



November 26, 2009

Dear Shareholders,

Feronia achieved a major milestone in third quarter with the completion of a \$6.3 million financing and the subsequent purchase of Unilever's interest in Plantation Huileries du Congo ("PHC"). PHC is a 100,000 hectare palm oil plantation in the Democratic Republic of Congo that has been in production for more than 100 years. Since the acquisition, Feronia's senior management team has been onsite to bring the plantation back in production with the help of its existing 4300 strong workforce. Progress since September includes upgrading communications infrastructure, financial systems and accounting procedures, commencing refurbishment of the existing mill, negotiating transportation contracts, developing an operational plan, evaluating various manufacturers of farming equipment, surveying the land and testing the soil. However, Feronia does require additional funding to complete the refurbishment before the plantation returns to cashflow positive territory and is currently in discussions with potential lenders and equity investors.

Russo-Forest continues to wait for the approvals from the TSX Venture Exchange to complete an RTO with Nyah Resources. Once the transaction is approved, the combined company will be renamed Russo-Forest Corp. and will commence trading under the symbol "SAW". Trinorth's loan to Russo will be converted to equity and Trinorth will own approximately 27% of the public company.

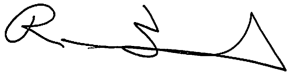
Wildhorse Farms is currently marketing a financing which will allow the company to expand its acreage significantly throughout 2010. The company has a historical exemption from certain requirements of the Farmland Security Act which puts it in a unique position to consolidate and develop agricultural lands in Saskatchewan, the largest and financially most compelling such opportunity in North America. Subsequent to completing the current financing it is expected that Wildhorse Farms will seek a public listing in 2010. Once listed, Wildhorse will be the only public vehicle by which investors can directly participate the appreciation of farmland in Saskatchewan.

Saber Energy has concluded an agreement with the Mitchell group from Australia to jointly develop its coal bed methane assets in Botswana. Saber is listing its shares on the TSX via a reverse takeover of Talon Metals (symbol TLO). It is expected that this deal will close on or before January 15, 2010. At this time Saber's business plan will be fully financed.

On the following pages you will find Management's Discussion and Analysis and TriNorth's financial statements for the third quarter of 2009. We continue to focus our efforts on supporting the existing investments of the portfolio as they work towards a path to liquidity. Trinorth's cash position is being carefully monitored to support the company's operations with liquidity events targeted for the first half of 2010. We consider the portfolio to be fully invested at this time. During the quarter we wrote up our valuation on Feronia to reflect the financing done at a higher valuation than our carrying cost, but this gain was largely offset by a writedown of Saber Energy leaving the Net Asset Value essentially flat for the quarter.

We invite you to visit our website at [www.trinorthcapital.com](http://www.trinorthcapital.com) for updates on our activities and profiles on our investments.

Yours truly,

A handwritten signature in black ink, appearing to read 'R. Sood', with a stylized flourish at the end.

Ravi Sood  
President, Lawrence Asset Management Inc.  
Manager of TriNorth Capital Inc.

## Management's Discussion and Analysis

As at November 26, 2009

*The following provides additional analysis of the operations and financial position of TriNorth Capital Inc. ("TriNorth" or the "Company"). It is supplementary information and should be read in conjunction with the Company's audited financial statements and accompanying notes as at December 31, 2008 and unaudited consolidated financial statements and accompanying notes for the period ended September 30, 2009.*

*Regulatory filings for TriNorth may be found on SEDAR at [www.sedar.com](http://www.sedar.com), while other information related to the Company, including its net asset value, is published on its website at [www.trinorthcapital.com](http://www.trinorthcapital.com).*

### FORWARD-LOOKING STATEMENTS

Included in this Management Discussion & Analysis are matters that constitute "forward-looking" information within the meaning of Canadian securities law. Such forward-looking statements may be identified by words such as "plans", "proposes", "estimates", "intends", "expects", "believes", "may" or words of a similar nature. There can be no assurance that such statements will prove to be accurate. Actual results and future events could differ materially from such statements. Factors that could cause actual results to differ materially include among others, regulatory risks, risk inherent in foreign operations, commodity prices and competition. These factors are largely outside the control of the Company. All subsequent forward-looking statements attributable to the Company or its agents are expressly qualified in their entirety by these cautionary comments. Except as otherwise required by applicable securities statutes or regulation, the Company expressly disclaims any intent or obligation to update publicly forward-looking information, whether as a result of new information, future events or otherwise.

### OVERVIEW

TriNorth is an investment company with investments in a portfolio of commodity based companies. TriNorth provides its investee companies assistance with the hiring of management teams, providing seed capital and advice on business and financing strategies. TriNorth will also invest in publicly traded companies that are trading at compelling and attractive valuations.

Pursuant to the terms of a management agreement, the Company is managed by Lawrence Asset Management Inc. (the "Manager"). The Manager is responsible for providing or arranging for investment management and advisory services as well as administrative and accounting services.

### INVESTMENTS

#### ***Feronia Inc. ("Feronia")***

Feronia is an emerging commercial agriculture company engaged in identifying, acquiring and consolidating farm land and operations in Africa with the intention of bringing the land into production using modern agricultural techniques and practices.

The Company created Feronia as a wholly owned subsidiary and capitalized it with \$1 million in 2008. In 2009, Feronia issued common shares for approximately \$6.8 million, with TriNorth purchasing \$2,121,229 of these shares. As a result, TriNorth's ownership in Feronia was diluted to 48.25%. Investment funds managed by the Manager and parties related to the Manager own 22.3% of Feronia.

In September 2009 Feronia made its first investment and acquired 61% of Plantations et Huileries du Congo S.C.A.R.L. ("PHC") for \$ 4,151,000. PHC, located in the Democratic Republic of the Congo ("DRC") owns a palm oil plantation of approximately 100,000 hectares, of which 70,000 hectares is suitable for planting palm oil. PHC has been in operation for almost 100 years with a stable and highly trained workforce of approximately 4,300 employees.

PHC's planted area of mature and immature oil palms is estimated at 12,730 and 2,140 hectares respectively. With proper management and adequate fertilization, oil palms reach maturity and come into production within three or four years after planting. However, the palms do not reach their maximum production until eight years after planting. Feronia's business strategy is to replant low yielding plantations and then increase the amount of hectares planted in order to increase production when the trees reach maturity. Immediate gains in production will be achieved through renovating the existing palm oil mills and providing adequate transport to ensure that the entire crop produced can be processed. Further gains will be achieved from 2011 onwards by applying fertiliser to the 6,000 hectares of prime palms at the start of the rainy season in October 2010.

Feronia is currently unprofitable and is subject to liquidity risk as it only has enough cash for its operations until the end of 2009. The Company is attempting to raise additional capital for Feronia. If additional capital is not available, a write-down of the carrying value of Feronia may be warranted in the fourth quarter to reflect the lack of liquidity and going concern risks related to Feronia.

#### ***Russo Forest Corporation ("Russo")***

The Company owns approximately 26.6% of Russo, a Russian based forestry company. In February 2009, Nyah Resources Corp. ("Nyah") announced a proposal to acquire all of the shares of Russo. On Oct 8, 2009 the shareholders of Nyah approved of the transaction. Completion of the transaction remains subject to the required regulatory approvals, including the approval of the TSX Venture Exchange. The combined company will be renamed Russo-Forest Corp. with the common shares to be traded on the TSX Venture Exchange under the symbol "SAW". Subsequent to the proposed transaction, Trinorth will hold approximately 27.6% of the outstanding common shares of Nyah.

Due to cash constraints Russo was relatively inactive for part of the third quarter other than to fulfill sales contracts by purchasing lumber for delivery to customers.

#### ***Saber Energy Corp. ("Saber")***

TriNorth owns approximately 2.67% of Saber, which is a Botswana-based early stage private company focused on coal bed methane gas exploration.

The management and operation of the Saber project site in Botswana was formally turned over to Tlou Energy ("Tlou") in the third quarter. Tlou is expected to commence drilling in the fourth quarter before the start of the rainy season. Tlou will deploy its Integrated Exploration Solution to drill the core holes and start testing in Saber's licence areas.

Work on the proposed merger of Saber and Talon Metals Corp is ongoing. Under the terms of the merger agreement, each Saber share will be exchanged for 0.17685 shares of the new merged entity. Certain conditions must be satisfied prior to the merger including regulatory approval and approval of the merger by both Saber and Talon shareholders.

Saber has raised approximately US\$3.3 million in additional equity, which is a condition of its merger with Talon.

***Wild Horse Farms & Bio-Energy Corporation (“Wild Horse”)***

TriNorth owns approximately 10% of the common shares of Wild Horse, a commercial farming company in Saskatchewan.

For the nine month period ending September 30, 2009, Wild Horse had revenues of \$2.8 million and an operating loss of \$4.2 million. Wild Horse is expected to record annual revenues of approximately \$7.4 million with an operating loss of approximately \$4.5 million. The loss is larger than anticipated due to lower prices for canola and corn as well as lower yields on corn and beans.

As at September 30, 2009, working capital was a negative \$1.2 million while long-term debt obligations were \$4.9 million. Shareholders' equity was \$8.5 million.

**RESULTS OF OPERATIONS**

**Results for the three months ended September 30, 2009**

Net loss for the quarter ending September 30, 2009 was \$156,004 compared to a net loss of \$1,467,113 for the corresponding period in the prior year. During the third quarter, the following significant events occurred:

- The Company realized a gain of \$1,820,137 when Feronia issued shares that diluted the Company's ownership interest in Feronia from 89.1% to 48.25%.
- The investment in Saber was written down by \$1,342,090 due to a financing by Saber at a valuation lower than the Company's carrying value.
- Operating, general and administrative expenses were \$441,459 compared to \$156,693 for the comparable period in the prior year. The majority of the increase is attributable to the write-off of professional fees incurred to challenge the management of Homeland Energy Group Inc. to enhance shareholder value.
- Project development expenses declined to \$295,485 in the quarter compared to \$1,063,153 in Q3 2008 as the Company became fully invested and is not actively seeking any new projects.

**Results for the nine months ended September 30, 2009**

Net loss for the nine month period ending September 30, 2009 was \$3,628,564 compared to a net loss of \$663,170 for the corresponding period in the prior year. During the first nine months of 2009, the following significant events occurred:

- The Company realized a gain of \$1,909,378 when Feronia issued shares that reduced the Company's ownership interest in Feronia from 100% to 48.25%.
- The Company disposed of its marketable securities of Homeland Energy Group Ltd., MagIndustries Corp. and Day 4 Energy Group Ltd. for proceeds of \$2,909,383 and realized an accounting loss of \$519,284.
- The Company sold its investment in Chevalier Resources for proceeds of \$220,000 and recorded an accounting loss of \$220,000.

- The Company wrote down its investments in Saber and Wild Horse by \$1,342,090 and \$1,234,863 respectively, as financings by these companies put a lower valuation on them than the Company's carrying value.
- The Company's share of loss from Russo was \$362,750. The results of Feronia's operations are consolidated with TriNorth until September 4, 2009 when the Company's interest was reduced to 48.25% and thereafter equity accounting is used. The Company's share of Feronia's loss for September was \$96,857.
- Project development expenses, primarily for travel and consulting were \$1,025,386 for the nine months ended September 30, 2009 (2008: \$1,208,754). The expense in 2009 is lower as the Company decreased its project development activities as it became fully invested.
- Operating, general and administrative expenses for 2009 were \$1,344,053 (2008: \$562,246). The increase is attributable to the costs related to the Company's response to a proxy challenge and professional fees.

## SUMMARY OF QUARTERLY RESULTS

(\$000's except per share information)

	31-Dec-08	30-Sep-08	30-Jun-08	31-Mar-08	31-Dec-07
	\$	\$	\$	\$	\$
Net investment gains (losses)	(9,895)	(164)	2,265	(867)	-
Net income (loss) for the period	(10,938)	(1,467)	1,921	(1,117)	(675)
Earnings (loss) per share	(0.007)	(0.010)	0.013	(0.007)	(0.004)
		30-Sep-09	30-Jun-09	31-Mar-09	
		\$	\$	\$	
Net investment gains (losses)		606	(1,906)	111	
Net income (loss) for the period		(156)	(3,054)	(418)	
Loss per share		(0.001)	(0.020)	(0.003)	

Results for the quarter ended December 31, 2007 are for the period of October 10 to December 31, 2007. Variances in quarterly results occur due to the timing of disposition of investments and revaluations of marketable securities due to fluctuations in the public markets. Privately-held equity investments are revalued at their fair values if the Company has determined that there is a permanent impairment in the value of the investment.

## FINANCIAL POSITION AND LIQUIDITY

During the quarter ended September 30, 2009, cash outflow from operating activities before non-cash working capital balance adjustments was \$793,818. After reflecting the changes in accounts receivable, prepaid expenses and payables, cash outflow from operations was \$681,928 compared to an outflow of \$651,321 for the corresponding period in the prior year.

Working capital at September 30, 2009 was \$852,395 including unrestricted cash of \$410,943 and marketable securities of \$725,230. Current liabilities were \$312,088 as at September 30, 2009 of which \$16,875 represented liabilities to a related party.

The Company has sufficient liquidity in the form of cash and a marketable security to meet its financial obligations over the next twelve months, subject to its marketable security maintaining at least its current value. Beyond twelve months, the Company is subject to liquidity risk. The Company's ability to meet its financial obligations is dependant upon the Company raising additional capital and/or the sale of its investments. The current value of the Company's investments is based on an expected net realizable value if the investments were disposed of in an orderly manner over a reasonable period of time. A rapid or untimely disposition of these investments, which are illiquid, may result in the Company receiving less than fair value for its investments.

The Company's ability to continue as a going concern beyond twelve months may be contingent on it receiving proceeds from the sale of its investments sufficient for it to meet its financial obligations in the normal course of business.

#### **RELATED PARTY TRANSACTIONS AND CONTRACTUAL OBLIGATION**

Lawrence Asset Management Inc. is the manager of the Company and in accordance with a management agreement is entitled to a management fee of 2% of the Company's net asset value. For the nine month period ended September 30, 2009, a management fee of \$168,597 (2008: \$400,772) was recorded. As at September 30, 2009, the amount accrued and payable to the manager is \$16,875.

The Manager provides or arranges for all general management and administrative services required by the Company in its day-to-day operations, including investment advice, establishment of brokerage arrangements relating to the purchase and sale of investments of the portfolio, bookkeeping and record-keeping.

#### **CRITICAL ACCOUNTING ESTIMATES**

The preparation of the Company's financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The Company's accounting policies are described in Note 2 to the financial statements.

Areas in which significant judgement and estimates are used include, but are not limited to, the fair values of the Company's investments. Available-for-sale securities are generally carried at cost except where there has been impairment (a decline in value that is other than temporary) in which case the investment is written down to fair value to recognize the impairment loss.

Estimated fair value is determined on the basis of the expected realizable value of the investments if they were disposed of in an orderly manner over a reasonable period of time. The Manager uses estimation techniques to determine fair value, which may include arm's length transactions, discounted cash flows, multiples of earnings or production and comparison with other securities that are substantially the same.

#### **FUTURE ACCOUNTING CHANGES**

##### *Financial Instrument Disclosures*

In June 2009, the Canadian Accounting Standards Board ("AcSB") incorporated the recent amendments to International Financial Reporting Standards ("IFRS") 7, "*Financial Instruments: Disclosures*", into CICA Handbook Section 3862, "*Financial Instruments – Disclosures*". The amendments introduce a three level fair value disclosure hierarchy that distinguishes fair value measurements by the significance of the inputs used. In addition, the amendments require enhanced disclosures regarding the nature and extent of liquidity risk arising from financial instruments to which an entity is exposed. The amendments

are applicable to the Company's annual financial statements beginning with fiscal 2009. Comparative information is not required in the year of adoption. The Company is currently evaluating the impact of the adoption of these amendments.

#### *International Financial Reporting Standards("IFRS")*

In February 2008, the Accounting Standards Board announced the adoption of IFRS to replace Canadian GAAP for interim and annual financial periods beginning on or after January 1, 2011, including comparative figures.

The Company has completed the preliminary identification and assessment of the accounting and reporting differences under IFRS compared to Canadian GAAP. Based on this assessment, there may be changes in the methodology used to determine the fair values of the Company's investments. The International Accounting Standards Board is expected to continue issuing new accounting standards until 2011, therefore, the full impact of adopting IFRS is not reasonably determinable at this time. The adoption of IFRS is not expected to have any impact on the Company's information systems, disclosure controls and procedures and internal controls over financial reporting.

#### **DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

Management is responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company. It has used the Committee of Sponsoring Organizations of the Treadway Commission framework to evaluate the effectiveness of the Company's internal controls over financial reporting.

Management is reviewing disclosure controls and procedures at Feronia and PHC, as defined by National Instrument 52-109, to provide reasonable assurance that material information relating to the Company is made known to the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") by others during the period in which the quarterly filings are being prepared. Due to the timing of the purchase of PHC, the CEO and CFO are not yet able to determine if disclosure and internal controls over financial reporting are adequate. It is expected that a review of these controls, and the implementation of policies and procedures, if required, to ensure that controls are adequate, will be completed by the end of the year.

#### **RISK FACTORS AND RISK MANAGEMENT**

The Company's investment strategy requires assuming risk in exchange for an above average return on investment. TriNorth and its investee companies are subject to the risks inherent in the region and industry in which it operates. Such risks include market, credit and liquidity risk. The investee companies are all at an early stage of development and may continue to require additional capital to develop their business plans until they become self-funding.

##### *Market risk*

The Company is exposed to market risk with respect to its cash, marketable securities, loan receivable and investments. The fair value of these financial instruments will fluctuate due to changes in market prices. As at September 30, 2009 the Company owned shares in CIC Energy Corp. having a market value of \$725,230 (cost: \$1,155,304).

##### *Credit risk*

The Company is exposed to credit risk associated with its cash. Credit risk is substantially minimized by ensuring that such investments are limited, where possible to government securities, well capitalized financial institutions and other creditworthy entities. As the Company has investments in Africa, the Company is exposed to credit risk for deposits in African banks for which the Company has limited financial information. As at September 30, 2009, the Company had US\$26,441 of cash with a bank in Africa.

### *Liquidity risk*

Liquidity risk is the risk that the Company will be unable to meet its obligations when they become due. The Company continuously monitors its cash flow requirements to ensure that it has sufficient liquidity.

### **OUTSTANDING SHARE DATA**

The Company has two authorized classes of shares: an unlimited number of common shares and an unlimited number of preference shares, issuable in series. As at September 30, 2009, there were 150,747,317 outstanding common shares and no outstanding preference shares.

### **OUTLOOK**

Capital markets have continued to show improvement and increased risk tolerance, however, the receptivity to new issues and offerings remains low. This continues to represent a challenge to TriNorth's business model and operations.

The acquisition of PHC has transformed Feronia into a leading farming company in the DRC. We are positive about the long term prospects for palm oil due to rising global demand for its food and non-food uses. Feronia has near term challenges with respect to its liquidity. We are assisting the management of Feronia to raise capital and hope to return PHC to profitability by 2012.

**TriNorth Capital Inc.**

**Consolidated Financial Statements  
(Unaudited)**

**September 30, 2009**

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**Notice**

*The consolidated balance sheets of TriNorth Capital Inc. as at September 30, 2009 and the consolidated statements of operations and comprehensive loss and deficit for the nine month period then ended have been prepared by management. These statements have not been audited or reviewed by TriNorth's auditor.*

**TriNorth Capital Inc.**  
**Consolidated Balance Sheets**

(Unaudited)	As at September 30, 2009	As at December 31, 2008
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 439,253	\$ 3,891,916
Marketable securities	725,230	2,333,851
Accounts receivable and other assets	130,728	12,150
Investments (Note 4)	5,646,562	5,191,068
Loan receivable (Note 4)	1,808,628	1,469,437
	<b>\$ 8,750,401</b>	<b>\$ 12,898,422</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 312,088	\$ 831,545
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital (Note 5)	55,518,529	55,518,529
Contributed Surplus	34,048,593	34,048,593
Share Purchase Warrants	7,041,980	7,041,980
Deficit	(88,170,789)	(84,542,225)
	<b>8,438,313</b>	<b>12,066,877</b>
	<b>\$ 8,750,401</b>	<b>\$ 12,898,422</b>

*See accompanying notes.*

**Approved on behalf of the Board:**

*John Pennal*  
**Director**

*John Crow*  
**Director**

## TriNorth Capital Inc.

### Consolidated Statements of Operations and Comprehensive Loss and Deficit

(Unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
<b>Net investment gain (loss)</b>				
Realized gain (loss) on disposal of marketable securities	(293,648)	164,010	(519,284)	164,010
Realized gain on disposal of investment designated as available-for-sale	1,837,379	-	1,617,379	2,546,150
Change in unrealized loss on marketable securities	586,082	(65,777)	744,873	(127,127)
Impairment of investment designated as available-for-sale	(1,342,090)	-	(2,576,954)	-
Share of loss in equity accounted investments	(186,572)	(262,410)	(459,607)	(1,349,410)
	<b>601,151</b>	<b>(164,177)</b>	<b>(1,193,593)</b>	<b>1,233,623</b>
<b>Other revenue</b>				
Interest	5,112	54,692	31,264	274,979
	<b>606,263</b>	<b>(109,485)</b>	<b>(1,162,329)</b>	<b>1,508,602</b>
<b>Expenses</b>				
Management fee (Note 6)	49,533	137,782	168,597	400,772
Operating, general and administrative	441,459	156,693	1,344,053	562,246
Project development	295,485	1,063,153	1,025,386	1,208,754
	<b>786,477</b>	<b>1,357,628</b>	<b>2,538,036</b>	<b>2,171,772</b>
Non-controlling interest	24,210	-	71,801	-
<b>Net loss for the period and comprehensive loss</b>	<b>(156,004)</b>	<b>(1,467,113)</b>	<b>(3,628,564)</b>	<b>(663,170)</b>
<b>Deficit, beginning of period</b>	<b>(88,014,785)</b>	<b>(72,137,427)</b>	<b>(84,542,225)</b>	<b>(72,941,370)</b>
<b>Deficit, end of period</b>	<b>\$ (88,170,789)</b>	<b>\$ (73,604,540)</b>	<b>\$ (88,170,789)</b>	<b>\$ (73,604,540)</b>
<b>Net income (loss) per share</b>	<b>(\$0.001)</b>	<b>(\$0.010)</b>	<b>(\$0.024)</b>	<b>(\$0.004)</b>

See accompanying notes.

**TriNorth Capital Inc.**  
**Consolidated Statements of Cash Flows**

(Unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
<b>Operating activities</b>				
Net loss for the period	\$ (156,004)	\$ (1,467,113)	\$ (3,628,564)	\$ (663,170)
Items not affecting cash:				
Realized loss on disposal of marketable securities	293,648	-	519,284	-
Realized (gain) on disposal of investment designated as available-for-sale	(1,837,379)		(1,617,379)	(2,546,150)
Change in unrealized loss on marketable securities	(586,082)	65,777	(744,873)	127,127
Impairment of investment designated as available-for-sale	1,342,090	-	2,576,953	-
Share of loss in equity accounted investments	186,572	262,410	459,607	1,349,410
Stock based compensation	-	23,750	-	75,500
Derecognition of Feronia Inc. net assets on loss of control	(36,662)	-	105,663	-
Net change in non-cash working capital balances				
Accounts receivable and other assets	211,647	12,284	(118,578)	32,590
Project development	-	439,961	-	(209,442)
Accounts payable and accrued liabilities	(99,758)	11,610	(519,457)	(94,413)
	<b>111,889</b>	<b>463,855</b>	<b>(638,035)</b>	<b>(271,265)</b>
<b>Cash used in operating activities</b>	<b>(681,928)</b>	<b>(651,321)</b>	<b>(2,967,344)</b>	<b>(1,928,548)</b>
<b>Investing activities</b>				
Proceeds from disposal of marketable securities	1,647,298	-	2,909,383	-
Purchase of marketable securities	-	-	(1,075,173)	-
Proceeds from disposal of equity accounted investment	-	-	-	6,246,750
Purchase of equity accounted investment	(1,950,338)		(1,950,338)	(1,500,000)
Proceeds from disposal of investment designated as available-for sale	-	-	220,000	-
Purchase of investments designated as available-for-sale	(250,000)	(2,230,000)	(250,000)	(7,232,500)
Loan to equity accounted investment	-	(1,081,739)	(339,191)	(610,914)
<b>Cash used in investing activities</b>	<b>(553,040)</b>	<b>(3,311,739)</b>	<b>(485,319)</b>	<b>(3,096,664)</b>
Net decrease in cash during the period	(1,234,968)	(3,963,060)	(3,452,663)	(5,025,212)
Cash, beginning of period	1,674,221	12,288,721	3,891,916	13,350,873
<b>Cash, end of period</b>	<b>\$ 439,253</b>	<b>\$ 8,325,661</b>	<b>\$ 439,253</b>	<b>\$ 8,325,661</b>

See accompanying notes.

## **TriNorth Capital Inc.**

Notes to the Consolidated Financial Statements

September 30, 2009

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### **1. DESCRIPTION OF BUSINESS**

TriNorth Capital Inc. (“TriNorth” or the “Company”) is an investment company with a portfolio of investments in commodity based companies.

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. BASIS OF PRESENTATION**

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”); however, these statements do not include all GAAP disclosures required for annual financial statements. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2008.

These unaudited interim consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future.

The Company has sufficient liquidity in the form of cash and a marketable security to meet its financial obligations over the next twelve months, subject to its marketable security maintaining at least its current value. Beyond twelve months, the Company is subject to liquidity risk. The Company’s ability to meet its financial obligations is dependant upon the Company raising additional capital and/or the sale of its investments. . The current value of the Company’s investments is based on an expected net realizable value if the investments were disposed of in an orderly manner over a reasonable period of time. A rapid or untimely disposition of these investments, which are illiquid, may result in the Company receiving less than fair value for its investments.

The Company’s ability to continue as a going concern beyond twelve months may be contingent on it receiving sufficient proceeds from the sale of its investments for it to meet its financial obligations in the normal course of business.

#### ***Investments***

Privately-held equity investments over which the Company does not have the ability to exercise significant influence are classified as available-for-sale and are carried at cost. If there is pervasive evidence that such an investment is impaired (decline in value other than temporary), the investment is written down to its fair value to recognize its impairment. Estimated fair value is determined on the basis of the expected realizable value of the investments if they were disposed of in an orderly manner over a reasonable period of time. The Company uses estimation techniques to determine fair value, which may include arm’s length transactions, discounted cash flows, multiples of earnings or production and comparison with other securities that are substantially the same.

The fair value of a privately-held investment may be re-valued downward if:

- the investee is placed into receivership or bankruptcy
- political or economic changes occur in a country in which the company operates which restrict the investee company from operating normally
- significant changes occur in commodity prices or markets in which the investee invests

- the investee is unable to access financing that would permit it to continue operations
- changes occur in management that would have a negative impact on the investee's operations.

The process of valuing investments for which no published market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investments. These differences could be material to the fair value of investments in the portfolio.

Any difference between the fair value and the cost of the investments as a result of a write-down is recorded as an impairment of investments designated as available-for-sale.

Investments in shares of investee companies in which the Company's ownership is greater than 20% but not more than 50% and over which the Company has the ability to exercise significant influence, are accounted for using the equity method. Under the equity method, the investment is initially recorded at cost. The carrying value is subsequently adjusted for the Company's proportionate share of the net income or loss of the equity accounted investment and any write-downs due to impairment. The Company's share of net income or loss of such investment is recorded in the consolidated statements of operations.

***Future accounting pronouncements***

In June 2009, the Canadian Accounting Standards Board ("AcSB") incorporated the recent amendments to International Financial Reporting Standards ("IFRS") 7, "Financial Instruments: Disclosures", into CICA Handbook Section 3862, "Financial Instruments – Disclosures". The amendments introduce a three level fair value disclosure hierarchy that distinguishes fair value measurements by the significance of the inputs used. In addition, the amendments require enhanced disclosures regarding the nature and extent of liquidity risk arising from financial instruments to which an entity is exposed. The amendments are applicable to the Company's annual financial statements beginning with fiscal 2009. Comparative information is not required in the year of adoption. The Company is currently evaluating the impact of the adoption of these amendments.

**3. FINANCIAL INSTRUMENTS**

The Company is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. These risks and related risk management practices employed by the Company are discussed below:

***Liquidity risk***

The Company has sufficient liquidity in the form of cash and a marketable security to meet its financial obligations over the next twelve months, subject to its marketable security maintaining at least its current value.

***Currency risk***

The Company is exposed to currency risk as expenses for some of its operating activities and investments are in currencies not denominated in Canadian dollars. As at September 30, 2009, the Company had U.S. dollar denominated cash and loan receivable of \$1,426,441. The Company does not hedge its foreign currency exposure.

***Market risk***

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

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changes in market prices. As at September 30, 2009 the Company owned shares in CIC Energy Corp. having a market value of \$725,230 (cost: \$1,155,304).

***Credit risk***

The Company is exposed to credit risk associated with its cash. Credit risk is substantially minimized by ensuring that cash is held at well capitalized financial institutions and other creditworthy entities. As the Company has investments in Africa, the Company is exposed to credit risk for deposits in African banks for which the Company has limited financial information. As at September 30, 2009, the Company had US\$26,441 of cash with a bank in Africa.

**4. INVESTMENTS**

The Company's investments as at September 30, 2009 and December 31, 2008 are as follows:

*Private investments accounted for using the equity method:*

	<u>2009</u>	<u>2008</u>
Russo-Forest Corporation		
Opening balance	\$ 977,435	\$ 525,000
Purchase of investment	-	1,500,000
Less: TriNorth share of loss	(362,750)	(543,565)
Charge for impairment	-	(504,000)
	<u>614,685</u>	<u>977,435</u>
Feronia Inc.		
Investment - 2008	1,000,000	
Additional investment - 2009	2,121,229	
Gain on dilution	1,909,378	
Less: Accumulated TriNorth share of loss	(1,373,409)	
	<u>3,657,198</u>	
<i>Private investments designated as available-for-sale</i>		
Chevalier Resources Inc.	-	440,000
Saber Energy Corporation	357,042	1,699,133
Wild Horse Farms & Bio Energy Corporation	1,017,637	2,002,500
C3 Resources	-	72,000
Total private investments designated as available-for-sale	<u>1,374,679</u>	<u>4,213,633</u>
Total investments as at September 30, 2009 and December 31, 2008	<u>\$ 5,646,562</u>	<u>\$ 5,191,068</u>

***Russo-Forest Corporation***

In addition to the Company's equity investment, the Company loaned Russo \$1,808,628 which is secured by the assets of Russo, due on October 18, 2009 and bears interest at 15% per annum. This amount is included in loan receivable on the consolidated balance sheets. It is the Company's intention to grant an extension for the repayment of this loan until the loan converts into the equity of Russo when the transaction referred to in Note 10 is completed.

***Feronia Inc.***

The Company created Feronia as a wholly owned subsidiary and capitalized it with \$1 million in 2008. In 2009, Feronia issued common shares to TriNorth and other investors. TriNorth purchased \$2,121,229 of these shares. As a result, TriNorth's ownership in Feronia was diluted

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to 48.25% and it recorded a gain on dilution of \$1,909,378. The Company ceased to consolidate Feronia on September 4, 2009 and adopted equity accounting for Feronia thereafter.

### *Chevalier Resources Inc.*

In March 2009, TriNorth disposed of its investment in Chevalier Resources for \$220,000 and recorded a loss on disposition of \$220,000.

### *Saber Energy Corporation*

In November 2007, the Company made a \$4,754,241 investment in Saber Energy Corporation (“Saber”), a Botswana-based early stage private company focused on coal bed methane exploration. The Company wrote down its investment in Saber in December 2008 and September 2009 by \$3,055,107 and \$1,342,092 respectively.

### *Wild Horse Farms & Bio Energy Corporation*

In the second quarter of 2009, the Company wrote down its investment in Wild Horse Farms common shares from \$2,002,500 to \$767,637. In the third quarter, the Company purchased \$250,000 of Wild Horse preferred shares.

### *C3 Resources*

In July 2008 the Company invested \$150,000 in C3 Resources; a Nevada based gold exploration company. In September 2009, the Company wrote-off its investment in C3 Resources.

## 5. 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 Venture Exchange, stock symbol “TRT”. As at December 31, 2008 and September 30, 2009, there were 150,747,317 outstanding Common Shares with a stated capital amount of \$55,518,529. There are no outstanding preference shares.

## 6. STOCK OPTION PLAN

The Company has implemented a stock option plan which permits the Company to issue stock options to employees, directors and consultants of the Company. Each option granted under the plan is for a maximum term of seven years with an exercise price equal to the greater of the Company’s net asset value or closing share price on the last day of the applicable quarter and vests immediately. The Company permits directors to receive their quarterly fees either in cash or stock options. A director electing to exercise an option is required to provide funds to purchase the shares for the exercise price.

There were no options issued for the nine month period ended September 30, 2009. At September 30, 2009 the number of options outstanding and exercisable is as follows:

<u>Exercise price</u>	<u>Quantity</u>	<u>Expiry date</u>
\$0.19	143,426	May 12, 2015
\$0.30	111,312	June 30, 2015
\$0.11	242,450	September 30, 2015
\$0.03	825,006	December 31, 2015

The fair value of the options granted was estimated at the date of the grant using the Black-Scholes option pricing model with the following assumptions:

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Volatility	average rate of 109%
Risk free interest rate	3.41% to 3.45%
Expected dividend yield	Nil
Expected option life	Seven years

**7. RELATED PARTY TRANSACTIONS**

The Company entered into a management contract with the Manager to manage the undertakings of the Company. The Company has agreed to pay the Manager a 2% management fee per annum, 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. For the nine month period ended September 30, 2009, a management fee of \$168,597 (September 30, 2008 - \$400,772) was recorded.

Two investment funds managed by the Manager subscribed to US\$3,121,183 of the shares issued by Feronia Inc.

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.

**8. CAPITAL AND RISK MANAGEMENT**

The Company's capital is comprised of shareholders' equity. 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. Capital is allocated to different industries and geographic areas 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 due diligence activities, 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.

The Company does not have any externally imposed capital requirements and believes that it has sufficient working capital to fund ongoing operations for approximately the next twelve months.

**9. COMPARATIVE FIGURES**

Certain comparative figures from the prior year have been reclassified to conform with the current period's presentation.

**10. SUBSEQUENT EVENT**

On Oct 8, 2009 shareholders of Nyah Resources Inc. approved a proposal to acquire all of the shares of Russo. Completion of the transaction is subject to regulatory approval, including approval by the TSX Venture Exchange.