

August 31, 2009

Dear Shareholders,

On the following pages you will find Management's Discussion and Analysis and TriNorth's financial statements for the first six months of 2009. In the aftermath of the market meltdown that rocked global indices last year and the resulting economic slowdown, we have assumed a far more defensive strategy for TriNorth in 2009 compared to the more aggressive pursuit of unique investment opportunities that marked most of 2008. Given the drastic fall in equity prices, the extreme tightening of credit markets and the absence of any possibility of liquidity events, we felt it was prudent for to focus most of our efforts in the first half of 2009 on supporting the existing portfolio of companies, selectively participating in activist/catalyst opportunities in small cap issuers that were trading at significant discounts to their net asset values and decreasing the level of development activity in the founding and early stage development of private companies until such time as markets recover to the extent that an appetite for IPOs is renewed in order to establish a path to liquidity.

TriNorth invests in early stage companies, typically with a resource/commodity focus in geographic regions that have often been overlooked, but are becoming increasingly attractive due to worldwide supply/demand imbalances. This has included such diverse investments as biofuel in Liberia, forestry in Russia, farmland in Saskatchewan and coal bed methane in Botswana. TriNorth engages in two types of investing: Founder Investments and Minority Investments. In Founder Investments, TriNorth takes a very active role in the founding, provision of seed capital, sourcing of experienced management teams, implementation of business plans and capital fund raising. In Minority Investments, TriNorth will hold a minority position in a company founded and managed by others, but in keeping with TriNorth's strategy to invest in early stage opportunities with sector themes of resources and agriculture.

Much of TriNorth's Founder Investment activity in the first half of 2009, has been focused on Feronia Inc., a company we modeled on last year's success with Buchanan Renewable Energies in Liberia, to engage in consolidating farmland and implementing modern farming techniques for large scale crop production in Africa. TriNorth has funded the early stage development of this company, put in place a highly experienced management team to run it and is currently engaged in raising funds for a private placement with participation by investors in Canada, the United States, Europe and the Middle East. Proceeds from this round of financing will allow Feronia to commence agricultural operations in two African countries. Combined with our significant ownership in Wildhorse Farms, Saskatchewan's largest irrigated farmland operation, Trinorth offers investors diversified exposure to major growth opportunities in global agriculture. Further updates will be forthcoming in the second half of the year as Feronia proceeds to the implementation stage.

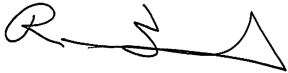
Russo-Forest continues to work towards a proposed reverse takeover transaction with Nyah Resources Corp. as previously announced in February 2009. The proposed transaction is subject to a number of conditions, including receipt of shareholder and regulatory approval, approval of the TSX Venture Exchange and the execution of a definitive agreement in respect of Nyah's acquisition of the shares of Russo-Forest. The Annual and Special Meeting of Shareholders of Nyah Resources to consider this acquisition is now scheduled to take place on October 1, 2009. Management is working diligently to address the outstanding items in order to complete the transaction.

We are conscious of the importance of improving net asset value over the coming months and the necessity to conserve liquidity. Unfortunately, a proxy battle launched in the first half of 2009 by a TriNorth shareholder cost the company over \$400,000 to defend. Although a one time expense, this action did have a significant negative impact on the available cash reserves. Nevertheless, TriNorth

maintains sufficient cash/liquidity to support its ongoing activities without dilution to existing shareholders in the foreseeable future.

We appreciate the support and feedback we have received from shareholders during a difficult period and will continue to work on your behalf. We must also acknowledge TriNorth's Board of Directors for their commitment and diligence in providing guidance and corporate governance oversight. 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 August 31, 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 June 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's investment strategy includes structuring and initiating deals focused on particular resources, themes or regions as well as launching the development of businesses in select industries by providing assistance with the hiring of management teams, providing seed capital and facilitating IPOs. 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.

### RESULTS OF OPERATIONS

#### Results for the quarter ended June 30, 2009

Net loss for the quarter ending June 30, 2009 was \$3,054,385 compared to a net gain of \$1,920,728 for the corresponding period in the prior year. During the second quarter, the following significant events occurred:

- The fair value of TriNorth's marketable securities decreased by \$644,456 from March 31, 2009.
- The Company disposed of its investment in Day 4 Energy Inc. and received proceeds of \$640,000 and realized an accounting loss of \$10,000.

- The Company wrote down its investment in Wild Horse Farms & Bio Energy Corporation (“Wild Horse”) by \$1,234,863, as a financing by Wild Horse put a lower valuation on Wild Horse than the Company’s carrying value.
- Management fee expense declined to \$55,206 for the period ending June 30, 2009 compared to \$135,299 for the same period last year.
- The Company remains actively engaged in establishing an international agriculture business. These activities are conducted through the company’s 89% owned subsidiary, Feronia Inc. Expenses related to this project, primarily for travel and consulting, represent the majority of project development expenses for the second quarter of 2009.
- Included in office and general expenses are approximately \$ 440,000, for one-time legal and consulting fees relating to the Company’s response to a proxy challenge initiated by a dissident shareholder.

### **Results for the six months ended June 30, 2009**

Net loss for the six month period ending June 30, 2009 was \$3,472,560 compared to a net gain of \$803,943 for the corresponding period in the prior year. During the first six months on 2009, the following significant events occurred:

- The fair value of TriNorth’s marketable securities increased by \$158,792 from December 31, 2008.
- The Company disposed of its marketable securities of Homeland Energy Group Ltd., MagIndustries Corp. and Day 4 Energy Group Ltd. for proceeds of \$1,262,086 and realized an accounting loss of \$225,636.
- 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 investment in Wild Horse Farms & Bio Energy Corporation by \$1,234,863, as a financing by Wild Horse put a lower valuation on Wild Horse than the Company’s carrying value.
- The Company’s share of loss from Russo-Forest Corporation was \$ 273,035.
- Project development expenses, primarily for travel and consulting were \$627,428 for the six months ended June 30, 2009 (2008: \$103,974). The expense in 2008 was significantly lower as the Company had not been as active in project development.
- Office, general and administrative expenses for 2009 was \$957,478 (2008: \$447,178). The increase is attributable to the costs related to the Company’s response to the proxy challenge.

## 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-Jun-09	31-Mar-09
	\$	\$
Net investment gains (losses)	(1,906)	111
Net loss for the period	(3,054)	(418)
Loss per share	(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 June 30, 2009, cash outflow from operating activities before non-cash working capital balance adjustments was \$1,148,212. After reflecting the changes in accounts receivable, prepaid expenses, payables and share of loss of equity accounted investee, cash outflow from operations was \$1,232,710 compared to an outflow of \$1,011,864 for the corresponding period in the prior year.

Working capital at June 30, 2009 was \$3,684,844 including cash and cash equivalents of \$1,674,221 and marketable securities of \$2,080,094. The Company estimates that it has sufficient cash resources to fund its operations for the next twelve months.

Current liabilities were \$411,846 as at June 30, 2009 of which \$16,875 represented liabilities to a related party.

A subsidiary of the Company, Feronia Inc., raised capital in the second quarter by selling common shares for net proceeds of \$142,325.

## INVESTMENTS

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

The Company owns approximately 26.6% of Russo, a Russian based forestry company. In February 2009, Nyah Resources Corp. (TSXV:NRU)("Nyah") announced a proposal to acquire all of the shares of Russo. The proposed transaction is subject to a number of conditions, including receipt of shareholder and regulatory approval, meeting the listing requirements of the TSX Venture Exchange which will require the raising of additional funds among other things and the execution of a definitive agreement in respect of Nyah's acquisition of the shares of Russo-Forest. An Annual and Special Meeting of the Shareholders of Nyah to consider the acquisition originally scheduled for July 23, 2009 is now scheduled to take place on October 1, 2009. No assurance can be given that the transaction will be completed.

Pending the outcome of this transaction, Russo was relatively inactive in the second quarter other than to fulfill sales contracts by purchasing lumber for delivery to customers.

***Saber Energy Corp. (“Saber”)***

The Company owns approximately 3.7% of Saber, a Botswana-based private early stage company focused on coal bed methane exploration.

In the second quarter Saber entered into an agreement with Tlou Energy (“Tlou”), an Australian partnership, for Tlou to fund exploration in Saber’s licensed drilling areas. In exchange for funding the exploration program, at an estimated cost of US\$ 8 million, Tlou will earn an ownership interest of between 10 and 75 percent of Saber’s license areas. The exploration programs must be completed within 26 months or Tlou will forfeit its ownership rights.

Saber requires additional funding and has indicated that it intends to approach interested institutional and private investors to invest in a second round of financing.

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

TriNorth owns approximately 9.6% of the common shares of Wild Horse, a corporate farming company in Saskatchewan.

Wild Horse’s operations met expectations for the six months ended June 30, 2009. The drought that has adversely affected much of western Canada has not impacted Wild Horse due to its focus on irrigated lands versus dry lands. While cost containment efforts have been successful and operational performance has exceeded forecasts, the company has experienced liquidity issues due to far lower than expected commodity prices with canola and corn prices having declined dramatically on a year-over-year basis. However, Wild Horse expects this year’s crops to have good yields, which will partially offset lower commodity prices realized.

Wild Horse is currently planting or harvesting approximately 25,000 acres of which approximately 84% is irrigated. The planting mix is: 16% wheat, 28% canola, 28% corn and 28% beans.

For the six month period ending June 30, 2009, Wild Horse had revenues of \$2.8 million and an operating loss of \$2.9 million. The loss is expected to decline by year end as crops are harvested and sold. As at June 30, 2009, working capital was \$1.7 million while long-term debt obligations were \$5.3 million. Shareholders’ equity was \$9.7 million.

In June 2009, Wild Horse closed a convertible preferred financing for gross proceeds of \$1.25 million. Based on this financing, the value of Wild Horse’s common shares has declined to \$.25 per share. Accordingly, TriNorth wrote down the fair value of its investment in Wild Horse to \$767,637. Wild Horse is in the process of issuing additional subordinated debt which will facilitate working capital requirements until such time as the company is able to access public markets or become self-financing.

***Investments in public companies***

	<b>Fair value</b>	<b>Cost</b>
	\$	\$
CIC Energy Corp.	766,825	1,254,581
Homeland Energy Group Ltd.	1,313,269	1,841,689
	<u>2,080,094</u>	<u>3,096,270</u>

## **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 six month period ended June 30, 2009, a management fee of \$119,065 (2008: \$262,990) was recorded. As at June 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 April 2008, the Accounting Standards Board 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 Company has consulted with external advisors for their assessment on the potential impact IFRS will have on the Company's reporting systems and financial disclosures. The results of this assessment will be available by the time of the Company's third quarter regulatory filing. Other planning measures the Company has undertaken include ensuring that those responsible for financial reporting receive proper training and education in the preparation of IFRS compliant financial statements. When the technical

analysis and training are complete, the Company expects to implement systems and procedures in 2010 to ensure comparative financial information is compiled and ready for disclosure in 2011.

#### **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 has implemented such disclosure controls and procedures, 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. The CFO evaluated the effectiveness of the Company's disclosure controls as at June 30, 2009. The CEO and CFO have concluded that those disclosure controls were effective for the most recent period.

Management has designed such internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with GAAP. Management has concluded that its internal controls over financial reporting are effective as at June 30, 2009.

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

The Company's investment strategy requires assuming risk in exchange for an above average return on investment. Each of TriNorth's investee companies is subject to the risks inherent in the region and industry in which it operates. Such risks include political, currency, market 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.

##### *Credit Risk, Liquidity Risk and Market Risk*

Credit risk is the risk of financial loss when a counterparty defaults on its obligations to the Company. Liquidity risk is the risk that the Company is unable to fulfill its financial obligations as they become due. Market risk occurs when changes in interest rates, foreign exchange rates and commodity prices affect the fair value of, or future cash flows from the Company's financial instruments.

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. In addition TriNorth actively manages its investment portfolio and maintains a diversified portfolio of investments. It is impossible to eliminate all risks which a specific investment is subjected to. However, by maintaining a number of holdings in different regions and sectors of the economy, the Company diversifies its specific risks and hence reduces its overall risk.

#### **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 June 30, 2009, there were 150,747,317 outstanding common shares and no outstanding preference shares.

## **SUBSEQUENT EVENTS**

In July 2009:

- (i) Feronia Inc. signed a Memorandum of Understanding to acquire an agriculture property. This acquisition, subject to due diligence and financing, is expected to close by the third quarter. To finance this purchase Feronia intends to raise capital through private placements. TriNorth's ownership of Feronia will decline to less than 50% when the plantation acquisition and financing closes.
- (ii) The Company sold its investment in Homeland Energy Group Ltd. for \$1,578,646 and realized a cash loss of \$265,195.
- (iii) The Company purchased one million preferred shares of Wild Horse for \$250,000.

## **OUTLOOK**

Commodity prices have rallied during the past six months. We believe further strengthening for the remainder of the year is unlikely. However, the fundamentals for commodity prices over the long-term remain strong. The global economic recovery should show increasing momentum in 2010. Trinorth's investments are in the early stages of growth and development and we expect improved performance from the portfolio over a more extended horizon.

**TriNorth Capital Inc.**

**Consolidated Financial Statements  
(Unaudited)**

**June 30, 2009**

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**Notice**

*The consolidated balance sheets of TriNorth Capital Inc. as at June 30, 2009 and the consolidated statements of operations and comprehensive loss and deficit for the six 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 June 30, 2009	As at December 31, 2008
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,674,221	\$ 3,891,916
Marketable securities (Note 3)	2,080,094	2,333,851
Accounts receivable and other assets	342,375	12,150
Loan receivable (Note 4)	1,808,628	1,469,437
Investments (Note 4)	3,243,170	5,191,068
	<b>\$ 9,148,488</b>	<b>\$ 12,898,422</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 411,846	\$ 831,545
Non-controlling interest (Note 5)	142,325	-
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital (Note 6)	55,518,529	55,518,529
Contributed Surplus	34,048,593	34,048,593
Share Purchase Warrants	7,041,980	7,041,980
Deficit	(88,014,785)	(84,542,225)
	<b>8,594,317</b>	<b>12,066,877</b>
	<b>\$ 9,148,488</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 June 30,		Six months ended June 30,	
	2009	2008	2009	2008
<b>Net investment gain (loss)</b>				
Realized loss on disposal of marketable securities	\$ (26,854)	\$ -	\$ (225,636)	\$ -
Realized gain (loss) on disposal of investment designated as available-for-sale	-	2,546,150	(220,000)	2,546,150
Change in unrealized loss on marketable securities	(644,456)	(61,350)	158,792	(61,350)
Impairment of investment designated as available-for-sale	(1,234,863)	-	(1,234,863)	-
Share of loss in equity accounted investments	-	(220,000)	(273,035)	(1,087,000)
	<b>(1,906,173)</b>	2,264,800	<b>(1,794,742)</b>	1,397,800
<b>Other revenue</b>				
Interest	19,198	84,880	26,153	220,285
	<b>(1,886,975)</b>	2,349,680	<b>(1,768,589)</b>	1,618,085
<b>Expenses</b>				
Management fee (Note 7)	55,206	135,299	119,065	262,990
Operating, general and administrative	711,801	216,687	957,478	447,178
Project development	400,403	76,966	627,428	103,974
	<b>1,167,410</b>	428,952	<b>1,703,971</b>	814,142
<b>Net income (loss) for the period and comprehensive income (loss)</b>	<b>(3,054,385)</b>	1,920,728	<b>(3,472,560)</b>	803,943
<b>Deficit, beginning of period</b>	<b>(84,960,400)</b>	(74,058,155)	<b>(84,542,225)</b>	(72,941,370)
<b>Deficit, end of period</b>	<b>\$ (88,014,785)</b>	\$ (72,137,427)	<b>\$ (88,014,785)</b>	\$ (72,137,427)
<b>Net income (loss) per share</b>	<b>(\$0.020)</b>	\$0.013	<b>(\$0.023)</b>	\$0.005

See accompanying notes.

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

(Unaudited)	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
<b>Operating activities</b>				
Net income (loss) for the period	\$ (3,054,385)	\$ 1,920,728	\$ (3,472,560)	\$ 803,943
Items not affecting cash:				
Realized loss on disposal of marketable securities	26,854	-	225,636	-
Realized (gain) loss on disposal of investment designated as available-for-sale	-	(2,546,150)	220,000	(2,546,150)
Change in unrealized loss on marketable securities	644,456	61,350	(158,792)	61,350
Impairment of investment designated as available-for-sale	1,234,863	-	1,234,863	-
Share of loss in equity accounted investments	-	220,000	273,035	1,087,000
Stock based compensation	-	51,750	-	51,750
Net change in non-cash working capital balances				
Accounts receivable and other assets	(301,928)	(1,123)	(330,225)	20,306
Project development	-	(649,403)	-	(649,403)
Accounts payable and accrued liabilities	217,430	(69,016)	(419,699)	(106,023)
	<b>(84,498)</b>	<b>(719,542)</b>	<b>(749,924)</b>	<b>(735,120)</b>
<b>Cash used in operating activities</b>	<b>(1,232,710)</b>	<b>(1,011,864)</b>	<b>(2,427,742)</b>	<b>(1,277,227)</b>
<b>Financing activities</b>				
Issuance of common shares by subsidiary	142,325	-	142,325	-
<b>Investing activities</b>				
Proceeds from disposal of marketable securities	686,617	-	1,262,086	-
Purchase of marketable securities	-	-	(1,075,173)	-
Proceeds from disposal of equity accounted investment	-	6,246,750	-	6,246,750
Purchase of equity accounted investments	-	-	-	(1,500,000)
Proceeds from disposal of investment designated as available-for sale	-	-	220,000	-
Purchase of investments designated as available-for-sale	-	(5,002,500)	-	(5,002,500)
Loan to equity accounted investment	(283,775)	-	(339,191)	470,825
<b>Cash used in investing activities</b>	<b>402,842</b>	<b>1,244,250</b>	<b>67,722</b>	<b>215,075</b>
Net increase (decrease) in cash and cash equivalents during the period	(687,543)	232,386	(2,217,695)	(1,062,152)
Cash and cash equivalents, beginning of period	2,361,764	12,056,335	3,891,916	13,350,873
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,674,221</b>	<b>\$ 12,288,721</b>	<b>\$ 1,674,221</b>	<b>\$ 12,288,721</b>

See accompanying notes.

## **TriNorth Capital Inc.**

Notes to the Consolidated Financial Statements

June 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. TriNorth’s investment strategy includes structuring and initiating deals focused on particular resources, themes or regions.

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**

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.

#### ***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

**TriNorth Capital Inc.**

Notes to the Consolidated Financial Statements

June 30, 2009

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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:

***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 June 30, 2009, the Company had U.S. dollar denominated cash and loan receivable of \$1,556,176 and cash of 51,600 pounds sterling. The Company does not hedge its foreign currency exposure.

***Market risk***

The Company is exposed to market risk with respect to its cash equivalents, marketable securities, loan receivable and investments. The fair value of these financial instruments will fluctuate due to changes in market prices. Marketable securities owned by the Company as at June 30, 2009 are as follows:

	<b>Fair value</b>	<b>Cost</b>
	\$	\$
CIC Energy Corp.	766,825	1,254,581
Homeland Energy Group Ltd.	1,313,269	1,841,689
	<u>2,080,094</u>	<u>3,096,270</u>

***Credit risk***

The Company is exposed to credit risk associated with its cash and cash equivalents. 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

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to credit risk for deposits in African banks, for which the Company has limited financial information. As at June 30, 2009, the Company had US\$45,178 of cash with a bank in Africa.

**4. INVESTMENTS**

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

*Private investment 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	(273,035)	(543,565)
Charge for impairment	-	(504,000)
	<u>704,400</u>	<u>977,435</u>
<i>Private investments designated as available-for-sale</i>		
Chevalier Resources Inc.	-	440,000
Saber Energy Corporation	1,699,133	1,699,133
Wild Horse Farms & Bio Energy Corporation	767,637	2,002,500
C3 Resources	72,000	72,000
Total private investments designated as available-for-sale	<u>2,538,770</u>	<u>4,213,633</u>
Total investments as at June 30, 2009 and December 31, 2008	<u>\$ 3,243,170</u>	<u>\$ 5,191,068</u>

***Russo-Forest Corporation***

In addition to the Company's equity investment, the Company has 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.

***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 US\$4,995,000 common share investment at US\$0.90/share in Saber Energy Corporation ("Saber"), a Botswana-based early stage private company focused on coal bed methane exploration. This represents an approximately 3.7% ownership stake in Saber. In 2008, the Company wrote down its investment in Saber by \$3,055,107.

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

In the second quarter of 2009, the Company wrote down its investment in Wild Horse Farms from \$2,002,500 to \$767,637.

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***C3 Resources***

On July 2008 the Company invested \$150,000 in C3 Resources, a Nevada based gold exploration company. In 2008, the Company wrote down its investment in C2 Resources by \$78,000.

**5. NON-CONTROLLING INTEREST**

In the second quarter, Feronia issued 1,224,300 common shares at US\$ 0.10 per share, for net proceeds of \$142,325, to consultants working for Feronia. As a result, the Company's ownership of Feronia was reduced from 100% to 89.1%.

**6. 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 June 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.

**7. RELATED PARTY TRANSACTION**

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 period ended June 30, 2009, a management fee of \$119,065 (June 30, 2008 - \$262,990) was recorded.

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 two more years.

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**9. 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 six month period ended June 30, 2009. At June 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:

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

**10. SUBSEQUENT EVENTS**

In July 2009:

- (i) Feronia Inc. signed a Memorandum of Understanding to acquire an agriculture property. This acquisition, subject to due diligence and financing, is expected to close by the third quarter. To finance this purchase Feronia intends to raise capital through private placements. TriNorth's ownership of Feronia will decline to less than 50% when the plantation acquisition and financing closes.
- (ii) The Company sold its investment in Homeland Energy Group Ltd. for \$1,578,646 and realized a cash loss of \$265,195.
- (iii) The Company purchased 1,000,000 preferred shares of Wild Horse for \$250,000.

**11. COMPARATIVE FIGURES**

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