on the market price of the Debentures and the Shares.

The market price of the Shares and Debentures may be subject to substantial volatility. The volatility may affect the ability of holders of Debentures to sell the Debentures at an advantageous price. Additionally, this may result in greater volatility in the market price of the Debentures than would be expected for nonconvertible debt securities. Market price fluctuations in the Shares and Debentures may be due to governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors. In addition, the market price for securities in the stock markets, including the TSXV, recently experienced significant price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market prices of the Debentures and the Shares.

Withholding Tax

Effective January 1, 2008, the Tax Act was amended to generally eliminate withholding tax on interest paid or credited to non-residents of Canada with whom the payor deals at arm’s length. However, Canadian withholding tax continues to apply to payments of “participating debt interest”. For purposes of the Tax Act, participating debt interest is generally interest that is paid on an obligation where all or any portion of such interest is contingent or dependent on the use of, or production from, property in Canada or is computed by reference to revenue, profit, cash flow, commodity price or any similar criterion.

Under the Tax Act, when a debenture or other debt obligation issued by a person resident in Canada is assigned or otherwise transferred by a non-resident person to a person resident in Canada (which would include a

conversion of the obligation or payment upon maturity or redemption), the amount, if any, by which the price for which the obligation was assigned or transferred exceeds the price for which the obligation was issued is deemed to be a payment of interest on that obligation made by the person resident in Canada to the non-resident (an “Excess”). While the deeming rule does not apply in respect of certain “excluded obligations”, the Debentures are not “excluded obligations” and therefore, there is a risk that any such Excess would be considered to be “participating debt interest”, and if the Excess is participating debt interest, there is a risk that this would result in all interest that was or will be paid or deemed paid on the obligation being considered to be participating debt interest.

The CRA has stated that no Excess, and therefore no participating debt interest, generally would arise on the conversion of a “traditional convertible debenture” and therefore, there would be no withholding tax in such circumstances (provided that the payor and payee deal at arm’s length for purposes of the Tax Act). The CRA has published guidance describing certain minimum terms and conditions that a debenture should generally have to be a “traditional convertible debenture” for these purposes. The Debentures generally meet the criteria set forth in the CRA’s published guidance; however, the Indenture also contains additional terms which are not contemplated in the CRA’s published guidance. Accordingly, the application of the CRA’s published guidance is uncertain and there is a risk that amounts paid or payable by the Company to a holder of Debentures on account of interest or any “excess” amount may be subject to Canadian withholding tax at a rate of 25% (subject to any reduction in accordance with any applicable income tax treaty or convention).

The Indenture will not contain a requirement for the Company to increase the amount of interest or other payments to holders of Debentures should the Company be required to withhold amounts in respect of income or similar taxes on payments of interest or other amounts, including “excess” amounts.

INTERESTS OF EXPERTS

Certain legal matters relating to the Offering will be passed upon on behalf of the Company by McKercher LLP and on behalf of the Agent by Stikeman Elliott LLP. As at the date of this short form prospectus, the partners and associates of McKercher LLP, as a group, and Stikeman Elliott LLP, as a group, beneficially owned, directly or indirectly, less than 1% of the Company’s securities.

LEGAL PROCEEDINGS

Management of the Company is not aware of any litigation outstanding, threatened or pending as of the date hereof by or against the Company.

AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditor of the Company is Hergott Duval Stack LLP, Chartered Accountants in Saskatoon, Saskatchewan. Hergott Duval Stack LLP has advised that it is independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Saskatchewan.

The transfer agent and registrar for the Company’s securities is Alliance Trust Company at its principal transfer office in Calgary, Alberta.

PURCHASERS’ STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province for the particulars of these rights or consult with a legal adviser.

AUDITOR'S CONSENT

●, 2011

We have read the preliminary short form prospectus of 49 North Resources Inc. (the “**Company**”) dated ●, 2011 relating to the qualification for distribution of \$10,000,000 principal amount of 8% convertible unsecured subordinated Debentures of the Company due ●. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the shareholders of the Company on the consolidated balance sheets of the Company as at December 31, 2010 and December 31, 2009, and the consolidated statements of operations and retained earnings and cash flows for the years then ended. Our report is dated April 26, 2011.

(signed) ●

Chartered Accountants
Saskatoon, Saskatchewan, Canada

CERTIFICATE OF THE COMPANY

Dated: May 26, 2011

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

49 NORTH RESOURCES INC.

By: *(Signed)* Tom MacNeill
President and Chief Executive Officer

By: *(Signed)* Andrew Davidson
Chief Financial Officer

On behalf of the Board of Directors

By: *(Signed)* Stephen Halabura
Director

By: *(Signed)* Bradley R. Munro
Director

CERTIFICATE OF THE AGENT

Dated: May 26, 2011

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

MGI SECURITIES INC.

By: *(Signed)* James Andrews