

**TriNorth Capital Inc.**

**Unaudited Financial Statements**

**March 31, 2008**

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**Notice**

*The balance sheets of TriNorth Capital Inc. as at March 31, 2008 and the statements of operations and comprehensive income and cash flows for the three month period ended have been prepared by management. These statements have not been audited or reviewed by the Company's auditor.*

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**TriNorth Capital Inc.**

**Balance Sheet**

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(Unaudited)	As at March 31, 2008	As at December 31, 2007
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 12,056,335	\$ 13,350,873
Marketable securities	174,706	173,581
Loan receivable	-	470,825
Prepaid expenses and other assets	11,160	32,591
	<b>12,242,201</b>	<b>14,027,870</b>
<b>Investments</b> (Note 3)	<b>10,374,841</b>	<b>9,741,840</b>
	<b>\$ 22,617,042</b>	<b>\$ 23,769,710</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 166,345	\$ 202,228
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital (Note 4)	55,518,529	55,518,529
Contributed Surplus	33,948,343	33,948,343
Share Purchase Warrants (Note 5)	7,041,980	7,041,980
Accumulated Other Comprehensive Income	-	-
Deficit	(74,058,155)	(72,941,370)
	<b>22,450,697</b>	<b>23,567,482</b>
	<b>\$ 22,617,042</b>	<b>\$ 23,769,710</b>

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*See accompanying notes.*

**Approved on behalf of the Board**

*John Pennal*  
Director

*John Crow*  
Director

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**TriNorth Capital Inc.**

**Statement of Operations and Comprehensive Income**

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For the three month period ending March 31, 2008  
(Unaudited)

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<b>Revenue</b>	
Interest	\$ 135,407
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<b>Expenses</b>	
Management fee (Note 8)	127,691
Administration and other expenses	257,501
	<hr/> 385,192
Loss before the undernoted	(249,785)
Share of loss of equity accounted investees	(867,000)
Net loss from operations	(1,116,785)
Other comprehensive income	-
<b>Deficit, beginning of period</b>	<b>(72,941,370)</b>
<b>Deficit, end of period</b>	<b>\$ (74,058,155)</b>
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<b>Net loss per share</b>	<b>(\$0.007)</b>

*See accompanying notes.*

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## TriNorth Capital Inc.

### Statement of Cash Flows

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For the three month period ending March 31, 2008  
(Unaudited)

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#### Operating activities

Net loss for the period	\$ (1,116,785)
Items not affecting cash:	
Share of loss of equity accounted investees	867,000
Net change in non-cash working capital balances	
Marketable securities	(1,125)
Prepaid expenses and other assets	21,431
Loan receivable	470,825
Accounts payable and accrued liabilities	(35,884)
	<u>1,322,247</u>
Cash provided by operating activities	<u>205,462</u>

#### Investing activity

Purchase of investment	(1,500,000)
Net decrease in cash and cash equivalents during the period	(1,294,538)
Cash and cash equivalents, beginning of period	<u>13,350,873</u>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 12,056,335</b>

#### Supplemental cash flow information

Income taxes paid	\$ -
Interest paid	\$ -

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*See accompanying notes.*

**Notes to the Unaudited Financial Statements**  
**March 31, 2008**

**1. DESCRIPTION OF BUSINESS**

TriNorth Capital Inc. (“TriNorth” or the “Company”) is an investment company with a mandate of making investments in (i) public companies, (ii) near-public companies and (iii) strategic physical commodities, with the objective of achieving long-term capital growth.

The Company is managed by Lawrence Asset Management Inc. (the “Manager”). The Manager is responsible for providing or arranging for investment and advisory services as well as administrative and accounting services.

**2. SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES**

These unaudited interim financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”).

These financial statements should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2007 and follow the same accounting policies and methods of their application as the most recent audited financial statements for the year ended December 31, 2007 except for the following:

Effective January 1, 2008, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862, “Financial Instruments – Disclosure” (Section 3862) and Section 3863, “Financial Instruments – Presentation” (Section 3863), which replaced Handbook Section 3861, “Financial Instruments - Disclosure and Presentation”. The objective of the disclosure requirements of Section 3862 is to provide information about the significance of financial instruments to the Company's financial position and performance, the nature and extent of risks arising from financial instruments to which the Company is exposed and how the Company manages those risks. Section 3863 carries forward standards for presentation of financial instruments and non-financial derivatives and provides guidance for the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and circumstances in which financial assets and financial liabilities are offset.

The adoption of these standards did not have an impact on the classification and valuation of financial instruments.

Effective January 1, 2008, the Company adopted the CICA Handbook Section 1535, “Capital Disclosures” which specifies the disclosure of an entity’s objectives, policies and processes for managing capital and how it is meeting those objectives. The new disclosures resulting from adoption of this standard are included in note 9.

Effective January 1, 2008, the Company adopted EIC 165, *Accounting by an Investor upon a Loss of Significant Influence*. This abstract provides that if a company no longer has significant influence over an equity method accounted investee but continues to be an equity investor, then, as part of discontinuing the equity method of accounting, the company would derecognize its portion of investee Other Comprehensive Income, with an offset to the carrying value of the investment. Prior periods are restated as if

significant influence had never been in place. Adoption of this standard will have an effect on the Company's future financial statements as its interest in equity accounted investments change but not on the Company's fair value.

In 2006, Canada's Accounting Standards Board (AcSB) ratified a strategic plan that will result in Canadian GAAP, as used by public companies, being converged with International Financial Reporting Standards (IFRS) over a transitional period currently expected to be until 2011. In April 2008, the AcSB issued an exposure draft which requires IFRS to replace Canadian GAAP for interim and annual financial periods beginning on or after January 1, 2011, including comparative figures. The impact of this transition on the Company's financial statements is still being determined.

### 3. INVESTMENTS

The Company's investments as at March 31, 2008 are as follows:

*Investments accounted for using the equity method:*

Buchanan Renewable Energies Inc. – at cost	\$ 4,997,500
Less: TriNorth share of loss	<u>(1,296,900)</u>
	<u>3,700,600</u>

Russo Forrest Corporation – at cost	2,025,000
Add: TriNorth share of loss	<u>(105,000)</u>
	<u>1,920,000</u>

*Investment accounted for using the cost method:*

Saber Energy Corporation – at cost	<u>4,754,241</u>
	<u>\$ 10,374,841</u>

#### ***Saber Energy Corporation***

The Company has a US\$4,995,000 common share investment at US\$0.90/share in Saber, a Botswana-based early stage private company focused on Coal Bed Methane exploration. This represents an approximately 3.7% ownership stake in Saber and was acquired in November 2007.

#### ***Russo-Forest Corporation***

In January 2008 the Company invested \$1.5 million for three million units of Russo-Forest Corporation at a price of \$0.50 per unit, as part of a \$5 million private placement completed by Russo Forest. Each unit is comprised of one common share and one share purchase warrant, with each warrant entitling the holder to acquire one common share at a price of \$1.00 for a period of five years. At the close of this round of financing, TriNorth owned approximately 26% of Russo-Forest.

Russo started operations in January 2008. For the three month period ended March 31, 2008, Russo recorded a loss of approximately \$405,000. As at March 31, 2008 Russo had approximately \$680,000 of cash. Russo intends to sell and leaseback some of its equipment, which has a book value of approximately \$3.5 million, in order to raise additional capital. Russo is not expected to have any sales until the third quarter.

#### 4. SHARE CAPITAL

The Company has two authorized classes of shares: an unlimited number of common shares and an unlimited number of preference shares, issuable in series. The Company's Common Shares are traded on the Toronto Stock Exchange, stock symbol "TRT". As at March 31, 2008, there were 150,747,317 outstanding Common Shares and no outstanding preference shares. Common shares issued are as follows:

	Number of shares	Stated Capital
Shares outstanding, December 31, 2007	150,747,317	\$ 55,518,529
Add: common shares issued	-	-
Shares outstanding, March 31, 2008	150,747,317	\$ 55,518,529

#### 5. SHARE PURCHASE WARRANTS

At the effective date of exercise of the 132,021,000 special warrants and resulting issuance of the common share purchase warrants, the latter warrants as well as the 6,601,050 warrants issued to the Company's underwriters were assigned a value of \$7,041,980 by applying the Black-Scholes valuation model using the following assumptions:

Number of warrants	132,021,000	6,601,050
Price	\$0.24	\$0.20
Volatility	40%	
Risk-free interest rate	4.25%	
Expected dividend yield	Nil	
Expiry date	October 10, 2010*	

\* In accordance with the terms of the private placement, following the date which is 12 months after the closing date of the Reorganization, in the event that the Common Shares trade on the Toronto Stock Exchange (or such other Canadian stock exchange on which the Common Shares may then be listed) at a weighted-average closing price of not less than \$0.40 for a period of at least 20 consecutive trading days, the Company shall be entitled to accelerate the exercise period of the Warrants to a period ending at least 30 days from the date notice of such acceleration is provided to the holders of Warrants.

#### 6. INCOME TAXES

The provision for income taxes differs from the Company's combined Canadian federal and provincial statutory income tax rate of approximately 36% due to the following:

Recovery of income taxes	\$	243,982
Non-deductible permanent differences		(193,206)
Benefit of non-capital losses not recognized		(50,776)
Income tax expense/(benefit)	\$	Nil

The Company has capital losses in Canada of approximately \$141,116,513 and non-capital losses of approximately \$6,894,109 that may be carried forward to reduce income taxes in future years.

If not utilized, the non-capital losses will expire as follows:

2009	\$	361,269
2010		78,329
2011		699,395
2012		291,656
2013		3,711,841
2014		442,399
2015		367,041
2016		801,603
2017		140,576
	\$	<u>6,894,109</u>

The Company has recorded a valuation allowance for the full amount of its future income tax assets related to capital and non-capital losses carried forward because it is uncertain that these tax losses will be utilized in the foreseeable future, and accordingly, the Company has not recognized any tax recoveries in its financial statements. The value of unused tax losses and deductible temporary differences for which no future income tax assets have been recognized, is approximately \$24,543,447.

## **7. FINANCIAL INSTRUMENTS**

### ***Fair values***

Cash and cash equivalents, marketable securities, loans receivable, other assets and accounts payable and accrued liabilities have fair values which approximate their carrying values due to their short-term nature.

### ***Interest rate risk***

The Company is exposed to interest rate risk that arises from fluctuations in interest rates on its cash equivalents and marketable securities. At December 31, 2007 the Company had not entered into any interest rate swaps.

### ***Currency risk***

The Company has no material currency risk on its operations as all of the Company's revenues and a majority of the Company's expenses are denominated in Canadian dollars. The Company is exposed to currency risk on investments made in currencies other than its reporting currency.

### ***Market risk***

The Company is exposed to market risk with respect to its cash equivalents, marketable securities and investments. The fair value of these financial instruments will fluctuate due to changes in market prices.

### ***Credit risk***

The Company is exposed to credit risk associated with its marketable securities. Credit risk is substantially minimized by ensuring that such investments are limited to governments, well capitalized financial institutions and other creditworthy entities.

#### **8. RELATED PARTY TRANSACTION**

The Company has entered into a management contract with the Manager to manage the undertakings of the Company. The Company has agreed to pay the Manager a management fee, based on the Company's net asset value, and a performance fee, based upon the increase in the Company's net asset value above a benchmark. In the three month period ended March 31, 2008, a management fee of \$127,691 was recorded of which \$45,857 was included in accounts payable as at March 31, 2008.

These transactions occurring in the normal course of operations are recorded at the amount which has been established and agreed to by the related parties.

#### **9. CAPITAL AND RISK MANAGEMENT**

The Company's objective for its capital is to maximize shareholder value. In this regard, TriNorth invests in companies that have the potential of providing TriNorth with an above average return on investment with a moderate amount of risk. Capital is allocated to public and private investments and to different industries to maintain a balanced portfolio and to mitigate risk. The Company's investment strategy focuses on opportunities in agriculture, natural resources and energy.

The Company relies on the expertise of the Manager's experience as a portfolio manager in managing risk. Prior to making an investment the Manager will engage in extensive due diligence, which would include site visits and the engagement of consultants with industry and sector experience. In the case of investments in private companies, the Manager will, to the extent possible, structure the investment transaction to facilitate the disposition of the Company's investment at a time that would maximize the Company's returns.

#### **10. COMPARATIVE FIGURES**

No comparative figures are presented for the Statements of Operations and Comprehensive Income and Cash Flows as the Company's operations during the comparative period was sold by the Company on October 10, 2007. This information would not provide a meaningful comparison with the current period.

#### **11. SUBSEQUENT EVENTS**

On April 4, 2008, the Company invested \$3 million in MagMinerals Potash Corp. ("MagMinerals"). MagMinerals, a subsidiary of MagIndustries Corp., intends to construct and operate a potash plant in the Republic of Congo.

On April 18, 2008, the Company sold its investment in Buchanan Renewable Energies Inc. for net proceeds of \$6,246,750.