



**NICKEL NORTH EXPLORATION CORP.**

(formerly Orient Venture Capital Inc.)

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

(Unaudited –Prepared by Management)

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL REPORT**

The accompanying unaudited interim financial report of the Company has been prepared by and is the responsibility of the Company's management. The Company's independent auditor has not performed a review of this financial report in accordance with securities legislation and the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**NICKEL NORTH EXPLORATION CORP.**  
(formerly Orient Venture Capital Inc.)  
STATEMENTS OF FINANCIAL POSITION  
AS AT MARCH 31, 2013 AND DECEMBER 31, 2012  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

	Note	March 31, 2013	December 31, 2012
(Audited)			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	\$ 2,091,642	\$ 97,595
Sales tax recoverable and other receivables		292,327	263,633
Prepaid expenses and deposits		9,283	13,448
Restricted cash	5	28,750	28,750
		2,422,002	403,426
<b>Non-current assets</b>			
Equipment	6	4,425	2,543
Exploration and evaluation assets	7	3,627,521	3,541,221
<b>Total assets</b>		\$ 6,053,948	\$ 3,947,190
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts and other payables	8	\$ 241,838	\$ 132,624
Loans from related parties	10	302,433	-
Flow-through share premium liability	9	-	50,092
<b>Total liabilities</b>		544,271	182,716
<b>Equity (deficiency)</b>			
Share capital	9	7,054,809	5,054,809
Contributed surplus	9	165,298	165,298
Deficit		(1,710,430)	(1,455,633)
<b>Total equity (deficiency)</b>		5,509,677	3,764,474
<b>Total liabilities and equity</b>		\$ 6,053,948	\$ 3,947,190

**Going Concern** (Note 2)

**Commitments** (Note 14)

**Subsequent Events** (Note 15)

The financial statements were authorized for issue by the board of directors on May 27, 2013 and were signed on its behalf by:

*“Jingbin Wang”*

*“Richard Barclay”*

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

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

**NICKEL NORTH EXPLORATION CORP.**  
(formerly Orient Venture Capital Inc.)  
**STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

	Note	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
<b>EXPENSES</b>			
Accounting and audit		\$ 1,000	\$ 10,000
Bank charges and interest		2,660	2,522
Consulting fees	10	139,579	-
Depreciation		355	-
Legal		23,559	3,000
Marketing		33,173	-
Project investigation		-	7,296
Office administration and miscellaneous		21,235	10,432
Transfer agent and filing fees		12,166	5,336
Travel and promotion		42,050	4,428
Wages and benefits		30,282	-
		(306,059)	(43,014)
<b>OTHER ITEMS</b>			
Interest and other income		51,262	40,752
Extinguishment of accounts payable	8	-	79,216
		51,262	119,968
<b>Net and comprehensive income (loss) for the period</b>		\$ (254,797)	\$ 76,954
<b>Basic and diluted earnings (loss) per common share</b>	9	\$ (0.01)	\$ 0.02
<b>Weighted average number of common shares outstanding</b>		33,275,961	4,260,790

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

**NICKEL NORTH EXPLORATION CORP.**  
(formerly Orient Venture Capital Inc.)  
**STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Share Subscription Proceeds	Contributed Surplus	Deficit	Total Equity /(Deficiency)
Balance, January 1, 2012	4,260,790	\$ 385,471	\$ -	\$ 30,018	\$ (804,054)	\$ (388,565)
Comprehensive income for the period	-	-	-	-	76,954	76,954
Share subscription proceeds received	-	-	245,500	-	-	245,500
Balance, March 31, 2012	4,260,790	385,471	245,500	30,018	(727,100)	(66,111)
Comprehensive loss for the period	-	-	-	-	(728,533)	(728,533)
Non-flow-through private placements	19,860,000	3,177,000	(245,500)	-	-	2,931,500
Flow-through private placements	2,504,600	500,920	-	-	-	500,920
Shares-for-debt settlement	1,072,983	214,597	-	-	-	214,597
Shares issued - Acquisition of exploration and evaluation assets	4,902,032	917,906	-	-	-	917,906
Exercise of stock options	320,000	54,871	-	(22,871)	-	32,000
Share issuance costs	-	(180,694)	-	-	-	(180,694)
Agent's warrants issued	-	(15,262)	-	15,262	-	-
Share-based payments	-	-	-	142,889	-	142,889
Balance, December 31, 2012	32,920,405	5,054,809	-	165,298	(1,455,633)	3,764,474
Comprehensive loss for the period	-	-	-	-	(254,797)	(254,797)
Private Placement	8,000,000	2,000,000	-	-	-	2,000,000
Balance, March 31, 2013	40,920,405	\$7,054,809	\$ -	\$ 165,298	\$(1,710,430)	\$ 5,509,677

The accompanying notes are an integral part of these financial statements

**NICKEL NORTH EXPLORATION CORP.**  
(formerly Orient Venture Capital Inc.)  
**STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012**  
(Expressed in Canadian Dollars)

	Three Months Ended March 31, 2013	Three Month Ended March 31, 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss) for the period	\$ (254,797)	\$ 76,954
Items not affecting cash:		
Extinguishment of accounts payable	-	(79,216)
Write-off of other payables	-	(40,567)
Depreciation	355	-
Accrued interest on loans	2,433	2,200
Other Income – Flow-through shares	(50,092)	-
Changes in non-cash working capital items:		
Sales tax and other receivables	(28,694)	(2,588)
Prepaid expenses and deposits	4,165	(14,400)
Account and other payables	109,214	39,197
Net cash used in operating activities	(217,416)	(18,420)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation assets	(86,300)	-
Purchase of equipment	(2,237)	-
Net cash used in investing activities	(88,537)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan received from a related party	300,000	-
Share subscription proceeds	-	245,500
Proceeds from shares issued for cash	2,000,000	-
Net cash provided by financing activities	2,300,000	245,500
<b>Change in cash and cash equivalents during the period</b>	(1,994,047)	227,080
<b>Cash and cash equivalents, beginning of the period</b>	97,595	22,332
<b>Cash and cash equivalents, end of the period</b>	\$ 2,091,642	\$ 249,412

Supplemental cash flow information (Note 11)

The accompanying notes are an integral part of these financial statements

# **NICKEL NORTH EXPLORATION CORP.**

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## **1. NATURE OF BUSINESS**

Nickel North Exploration Corp. (formerly Orient Venture Capital Inc.) (the “Company”) was incorporated under the laws of British Columbia, Canada on February 27, 2007 as Orient Ventures Capital Inc. and changed its name to Nickel North Exploration Corp. on July 30, 2012. The Company maintains its registered and head office at Suite 300, 1055 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2E9. On December 10, 2012, the Company changed its fiscal year-end from March 31 to December 31.

The Company was classified as a Capital Pool Company (“CPC”) as defined under TSX Venture Exchange (TSX-V) Policy 2.4 *Capital Pool Companies* (“Policy 2.4”). On August 2, 2012, the Company completed its Qualifying Transaction (“QT”) as defined under TSX-V Policy 2.4 and as such, the Company graduated from being a CPC to a Tier 2 mining issuer on the TSX-V. The Company is currently engaged in the acquisition, exploration, and development of mineral property interests in Canada. The Company’s common shares are listed on the TSX-V under the symbol “NNX”.

## **2. BACKGROUND AND BASIS OF PREPARATION**

### **Basis of preparation**

These condensed interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by International Accounting Standard Board (“IASB”), applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*. The condensed interim financial statements do not include all of the disclosures required for a completed set of annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2012, which have been prepared in accordance with IFRS as issued by the IASB.

### **Basis of measurement**

These financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at fair values. In addition these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### **Functional and presentation currency**

These financial statements are presented in Canadian dollars, which is the Company’s functional currency.

### **Going concern**

The Company is an exploration stage company. At present, the Company’s operations do not generate cash flow. For the three months ended March 31, 2013, the Company had incurred a net loss of \$254,797 and at March 31, 2013, an accumulated deficit of \$1,710,430. The continuing operations of the Company are dependent upon its ability to raise adequate financing and to commence profitable operations in the future. Although the Company has been successful in raising funds in the past, there is no assurance that it will be able to obtain adequate financing in the near future, which raise significant doubts about the Company’s ability to continue as a going concern. The directors, after reviewing the current cash position and having considered the Company’s ability to raise funds in the short term, believe that the going concern basis is appropriate in preparing its financial statements.

These financial statements do not include adjustments that would be required if going concern was not deemed an appropriate basis for preparation of the financial statements. These adjustments could be material.

## **NICKEL NORTH EXPLORATION CORP.**

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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### **2. BACKGROUND AND BASIS OF PREPARATION (continued)**

#### **Use of estimates and judgements**

The preparation of the financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period.

Actual results could differ from these estimates. Significant areas requiring the use of management estimates and judgments include:

- (i) Recorded costs of exploration and evaluation assets are not intended to reflect present or future values of these assets. The assessment of indications of impairment and the measuring of the recoverable amount when impairment tests have been prepared involve judgment. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.
- (ii) The determination of the fair value of stock options or warrants using stock option pricing models, require the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate; therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants.
- (iii) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.
- (iv) The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its exploration projects and working capital requirements.
- (v) The recognition of provisions for restoration, rehabilitation and environmental obligation.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out in the Company's annual financial statements for the year ended December 31, 2012 were consistently applied to all the periods presented unless otherwise noted below.



## **NICKEL NORTH EXPLORATION CORP.**

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**The Company has adopted the following accounting standards which became effective on January 1, 2013**

**IFRS 10 Consolidated Financial Statements** - IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*. The new standard did not have a significant impact on the Company's financial statements.

**IFRS 11 Joint Arrangements** - IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*. The new standard did not have a significant impact on the Company's financial statements.

**IFRS 12 Disclosure of Interests in Other Entities** - IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. The new standard did not have a significant impact on the Company's financial statements.

**IFRS 13 Fair Value Measurement** - IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The new standard did not have a significant impact on the Company's financial statements.

**Amendments to other standards** - In addition, there have been other amendments to existing standards, including IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

Each of the new standards, IFRS 10 to 13, IFRIC 20 and the amendments to other standards, is effective for the Company beginning on January 1, 2013. The amendments did not have a significant impact on the Company's financial statements

**IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine** - IFRIC 20 addresses the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. Stripping activity may result in two types of benefits: i) inventory produced and ii) improved access to ore that will be mined in the future. Stripping costs associated with inventory production should be accounted for as a current production cost in accordance with IAS 2 Inventories, and those associated with improved access to ore should be accounted for as an addition to, or enhancement of, an existing asset. The new standard did not have a significant impact on the Company's financial statements.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**New accounting standards issued but not yet effective** - Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee (“IFRIC”) that are mandatory for accounting periods beginning after January 1, 2015, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

#### **New accounting standards effective January 1, 2015**

**IFRS 9 Financial Instruments** - IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 is effective for annual periods beginning on or after January 2015 with early adoption permitted by amendments to IAS 32, January 1, 2014. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

The Company has not early adopted these revised standards and is currently assessing the impact of these standards on the Company’s financial statements.

### 4. CASH AND CASH EQUIVALENTS

	March 31, 2013	December 31, 2012
Cash (cheques issued in excess of deposits on hand)	\$ 768,642	\$ (55,405)
Guaranteed investment certificates	1,323,000	153,000
	\$ 2,091,642	\$ 97,595

Guaranteed investment certificate of \$1,323,000 bears interest rate at the prime rate minus 1.65% per annum and matures on March 27, 2014.

### 5. RESTRICTED CASH

The Company has provided corporate credit cards to its management with a credit limit totalling \$25,000 to pay the Company’s expenses. As collateral for the credit cards, the Company has a one-year term deposit of \$28,750 earning annual interest at the prime rate minus 2.05% per annum. As at March 31, 2013, the credit cards had an outstanding balance of \$14,011 (December 31, 2012 - \$4,636) in total.

**NICKEL NORTH EXPLORATION CORP.**

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

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**6. EQUIPMENT**

	Office Equipment
<b>Cost</b>	
Balance as at January 1, 2012 and March 31, 2012	\$ -
Addition for the period	2,773
Balance as at December 31, 2012	2,773
Addition for the period	2,237
Balance as at March 31, 2013	5,010
<b>Accumulated depreciation</b>	
Balance as at January 1, 2012 and March 31, 2012	-
Depreciation for the period	230
Balance as at December 31, 2012	230
Depreciation for the period	355
Balance as at March 31, 2013	585
Net book value as at December 31, 2012	\$ 2,543
Net book value as at March 31, 2013	\$ 4,425

**7. EXPLORATION AND EVALUATION ASSETS**

	March 31, 2012	Additions	December 31, 2012	Additions	March 31, 2013
<b>Hawk Ridge Property</b>					
Acquisition costs					
Option payments	\$ -	\$ 1,897,906	\$ 1,897,906	\$ -	\$ 1,897,906
Other property costs	-	30,050	30,050	6,028	36,078
	-	1,927,956	1,927,956	6,028	1,933,984
Exploration costs					
Accommodation/camp	-	93,439	93,439	-	93,439
Assays	-	84,076	84,076	-	84,076
Drilling	-	302,585	302,585	875	303,460
Field supplies	-	121,147	121,147	-	121,147
Geological consulting	-	349,497	349,497	72,966	422,463
Miscellaneous	-	40,224	40,224	1,431	41,655
Transportation	-	361,524	361,524	-	361,524
Travel	-	56,464	56,464	-	56,464
	-	1,408,956	1,408,956	75,272	1,484,228
Exploration prepayment	-	204,309	204,309	5,000	209,309
	\$ -	\$ 3,541,221	\$ 3,541,221	\$ 86,300	\$ 3,627,521

## NICKEL NORTH EXPLORATION CORP.

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FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

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### 7. EXPLORATION AND EVALUATION ASSETS (continued)

On March 29, 2012, the Company entered into an option agreement with Anthem Resources Inc. (“Anthem”) and its wholly-owned subsidiary (together the “Optionors”) whereby the Optionors granted the Company an option to acquire a 100% interest in the Hawk Ridge property by making staged payments totaling \$2,000,000 in cash and \$1,000,000 equivalent in common shares of the Company to Anthem by December 31, 2013 as follows:

- Pay \$500,000 in cash (paid) and \$250,000 in shares (issued) within five business day of TSX-V final approval of the transaction;
- Pay \$500,000 in cash (paid) and \$250,000 in shares (issued) by December 31, 2012; and
- Pay \$1,000,000 in cash (to be reduced by \$92,081 for 20% of geophysical survey costs paid) and issue \$500,000 in shares (\$500,000 divided by the greater of (A) the price per consideration share (“Share”), equal to 10% discount to the Share’s moving average trading price for the 20 day period immediately preceding the date of issuance, and (B) \$0.20) on or before December 31, 2013. (Note 14 and Note 15(a))

In addition, the Company is required to issue common share units equal to the expenses of a geophysical survey up to \$600,000 at a deemed price of \$0.20 per unit. During the year ended December 31, 2012, the Company issued 2,302,032 units with a fair value of \$460,406 as geophysical survey expense. Each unit comprised one common share and one-half of a share purchase warrant; each whole warrant entitles the holder to acquire one common share for a period of two years following the closing date at a price of \$0.35 in the first year and at a price of \$0.60 in the second year.

The property is subject to a 3% net smelter returns royalty (“NSR”) and the Company has the option to purchase one-third of the NSR (1%) for \$1,000,000.

### 8. ACCOUNTS AND OTHER PAYABLES

The Company’s accounts and other payables are as follows:

	March 31, 2013	December 31, 2012
Accounts payable	\$ 53,648	\$ 13,606
Amounts due to related parties (Note 10)	109,970	93,310
Accrued expenses to related parties (Note 10)	64,209	25,708
Other payable	14,011	-
	<u>\$ 241,838</u>	<u>\$ 132,624</u>

Accounts payable of the Company principally comprises amounts outstanding for trade purchases relating to exploration activities and accrued expenses for operating activities. The usual credit period taken for trade purchases is between 30 to 90 days. During the three month period ended March 31, 2012, the Company entered into settlement agreements with various creditors to reduce part of the overdue accounts payable by \$79,216.

## NICKEL NORTH EXPLORATION CORP.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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### 9. SHARE CAPITAL

#### Authorized

The Company has authorized an unlimited number of common shares with no par value and an unlimited number of non-voting, non-participating, non-cumulative preferred shares without par value issuable in series.

#### Shares issued and outstanding

	Note	Number of Common Shares	\$
Balance, January 1, 2012 and March 31, 2012		4,260,790	385,471
Share issued pursuant to private placement	i)	5,300,000	265,000
Shares issued to Anthem pursuant to the option agreement	iv)	4,802,032	897,906
Shares issued pursuant to concurrent financing upon QT	ii)&iii)	17,064,600	3,412,920
Shares issued as finder fee for QT	v)	100,000	20,000
Share issuance costs paid in cash	i)& ii)	-	(122,296)
Agents warrants issued in connection with private placement	ii)	-	(15,262)
Finder's fees paid in cash pursuant to private placement	ii)	-	(58,398)
Shares issued for the debt settlement	vi)	1,072,983	214,597
Shares issued pursuant to exercise of options	vii)	320,000	54,871
Balance, December 31, 2012		32,920,405	5,054,809
Share issued pursuant to private placement	viii)	8,000,000	2,000,000
Balance, March 31, 2013		40,920,405	7,054,809

Starting from January 1, 2012, the Company:

- i) Completed a non-brokered private placement of 5,300,000 common shares at a price of \$0.05 per share for gross proceeds of \$265,000. The Company incurred share issuance costs of \$27,079 in connection with the private placement.
- ii) Completed a brokered financing of 2,504,600 flow-through units at a price of \$0.22 per flow-through unit for gross proceeds of \$551,012. Each flow-through unit is comprised of one flow-through common share and one-half of a share purchase warrant; each whole warrant entitles the holder to acquire one additional non-flow-through common share at a price of \$0.35 in the first year and at a price of \$0.60 in the second year. The Company paid a cash commission of \$33,398 and a corporate finance fee of \$25,000, incurred share issuance costs of \$32,965 and issued 151,810 agent's warrants in connection with the brokered financing. Each agent's warrant is exercisable until August 2, 2014 to acquire one common share at a price of \$0.22. The agent's warrants were valued at \$15,262. Pursuant to the terms of the flow-through agreements, the Company is required to comply with the contractual obligations and the renouncement requirements of the Canadian Income Tax Act. As of December 31, 2012 all of the exploration expenditures related to the flow through shares had been incurred and the Company renounced the expenditures on February 12, 2013.

For the purposes of calculating the tax effect of any premium related to the issuance of flow-through shares, management reviewed the price per share in a recent non flow-through financing and compared it to the price used in this issuance and determined that there was a premium of \$0.02 per flow-through unit.

## **NICKEL NORTH EXPLORATION CORP.**

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### **9. SHARE CAPITAL (continued)**

- iii) Completed a non-brokered financing of 14,560,000 units at a price of \$0.20 per unit for gross proceeds of \$2,912,000. Each unit is comprised of one common share and one-half of a share purchase warrant; each whole warrant entitles the holder to acquire one additional common share at a price of \$0.35 until August 2, 2013 and at a price of \$0.60 until August 2, 2014. The Company incurred share issuance costs of \$62,252 in connection with the private placement.
- iv) Issued 4,802,032 common shares pursuant to the option agreement to acquire the Hawk Ridge property with a fair value of \$897,906.
- v) Issued 100,000 common shares at \$0.20 per share with a fair value of \$20,000 as a finder's fee in connection with the QT.
- vi) Issued 1,072,983 common shares at \$0.20 per share to settle \$88,924 of accounts payable, \$17,434 of loans payable and \$108,239 of loans from related parties.
- vii) Issued 320,000 common shares at a price of \$0.10 per share from the exercise of 320,000 stock options for gross proceeds of \$32,000.
- viii) Completed a non-brokered private placement of 8,000,000 units at a price of \$0.25 per unit for gross proceeds of \$2,000,000. Each unit consists of one common share and one half of a share purchase warrant; each whole warrant entitles the holder to acquire one additional common share at a price of \$0.35 until March 28, 2014 and at a price of \$0.60 until March 28, 2015. The subscriber of this private placement is a company with a director in common.

#### **Escrow shares**

21,536,726 common shares issued prior to the completion of the Qualifying Transaction are subject to escrow. Pursuant to TSX-V Policy 2.4, 10% of the escrowed common shares will be released from escrow on the listing date and 15% will be released every six months thereafter over a period of thirty six months. As at March 31, 2013, 16,132,544 (December 31, 2012 – 19,363,053) common shares remained in escrow.

#### **Basic and diluted earnings/loss per share**

The calculation of basic and diluted loss per share for the period ended March 31, 2013 was based on net loss of \$254,797 (March 31, 2012 – net income of \$76,954), attributable to common shareholders and a weighted average number of common shares outstanding of 33,275,961 (March 31, 2012 – 4,260,790).

At March 31, 2013, 2,233,250 stock options (December 31, 2012 – 2,233,250), 13,683,316 warrants (December 31, 2012 – 9,683,316), and 151,810 agent's warrants (December 31, 2012 – 151,810) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

#### **Stock options**

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The exercise price of each option shall not be less than the market price of the Company's stock at the date of grant. The options can be granted for a maximum term of 5 years and vest as determined by the board of directors.

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## 9. SHARE CAPITAL (continued)

### Stock options (continued)

On August 27, 2012, the Company granted an aggregate of 2,700,000 stock options to its directors, officers, and consultants pursuant to its stock option plan. Each stock option is exercisable for a period of 5 years at a price of \$0.20 per common share. According to the options agreements, 155,000 of the options granted to the CEO require one year of service before vesting. 2,163,250 of the options vested immediately on the date of grant, and the remaining 381,750 options shall vest only if the optionee exercises all of his or her vested options on or before December 31, 2012. On January 1, 2013, the remaining options were not vested and immediately expired and were cancelled. As a result, 100,000 stock options were cancelled by the Company during the nine months ended December 31, 2012, and 366,750 stock options were not vested and expired on December 31, 2012.

On August 31, 2012, 320,000 options granted in September 5, 2007 were exercised at \$0.10 per share. The remaining 100,000 options which were granted on September 5, 2007 expired on September 4, 2012.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, outstanding and exercisable at January 1, 2012 and March 31, 2012	420,000	\$ 0.10
Options granted	2,700,000	0.20
Exercised	(320,000)	0.10
Cancelled	(100,000)	0.20
Expired	(466,750)	0.18
Balance, December 31, 2012 and March 31, 2013	2,233,250	\$ 0.20
Balance, Outstanding and Exercisable at December 31, 2012 and March 31, 2013	2,078,250	\$ 0.20

The following options to acquire common shares were outstanding at March 31, 2013.

Number of Shares	Exercise Price	Expiry Date
2,233,250	\$ 0.20	August 28, 2017

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## 9. SHARE CAPITAL (continued)

### Warrants

Warrants are issued as private placement incentives. No value was allocated to the warrants issued with private placement units. Agents' warrants are measured at fair value on the date of the grant as determined using a Black-Scholes option pricing model.

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, March 31, 2011 and 2012	-	\$ -
Warrants issued	9,683,316	0.48
Agent's warrants issued	151,810	0.22
Balance, December 31, 2012	9,835,126	0.48
Warrants issued	4,000,000	0.48
Balance, March 31, 2013	13,835,126	0.48
Exercisable at March 31, 2013	13,835,126	\$ 0.48

As at March 31, 2013 the following warrants were outstanding:

	Number of Warrants	Exercise Price	Expiry Date
Warrants	9,683,316	\$ 0.35 for 1 <sup>st</sup> year 0.60 for 2 <sup>nd</sup> year	August 2, 2014
Agent's warrants	151,810	\$ 0.22	August 2, 2014
Warrants	4,000,000	\$ 0.35 for 1 <sup>st</sup> year 0.60 for 2 <sup>nd</sup> year	March 28, 2015
	13,835,126		

## 10. RELATED PARTY TRANSACTIONS

The Company entered into the following related party transactions for the three months ended March 31, 2013:

- Incurred corporate consulting fees of \$48,500 (March 31, 2012 - \$nil) from a company owned by the CEO of the Company. As at March 31, 2013, included in accounts and other payables is \$16,000 due to the company owned by the CEO.



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### 10. RELATED PARTY TRANSACTIONS (continued)

- b) Incurred consulting fees of \$13,984 (March 31, 2012 - \$nil) from a company controlled by the former CFO of the Company for corporate consulting services provided.
- c) Incurred consulting fees of \$7,500 (March 31, 2012 - \$nil) from a company controlled by a director of the Company for corporate consulting services provided.
- d) Incurred consulting fees of \$34,875 (March 31, 2012 - \$nil) from a company controlled by the former CFO of the Company for services provided in connection with the financing, marketing and investor relations.
- e) Incurred corporate consulting fees of \$6,200 (March 31, 2012 - \$nil) from a company owned by a director of the Company.
- f) Incurred geological and corporate consulting fees of \$22,500 (March 31, 2012 - \$nil) from a company with two directors in common. Included in accounts and other payables is \$30,750 due to the company with two directors in common.
- g) Incurred interest expense of \$2,433 (March 31, 2012 - \$nil) on a loan from a company controlled by directors of the Company. The principal of the loan was \$300,000 pursuant to a loan agreement entered on February 8, 2013. The loan was unsecured, accrued interest at 8% per annum and was fully repaid in May 2013.
- h) As at March 31, 2013, included in account and other payables is \$107,170 (December 31, 2012 - \$102,560) owing to companies controlled by related parties for services rendered. These amounts are unsecured, non-interest bearing, and have no specific terms of repayment.
- i) As at March 31, 2013, included in accounts and other payables is \$16,458 (December 31, 2012 - \$16,458) due to directors for unpaid 2012 directors fees. These amounts are unsecured, non-interest bearing, and have no specific terms of repayment.

Key management includes directors (executive and non-executive) and senior officers of the Company. The compensation paid or payable to key management personnel during the three month periods ended March 31, 2013 and 2012 is as follows:

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Short-term benefits	\$ 130,814	\$ -

### 11. SUPPLEMENTAL CASH FLOW INFORMATION

	For the Three Months Ended March 31, 2013	For the Three Months Ended March 31, 2012
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ -	\$ -

There were no significant non-cash investing or financing transactions for the three month period ended March 31, 2013 and 2012.

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## 12. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes components of shareholders' equity in the definition of capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue new debt, and acquire or dispose of assets. The Board of Directors does not establish quantitative return on capital criteria for management.

There were no changes in the Company's approach to capital management from the prior year. The Company is not subject to externally imposed capital requirements.

## 13. FINANCIAL INSTRUMENTS

### Fair values

The Company's financial instruments include cash and cash equivalents, account and other receivables, account and other payables, loans payable and loan from related parties. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature. The fair value of these financial instruments approximates their carrying value due to their short terms of maturity.

The following table summarizes the carrying values of the Company's financial instruments:

	March 31, 2013	December 31, 2012
FVTPL (i)	\$ 2,120,392	\$ 126,345
Loans and receivables (ii)	-	519
Other financial liabilities (iii)	\$ 241,838	\$ 132,624

(i) Cash and cash equivalents, restricted cash

(ii) Other receivables

(iii) Accounts and other payables, loans payable, loans from related parties.

The Company classifies its fair value measurements in accordance with the three level fair value hierarchy as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices), and

Level 3 – Inputs that are not based on observable market data

The following table sets forth the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total March 31, 2013
Cash and cash equivalents	\$ 2,091,642	\$ -	\$ -	\$ 2,091,642
Restricted cash	\$ 28,750	\$ -	\$ -	\$ 28,750

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### Financial risk management

The Company's financial risks arising from its financial instruments are credit risk, liquidity risk, and interest rate risk. The Company's exposures to these risks and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### *Credit risk*

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The credit risk of the Company is associated with cash and cash equivalents. The credit risk with respect to its cash and cash equivalents is minimal as they are held with high-credit quality financial institutions. Management does not expect these counterparties to fail to meet their obligations.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not meet its obligations associated with its financial liabilities as they fall due. As at March 31, 2013, the Company had a working capital of \$1,877,731. All of the Company's financial liabilities are classified as current.

At present, the Company's operations do not generate cash flow. The Company's primary source of funding has been the issuance of equity securities through private placements and the exercise of stock options and warrants. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings.

Significant commitments in years subsequent to March 31, 2013 are as follows:

	< 1 year	1 – 3 years	Total
Accounts and other payables	\$ 241,838	\$ -	\$ 241,838

#### *Interest rate risk*

The Company is exposed to interest rate risk to the extent that the cash and cash equivalents maintained at the financial institutions. The interest rate risks on cash and cash equivalents are not considered significant due to their short-term nature.

## 14. COMMITMENTS

The Company committed to pay Anthem \$1,000,000 in cash and the number of common shares equal to \$500,000 by December 31, 2013 pursuant to the option agreement dated March 29, 2012, as amended May 15, 2012. In April 2013, the parties of the option agreement amended the original option agreement and the Company committed to issue common shares to Anthem equal to \$907,919, which is determined by \$1,000,000 less 20% of the geophysical survey costs incurred by Anthem subsequent to year end, in lieu of paying \$1,000,000 in cash on or before December 31, 2013 (See Note 15 (a)).

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### **15. SUBSEQUENT EVENTS**

- a) Subsequent to the year ended December 31, 2012, the option agreement which was signed on March 29, 2012 and amended on May 15, 2012 was subsequently amended with the optionors on February 15, 2013 and later amended again on April 17, 2013 (the “Third Amendment”). Under the Third Amendment, in lieu of paying \$1,000,000 in cash on or before December 31, 2013, the Company agreed to issue to the optionors the number of units (the “Conversion Units”) equal to \$1,000,000 less such amount equal to 20% of the cost incurred by the optionors for the geophysical survey, which is estimated to be \$907,919, divided by \$0.25 per Conversion Unit. Each Conversion Unit will consist of one common share and one half of one common share purchase warrant with each whole warrant entitling the holder to acquire one additional common share for a period of two years, at an exercise price of \$0.35 per share in the first year and \$0.60 per share in the second year. In addition, the Company agreed to issue the remaining common shares equal to \$500,000 divided by the greater of \$0.20 or a 10% discount to the 20 day moving average trading price of the Company for the 20 day period immediately preceding the date of issuance. The Company agreed to change the timing of the issuance of the Conversion Units and the remaining common shares from December 31, 2013 to within 10 business days of the receipt of approval from the TSX Venture Exchange for the Third Amendment.

On May 1, 2013, subject to a 3% NSR, the Company had acquired 100% ownership of the Hawk Ridge Ni-Cu-PGE Project in Northern Quebec from Anthem. 3,631,675 common shares and 1,815,838 warrants were issued to Anthem upon conversion of the cash payment; the Company also issued 2,500,000 common shares pursuant to the Third Amendment. These securities are subject to a hold period expiring on September 2, 2013.

- b) On April 16, 2013, the Company granted 200,000 stock options to Axon Communication, a former consultant of the Company, with an exercise price of \$0.20 per share and an expiry date of 90 days after the date of grant. The 200,000 options vested immediately on the date of grant.
- c) On March 7, 2013, the Company entered into an agreement to arrange a non-brokered flow-through private placement of up to \$4,000,000. And on May 2, 2013, the Company announced to increase the flow-through private placement financing to \$5,000,000. The offering will consist of up to 16,666,666 flow-through shares at a price of \$0.30 per share and is subject to regulatory approval.