

**CANADIAN NORTH RESOURCES INC. (FORMERLY CANADIAN
NORTH RESOURCES AND DEVELOPMENT CORP.)**

Condensed Interim Financial Statements

For the three-month periods ended March 31, 2022 and 2021

Canadian North Resources Inc. (formerly Canadian North Resources and Development Corp.)

Condensed Interim Statements of Financial Position
(Stated in Canadian Dollars)

As at:

	Note	March 31, 2022 (unaudited)	December 31, 2021 (audited)
Assets			
Current assets			
Cash	7	17,517,909	19,025,817
Prepaid expenses		330,803	36,219
Total current assets		17,848,712	19,062,036
Non-current assets			
Property and equipment	4	250,327	141,192
Exploration and evaluation assets	5,6	6,949,546	6,108,179
Total non-current assets		7,199,873	6,249,371
Total assets		25,048,585	25,311,407
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities		78,854	46,258
Deposits for share subscription	7	2,223,698	2,223,698
Total liabilities		2,302,552	2,269,956
Shareholders' Equity			
Share capital	8	25,503,589	25,503,589
Deficit		(2,757,556)	(2,462,138)
Total shareholders' equity		22,746,033	23,041,451
Total liabilities and shareholders' equity		25,048,585	25,311,407

Subsequent event (Note 12)

Approved on behalf of the Board of Directors:

(signed) 'Rick Brown'

Director Rick Brown

(signed) "Lee Q. Shim"

Director Lee Q Shim

The accompanying notes form an integral part of these condensed interim financial statements

Canadian North Resources Inc. (formerly Canadian North Resources and Development Corp.)

Condensed Interim Statements of Net Loss and Comprehensive Loss

(Stated in Canadian Dollars)

For the months ended,

(Unaudited)

	Note	Three months ended	
		March 31,	
		2022	2021
Expenses			
Office and general		146,269	9,522
Professional fees		116,747	88,115
Rent	6	6,000	6,000
Depreciation	4	8,402	5,113
Management fees	6	18,000	9,000
Total expenses		295,418	117,750
Net loss and comprehensive loss		295,418	117,750
Loss per share			
Basic and Diluted		(0.00)	(0.00)
Weighted average shares outstanding (Note 8(b))			
Basic and diluted		67,942,526	99,815,453

The accompanying notes form an integral part of these condensed interim financial statements

Canadian North Resources Inc. (formerly Canadian North Resources and Development Corp.)

Condensed Interim Statements of Changes in Shareholders' Equity

(Stated in Canadian Dollars)

(Unaudited)

	Note	Share Capital	Share Subscription Receivable	Deficit	Total
As at December 31, 2020		5,504,500	(1,900,000)	(1,013,069)	2,591,431
Common shares issued		-	1,900,000	-	1,900,000
Units issued		7,088,440	-	-	7,088,440
Net loss and comprehensive loss		-	-	(117,750)	(117,750)
As at March 31, 2021		12,592,940	-	(1,130,819)	11,462,121
As at December 31, 2021		25,503,589	-	(2,462,138)	23,041,451
Net loss and comprehensive loss		-	-	(295,418)	(295,418)
As at March 31, 2022		25,503,589	-	(2,757,556)	22,746,033

The accompanying notes form an integral part of these condensed interim financial statements

Canadian North Resources Inc. (formerly Canadian North Resources and Development Corp.)

Condensed Interim Statements of Cash Flows

(Stated in Canadian Dollars)

For the months ended,

(Unaudited)

	Note	Three months ended March 31,	
		2022	2021
Cash provided by (used in):			
Operating activities			
Net loss		(295,418)	(117,750)
Depreciation	4	8,402	5,113
Changes in non-cash working capital:			
Prepaid expenses		(294,584)	(20,444)
Accounts payable and accrued liabilities		32,596	(319,308)
Net cash used in operating activities		(549,004)	(452,389)
Financing Activities			
Proceeds from shareholders		-	7,688,440
Promissory note advance		-	(5,900,000)
Deposit for units issuance		-	120,000
Net cash provided by financing activities		-	1,908,440
Investing Activities			
Purchase of property and equipment	4	(117,537)	-
Expenditures on exploration and evaluation assets	5	(841,367)	(57,238)
Net cash used in investing activities		(958,904)	(57,238)
Increase in cash		(1,507,908)	1,398,813
Cash, beginning of period		19,025,817	1,553,324
Cash, end of period		17,517,909	2,952,137

The accompanying notes form an integral part of these condensed interim financial statements

Canadian North Resources Inc. (formerly Canadian North Resources and Development Corp.)

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2022 and 2021

(all amounts are expressed in Canadian dollars)

(Unaudited)

1. Nature of Operations and Going Concern

Canadian North Resources Inc. (formerly Canadian North Resources and Development Corp.) (the “Company”) was incorporated on April 18, 2013 under the laws of Ontario, Canada. The Company's principal business activity is the exploration of mineral properties as the Ferguson Lake Project in the Kivalliq Region of Nunavut, Canada. The registered office of the Company is 3F- 299 Courtney Park Dr East, Mississauga, Ontario.

The Company is in the process of exploring its mineral property interests and has not yet determined whether the Ferguson Lake Project contains mineral reserves that are economically recoverable. The Company's continuing operations and the underlying value and recoverability of the amounts shown for mineral properties is entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the mineral properties, obtaining the necessary permits to mine, and future profitable production or proceeds from the disposition of the mineral properties.

The novel coronavirus (“COVID-19”) outbreak was declared a pandemic by the World Health Organization on March 11, 2020. This has resulted in significant economic uncertainty and governments worldwide are enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global financial markets have experienced significant volatility and weakness as a consequence of this economic uncertainty. The duration and impact of the COVID-19 outbreak is unknown as this time, as is the effectiveness of interventions by governments and central banks. The full extent of the impact on the Company's future financial results is uncertain given the length and severity of these developments cannot be reliably estimated.

The current challenging economic climate relating to the effect of COVID-19 may lead to challenges in managing cash flows and the ability to raise capital.

2. Basis of Presentation

(a) Statement of Compliance

The condensed interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and comply with IAS 34. These condensed interim financial statements does not include all of the information required of a full audited annual financial statements and it is therefore recommended that these condensed interim financial statements be read in conjunction with the annual financial statements for the year ended December 31, 2021.

These financial statements were approved and authorized for issuance on May 26, 2022 by the Board of Directors.

Canadian North Resources Inc. (formerly Canadian North Resources and Development Corp.)

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2022 and 2021

(all amounts are expressed in Canadian dollars)

(Unaudited)

2. Basis of Presentation

(b) Basis of Presentation and Measurement

These financial statements have been prepared using the historical cost convention, except for certain financial instruments measured at fair value.

(c) Functional and Presentation Currency

The financial statements are presented in Canadian dollars, which is the functional currency of the Company.

(d) Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. These condensed interim financial statements have been prepared using the same judgments, estimates and assumptions as reported in the Company's December 31, 2021 audited annual financial statements.

3. Significant Accounting Policies

These condensed interim financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as the annual financial statements for the year ended December 31, 2021 and should be read in conjunction with those annual financial statements and the notes thereto.

4. Property and Equipment

	Mining equipment
Cost	
Balance, December 31, 2021	318,412
Additions	117,537
Balance, March 31, 2022	435,949
Accumulated Depreciation	
Balance, December 31, 2021	177,220
Depreciation	8,402
Balance, March 31, 2022	185,622
Net Book Value, December 31, 2021	141,192
Net Book Value, March 31, 2022	250,327

Canadian North Resources Inc. (formerly Canadian North Resources and Development Corp.)

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2022 and 2021

(all amounts are expressed in Canadian dollars)

(Unaudited)

5. Exploration and evaluation assets

Balance, December 31, 2021	6,108,179
Exploration costs	841,367
Balance, March 31, 2022	6,949,546

6. Related Party Transactions

The Company has identified directors and senior officers as key management personnel. During the three months ended March 31, 2022, the Company recognized the following transactions with related parties:

- \$6,000 (the three months ended March 31, 2021 - \$6,000) office rental expenses paid to a company owned by a director of the Company.
- \$18,000 (the three months ended March 31, 2021 - \$25,667) management fee paid to a company owned by a director of the Company.
- \$50,000 (the three months ended March 31, 2021 - \$16,667) geological consulting fee paid to a company owned by a director of the Company, and
- \$8,085 (the three months ended March 31, 2021 - \$8,085) consulting fee to a company owned by an officer of the Company.

Transactions with related parties are incurred in the normal course of business and initially measured at fair value.

7. Deposits for share subscription

The Company received \$2,223,698 for Special Warrants pursuant to an Offering Memorandum in 2021. The price of Special Warrants was \$1 per Special Warrant on May 31, 2021. The Special Warrants will be converted to the Common Shares at the ratio 1:1 upon the successful listing of the Company's common shares on the TSX Venture Exchange. Included in cash is \$2,199,851 (December 31, 2021 - \$2,199,851) held in trust relating to this share subscription.

Canadian North Resources Inc. (formerly Canadian North Resources and Development Corp.)

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2022 and 2021

(all amounts are expressed in Canadian dollars)

(Unaudited)

8. Share Capital

(a) Authorized

Unlimited number of common shares without nominal or par value.

(b) Conversion: common shares and Series 1 Shares/Warrants

	Number of shares	Number of Series 1 warrants	Value
<i>Common shares:</i>			
December 31, 2021	6,869,792	-	516,981
Series 1 Shares converted to Common Shares (i)	92,945,661	13,332,737	24,986,608
March 31, 2022	99,815,453	13,332,737	25,503,589
<i>Series 1 Shares/Warrants:</i>			
Balance, December 31, 2021	92,945,661	13,332,737	24,986,608
Series 1 Shares converted to Common Shares (i)	(92,945,661)	(13,332,737)	(24,986,608)
Balance, March 31, 2022	-	-	-
<i>Total share capital</i>			
Balance, December 31, 2021	99,815,453	13,332,737	25,503,589
Balance, March 31, 2022	99,815,453	13,332,737	25,503,589

(i) On January 17, 2022, the Company completed the share conversion of Series 1 Shares into the common shares at the ratio of 1:1. The Series 1 Warrants were converted into the Warrants at the ratio of 1:1.

Each Warrant, noted above, entitles the holder to purchase one common share of the Company at a price of \$1.50 per share until December 29, 2023.

Loss per share

The basic and diluted weighted average shares outstanding is calculated as below:

	Three months ended March 31,	
	2022	2021
Opening balance	6,869,792	99,815,453
Weighted average Series 1 Shares converted to common shares	61,072,734	-
Closing balance	67,942,526	99,815,453

Canadian North Resources Inc. (formerly Canadian North Resources and Development Corp.)

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(Unaudited)

9. Financial Instruments and Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

(a) Credit risk

Credit risk arises from the possibility that a counterpart to which the Company provides goods or services is unable or unwilling to fulfill their obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash. The Company limits its exposure to credit risk by dealing with well rated entities. Management believes credit risk to be low as its cash which is held in a major financial institution in Canada.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is through regular monitoring of cash requirements by preparing short-term and long-term cash flow analyses. When necessary, the Company obtains financing from various investors to ensure all future obligations are fulfilled. The Company does not have any contractual obligations other than the accounts payable and accrued liabilities which are due within the next 12 months. The Company has current assets of \$17,848,712 (2021 - \$19,062,036) to settle obligations of \$2,302,552 (2021 - \$2,269,956)

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of market price changes: foreign currency exchange rates, interest rates and commodity prices.

i Foreign currency exchange risk

The Company is not exposed to foreign currency exchange rate fluctuations as the Company conducts all of its business in Canada.

ii Interest rate risk

Interest rate risk is the risk of change in the borrowing rates of the Company. The Company does not have any exposure to changes in interest rates and is therefore not exposed to this risk.

iii Commodity price risk

Commodity price risk is the risk of price volatility of commodity prices, such as mineral prices. Currently the Company does not have commercial operations and is therefore not exposed to this risk. Commodity prices generally fluctuate beyond the control of the Company. Factors which contribute to the fluctuation are, but not limited to, demand, forward sales, worldwide production, speculative hedging activities, and bank lending rates.

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9. Financial Instruments and Risk Management (Continued)

(d) Fair value of financial instruments

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the financial instrument:

- Level 1 fair value measurements are those derived from quoted prices (adjusted) in the active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The carrying value of cash and accounts payable and accrued liabilities are determined at approximate fair value due to the short-term nature.

10. Capital Management

The Company manages its capital in a manner consistent with the risk characteristics of the assets it holds. All financing, including equity and debt, are analyzed by management, and approved by the Board of Directors.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and provide returns for shareholders and to facilitate the development of its core business.

The Company considers cash and shareholders' equity to be capital of the Company. The Company does not have any externally imposed restrictions on its capital and there have been no changes in the Company's approach to capital management from previous years.

11. Stock Based Compensation

Stock Options

The Board may allocate non-transferable options to purchase Common Shares of the Company to Employees, Directors and Consultants. Under the Stock Option Plan, the aggregate number of Common Shares to be delivered upon the exercise of all options granted under the Stock Option Plan shall not exceed 10,203,915 Common Shares, which is 10% of the issued outstanding Common Shares, as at the time of granting of options. The Company is planning to grant a total of 771,698 Stock Options with the exercise price of \$1.00 per Common Share to its Board, Management, Consultants and Advisors.

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(Unaudited)

12. Subsequent events

On April 5, 2022, the Company received approval from Ontario Securities Commission for the listing on TSX Venture Exchange. Pursuant to the listing of the Company, the Special Warrants of 2,223,698 from the Offering Memorandum were converted into Common Shares.

On May 20, 2022, the Company announced grant of options to the management and employees with the total number of 2,695,000 with the exercise price of \$1.92 per share. The option will expire on May 18, 2027.