

**CANADIAN NORTH RESOURCES INC.**

**Condensed Interim Financial Statements**

For the three-month periods ended March 31, 2023 and 2022  
(Unaudited)

## Canadian North Resources Inc.

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

	Note	March 31, 2023	December 31, 2022 (audited)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		9,350,351	11,067,170
HST Receivable		1,355,366	1,240,295
Prepaid expenses		515,009	19,044
<b>Total current assets</b>		<b>11,220,726</b>	<b>12,326,509</b>
<b>Non-current assets</b>			
Property and equipment	4	542,162	532,222
Exploration and evaluation assets	5	22,430,599	21,783,859
<b>Total non-current assets</b>		<b>22,972,761</b>	<b>22,316,081</b>
<b>Total assets</b>		<b>34,193,487</b>	<b>34,642,590</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		360,116	427,166
Flow-through share liability		2,889,638	3,082,559
<b>Total liabilities</b>		<b>3,249,754</b>	<b>3,509,725</b>
<b>Shareholders' Equity</b>			
Share capital	7(b)	33,897,270	33,897,270
Contributed surplus	7(c)	3,739,013	3,592,410
Deficit		(6,692,550)	(6,356,815)
<b>Total shareholders' equity</b>		<b>30,943,733</b>	<b>31,132,865</b>
<b>Total liabilities and shareholders' equity</b>		<b>34,193,487</b>	<b>34,642,590</b>

Approved on behalf of the Board of Directors:

*Signed "Lee Q Shim"*  
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Director

*Signed "Rick Brown"*  
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Director

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

## Canadian North Resources Inc.

Condensed Interim Statements of Net Loss and Comprehensive Loss  
(Stated in Canadian Dollars)  
(Unaudited)

		Three months ended March 31,	
	Note	2023	2022
<b>Expenses</b>			
Office and general		<b>294,100</b>	152,269
Depreciation	4	<b>22,473</b>	8,402
Management fees	6	<b>18,000</b>	18,000
Professional fees	6	<b>119,138</b>	116,747
Share based compensation	7(c)	<b>98,228</b>	-
Total expenses		<b>551,939</b>	295,418
<b>Other income</b>			
Interest income		<b>23,284</b>	-
Flow-through share premium		<b>192,920</b>	-
Total other income		<b>216,204</b>	-
<b>Net loss and comprehensive loss</b>		<b>(335,735)</b>	(295,418)
<b>Loss per share</b>			
Basic and diluted		<b>(0.00)</b>	(0.00)
<b>Weighted average shares outstanding</b>			
Basic and diluted		<b>105,293,475</b>	67,942,526

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

## Canadian North Resources Inc.

### Condensed Interim Statements of Changes in Shareholders' Equity

(Stated in Canadian Dollars)

(Unaudited)

	Note	Share Capital	Capital Surplus	Deficit	Total
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
As at December 31, 2022		33,897,270	3,592,410	(6,356,815)	31,132,865
Share-based compensation	7(c)	-	146,603	-	146,603
Net loss and comprehensive loss		-	-	(335,735)	(335,735)
<b>As at March 31, 2023</b>		<b>33,897,270</b>	<b>3,739,013</b>	<b>(6,692,550)</b>	<b>30,943,733</b>

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

## Canadian North Resources Inc.

Condensed Interim Statements of Cash Flows

(Stated in Canadian Dollars)

(Unaudited)

		Three months ended March 31,	
	Note	2023	2022
<b>Cash provided by (used in):</b>			
<b>Operating activities</b>			
Net loss		(335,735)	(295,418)
Depreciation	4	22,473	8,402
Share-based compensation	7(c)	98,228	-
Flow-through premium		(192,920)	-
Changes in non-cash working capital:			
Prepaid expenses and HST receivable		(611,036)	(294,584)
Accounts payable and accrued liabilities		182,949	32,596
Net cash used in operating activities		(836,041)	(549,004)
<b>Investing Activities</b>			
Purchase of property and equipment	4	(32,413)	(117,537)
Expenditures on exploration and evaluation assets	5	(723,365)	(841,367)
Non-cash working capital		(250,000)	-
Funds received from government grant		125,000	-
Net cash used in investing activities		(880,778)	(958,904)
<b>Decrease in cash</b>		<b>(1,716,819)</b>	<b>(1,507,908)</b>
<b>Cash and cash equivalents, beginning of period</b>		<b>11,067,170</b>	<b>19,025,817</b>
<b>Cash and cash equivalents, end of period</b>		<b>9,350,351</b>	<b>17,517,909</b>

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

# **Canadian North Resources Inc.**

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2023 and 2022

(all amounts are expressed in Canadian dollars)

*(Unaudited)*

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## **1. Nature of Operations**

Canadian North Resources Inc. was incorporated on April 18, 2013 under the laws of Ontario, Canada. The Company's principal business activity is the exploration of mineral properties in the Ferguson Lake Project in the Kivalliq Region of Nunavut, Canada. The registered office of the Company is 3F- 299 Courtneypark Drive 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.

## **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, 2022.

These financial statements were approved and authorized for issuance on May 16, 2023 by the Board of Directors.

### **(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.

## Canadian North Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2023 and 2022

(all amounts are expressed in Canadian dollars)

(Unaudited)

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### 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, 2022 and should be read in conjunction with those annual financial statements and the notes thereto.

### 4. Property and Equipment

<b>Cost</b>	
Balance, December 31, 2022	\$ 775,395
Additions	32,413
Balance, March 31, 2023	\$ 807,808
<b>Accumulated Depreciation</b>	
Balance, December 31, 2022	\$ 243,173
Depreciation	22,473
Balance, March 31, 2023	\$ 265,646
<b>Net Book Value, December 31, 2022</b>	<b>\$ 532,222</b>
<b>Net Book Value, March 31, 2023</b>	<b>\$ 542,162</b>

### 5. Exploration and Evaluation Assets

Balance, December 31, 2022	\$ 21,783,859
Exploration costs	646,740
Balance, March 31, 2023	\$ 22,430,599

## Canadian North Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2023 and 2022

(all amounts are expressed in Canadian dollars)

(Unaudited)

### 6. Related Party Transactions

The Company has identified directors and senior officers as key management personnel.

During the three months ended March 31, 2023, the Company recognized the following transactions with related parties:

- \$16,500 (2022 - \$6,000) office rental expenses paid to a company owned by a director of the Company.
- \$18,000 (2022 - \$18,000) management fee paid to a company owned by a director of the Company.
- \$50,000 (2022 - \$50,000) geological consulting fee paid to a company owned by a director of the Company.
- \$19,906 (2022 - \$8,085) professional fees paid to company owned by officers of the Company.
- \$353,247 (2022 - \$Nil) logistics costs and equipment rental costs paid to company owned by a shareholder of the Company.

As at March 31, 2023, the amount of deposit paid to a related party for the two rigs was \$500,000 (2022 – \$Nil) and was included in prepaid expenses.

As at March 31, 2022, the amount owing to related parties was \$122,160 (2022 – \$Nil) and included in accounts payable and accrued liabilities. Amount owing to related parties are non-interest bearing, unsecured and due on demand.

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

### 7. Share Capital

(a) Authorized

Unlimited number of common shares without nominal or par value. No preferred shares authorized in the three months of 2023.

(b) Issued: Common shares and Series 1 Shares/Warrants

	Number of shares	Number of Series 1 warrants	Value
<i>Common shares and Series 1 warrants:</i>			
December 31, 2022	105,293,475	13,332,737	\$33,897,270
Issuance of Common Shares	-	-	-
<b>March 31, 2023</b>	<b>105,293,475</b>	<b>13,332,737</b>	<b>\$33,897,270</b>



## Canadian North Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2023 and 2022

(all amounts are expressed in Canadian dollars)

(Unaudited)

### 7. Share Capital (continued)

#### (c) Share options

The continuity of share purchase options for the period ended March 31, 2023 is as follows:

Expiry date	Exercise Price	Outstanding December 31, 2022	Granted	Exercised	Cancelled /Expired	Outstanding March 31, 2023	Exercisable March 31, 2023
April 4, 2027	\$1.00	771,698	-	-	-	771,698	771,698
May 18, 2027	\$1.92	2,695,000	-	-	-	2,695,000	2,695,000
<b>Total</b>		<b>3,466,698</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,466,698</b>	<b>3,466,698</b>
Weighted average exercise price		\$1.72				\$1.72	\$1.72
Weighted average contractual remaining life (years)		5.00				4.10	4.10

The weighted average fair value of share purchase options as at March 31, 2023 is \$1.72 (2022 – \$Nil).

#### (d) Warrants

Expiry date	Exercise Price	Outstanding December 31, 2022	Issued	Exercised	Cancelled /Expired	Outstanding March 31, 2023
December 29, 2023	\$1.50	13,332,737	-	-	-	13,332,737
<b>Total</b>		<b>13,332,737</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,332,737</b>
Weighted average exercise price		\$1.50				\$1.50
Weighted average contractual remaining life (years)		1.00				0.75

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.

#### (e) Loss per share

The effect of outstanding options and warrants have not been included in the weighted average calculation as the impact is anti-dilutive.

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

	Three months ended March 31,	
	2023	2022
Opening balance	105,293,475	6,869,792
Weighted average change in common shares	-	61,072,734
<b>Weighted average as at year end</b>	<b>105,293,475</b>	<b>67,942,526</b>

## **Canadian North Resources Inc.**

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2023 and 2022

(all amounts are expressed in Canadian dollars)

*(Unaudited)*

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### **8. 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 and prepaid expenses. 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 \$11,220,726 (2022 - \$12,326,509) to settle obligations of \$3,249,754 (2022 - \$3,509,725).

(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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### **8. 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 cash equivalents, HST receivable and accounts payable and accrued liabilities approximates fair value due to the short-term nature.

### **9. 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 cash equivalents 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.

### **10. Subsequent Events**

On May 5, 2023, the Company granted to its directors, officers and consultants, options to purchase a total of 750,000 Common Shares of the Company, at an exercise price of \$2.45 per share. The options will expire on May 4, 2028. These options vested immediately.

## **Canadian North Resources Inc.**

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2023 and 2022

(all amounts are expressed in Canadian dollars)

*(Unaudited)*

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### **10. Subsequent Events(Continued)**

On May 5, 2023, the Company granted to a company who signed an Investor Relationship agreement with the Company, options to purchase a total of 400,000 Common Shares of the Company, at an exercise price of \$2.45 per share. The options will expire on May 4 2024, and will be vested equally in 4 tranches over 12 months.

On May 9, 2023, the Company granted to consultants who signed consulting service agreements with the Company, options to purchase a total of 1,600,000 Common Shares of the Company, at an exercise price of \$2.45 per share. The options vested immediately and will expire on December 31 2024.