

**CANADIAN NORTH RESOURCES INC.**

**Condensed Interim Financial Statements**

For the three and six month periods ended June 30, 2023 and 2022  
(Unaudited)

## Canadian North Resources Inc.

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

As at:

(Unaudited)

<b>Assets</b>	<b>Note</b>	<b>June 30, 2023</b>	<b>December 31, 2022 (Audited)</b>
<b>Current assets</b>			
Cash and cash equivalents	\$	4,816,637	\$ 11,067,170
HST Receivable		1,867,020	1,240,295
Prepaid expenses		37,070	19,044
<b>Total current assets</b>		<b>6,720,727</b>	<b>12,326,509</b>
<b>Non-current assets</b>			
Property and equipment	4	543,156	532,222
Exploration and evaluation assets	5	31,319,495	21,783,859
Right-of-Use Assets	8	2,532,304	-
<b>Total non-current assets</b>		<b>34,394,955</b>	<b>22,316,081</b>
<b>Total assets</b>	<b>\$</b>	<b>41,115,682</b>	<b>\$ 34,642,590</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		3,449,587	427,166
Flow-through share liabilities		453,681	3,082,559
Current portion lease obligations	8	799,587	-
<b>Total current Liabilities</b>		<b>4,702,855</b>	<b>3,509,725</b>
<b>Long-term Liabilities</b>			
Long-term portion lease obligations	8	1,325,690	-
<b>Total liabilities</b>		<b>6,028,545</b>	<b>3,509,725</b>
<b>Shareholders' Equity</b>			
Share capital	7	35,387,229	33,897,270
Capital surplus	7	6,149,279	3,592,410
Deficit		(6,449,371)	(6,356,815)
<b>Total shareholders' equity</b>		<b>35,087,137</b>	<b>31,132,865</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$</b>	<b>41,115,682</b>	<b>\$ 34,642,590</b>

Nature of operations and going concern (Note 1)

Subsequent events (Note 9)

Approved on behalf of the Board of Directors:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

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

## Canadian North Resources Inc.

Condensed Interim Statements of Net Income/(Loss) and Comprehensive Income/(Loss)

(Stated in Canadian Dollars)

For the months ended:

(Unaudited)

	Note	Three months ended June 30,		Six months ended June 30,	
		2023	2022	2023	2022
<b>Other income</b>					
Interest income		\$ 104,882	\$ 12,285	\$ 128,165	\$ 13,557
Flow-through share premium		2,435,958	-	2,628,878	-
Total other income		2,540,840	12,285	2,757,043	13,557
<b>Expenses</b>					
Office and general		344,732	542,868	626,329	698,670
Accretion of lease liabilities	8	82,651	-	82,651	-
Share based compensation	7	1,665,516	1,736,750	1,763,744	1,736,750
Professional fees	6	142,397	171,553	261,535	256,832
Rent	6	16,500	9,500	33,000	15,500
Depreciation	4	23,867	16,674	46,340	22,936
Management fees	6	18,000	18,000	36,000	36,000
Total expenses		2,293,663	2,495,345	2,849,599	2,766,688
<b>Net income/(loss) and comprehensive income/(loss)</b>		\$ 247,177	\$ (2,483,060)	\$ (92,556)	\$ (2,753,131)
<b>Income/(Loss) per share</b>					
Basic and diluted		\$ 0.00	\$ (0.02)	\$ (0.00)	\$ (0.03)
<b>Weighted average shares outstanding</b>					
Basic	7	106,483,153	101,916,970	105,309,868	92,142,314
Diluted	7	110,225,435	101,916,970	105,309,868	92,142,314

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
Common shares issued		2,223,698	-	-	2,223,698
Share-based compensation		-	2,043,763	-	2,043,763
Net loss and comprehensive loss		-	-	(2,753,131)	(2,753,131)
<b>As at June 30, 2022</b>		<b>\$ 27,727,287</b>	<b>\$ 2,043,763</b>	<b>\$ (5,215,269)</b>	<b>\$ 24,555,781</b>
As at December 31, 2022		\$ 33,897,270	\$ 3,592,410	\$ (6,356,815)	\$ 31,132,865
Common shares issued through warrant exercise	7	1,437,198	718,599	-	2,155,797
Common shares issued through option exercise	7	52,761	(22,761)	-	30,000
Share-based compensation	7	-	1,861,031	-	1,861,031
Net loss and comprehensive loss		-	-	(92,556)	(92,556)
<b>As at June 30, 2023</b>		<b>\$ 35,387,229</b>	<b>\$ 6,149,279</b>	<b>\$ (6,449,371)</b>	<b>\$ 35,087,137</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)  
For the six months ended June 30,  
(Unaudited)

	Note	2023	2022
<b>Cash provided by (used in):</b>			
<b>Operating activities</b>			
Net loss		\$ (92,556)	\$ (2,753,131)
Depreciation for property and equipment	4	46,340	22,936
Share-based compensation	7	1,763,744	1,736,750
Flow-through share premium	7	(2,628,878)	-
Accretion of lease liabilities	8	82,651	-
Changes in non-cash working capital:			
Prepaid expenses and HST receivable		(644,752)	(222,781)
Accounts payable and accrued liabilities		2,279,421	635,929
Net cash provided by (used in) operating activities		805,970	(580,297)
<b>Financing Activities</b>			
Share issuance	7	2,185,797	-
Prepayment for lease obligation	8	(500,000)	-
Repayment of lease obligation	8	(330,000)	-
Net cash provided by financing activities		1,355,797	-
<b>Investing Activities</b>			
Purchase of property and equipment	4	(57,274)	(343,716)
Expenditures on exploration and evaluation assets	5	(8,730,026)	(6,392,044)
Funds received from government grant	5	375,000	-
Net cash used in investing activities		(8,412,300)	(6,735,760)
<b>Decrease in cash and cash equivalents</b>		<b>(6,250,533)</b>	<b>(7,316,057)</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>\$ 4,816,637</b>	<b>\$ 11,709,760</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 and six months ended June 30, 2023 and 2022

(all amounts are expressed in Canadian dollars)

*(Unaudited)*

---

## 1. Nature of Operations and Going Concern

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 unaudited 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 Interim Financial Reporting. 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 August 25, 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 and six months ended June 30, 2023 and 2022

(all amounts are expressed in Canadian dollars)

(Unaudited)

---

### 3. Significant Accounting Policies

These unaudited 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. The accounting policy of leases was adopted during this period.

#### Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When assessing the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or to not exercise a termination option. This judgement is based on factors such as contract rates compared to market rates, economic reasons, significance of leasehold improvements, termination and relocation costs, installation of specialized assets, residual value guarantees, and any sublease term.

The Company does not recognize lease assets and lease liabilities for low-value assets or short-term leases with a term of 12 months or less. The lease payments are recognized in expenses over the lease term. On the date that the leased asset becomes available for use, the Company recognizes a Right-of-Use (“ROU”) asset and a corresponding lease liability. Finance costs associated with the lease liability are charged to the statement of income over the lease period with a corresponding increase to the lease liability. The lease liability is reduced as payments are made against the principal portion of the lease. The ROU asset is depreciated over the asset’s useful life and the lease term on a straight-line basis.

The incremental borrowing rates are based on judgements including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the ROU assets, lease liabilities, and the resulting interest expense and depreciation expense, may differ due to changes in the market conditions and lease term. In addition, lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

### 4. Property and Equipment

<b>Cost</b>	
Balance, December 31, 2022	\$ 775,395
Addition	57,274
<b>Balance, June 30, 2023</b>	<b>\$ 832,669</b>
<b>Accumulated Depreciation</b>	
Balance, December 31, 2022	\$ 243,173
Depreciation	46,340
<b>Balance, June 30, 2023</b>	<b>\$ 289,513</b>
<b>Net Book Value, December 31, 2022</b>	<b>\$ 532,222</b>
<b>Net Book Value, June 30, 2023</b>	<b>\$ 543,156</b>

## Canadian North Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

(all amounts are expressed in Canadian dollars)

*(Unaudited)*

---

### 5. Exploration and evaluation assets

Balance, December 31, 2022	\$ 21,783,859
Exploration costs	9,910,636
Funds received from government grant	(375,000)
<u>Balance, June 30, 2023</u>	<u>\$ 31,319,495</u>

### 6. Related Party Transactions

The Company has identified directors and senior officers as key management personnel. During the six months ended June 30, 2022, the Company recognized the following transactions with related parties:

- \$33,000 (the six months ended June 30, 2022 - \$15,500) office rental expenses paid to a company owned by a director of the Company.
- \$36,000 (the six months ended June 30, 2022 - \$36,000) management fee paid to a company owned by a director of the Company.
- \$81,788 (the six months ended June 30, 2022 - \$50,000) geological consulting fee paid to a company owned by a director of the Company, and
- \$75,092 (the six months ended June 30, 2022 - \$66,170) professional fees paid to companies owned by officers of the Company.
- \$4,990,299 (2022 - \$Nil) logistics costs and equipment rental costs paid to company owned by a shareholder of the Company.

As at June 30, 2023, the amount of deposit paid to a related party for the two rigs was \$500,000 (2022 – \$Nil) and was included in ROU Assets.

As at June 30, 2023, the amount owing to related parties was \$749,895 (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.



## Canadian North Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

(all amounts are expressed in Canadian dollars)

(Unaudited)

### 7. Share Capital and Capital Surplus

- (a) Authorized  
Unlimited number of common shares without nominal or par value.

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

	<b>Number of shares</b>	<b>Number of Series 1 warrants</b>	<b>Value</b>
<i>Common shares:</i>			
December 31, 2022	105,293,475	13,332,737	\$ 33,897,270
Issuance of Common Shares through exercise of option (i)	30,000	-	52,761
Issuance of Common Shares through exercise of Series 1 warrants (ii)	1,437,198	(1,437,198)	1,437,198
June 30, 2023	106,760,673	11,895,539	\$ 35,387,229
<i>Total share capital</i>			
Balance, December 31, 2022	105,293,475	13,332,737	\$ 33,897,270
Balance, June 30, 2023	106,760,673	11,895,539	\$ 35,387,229

- (i) On May 11 2023, 30,000 share options that were issued on April 5, 2022 were exercised. The Company issued 30,000 common shares with the market value of \$52,761.
- (ii) On June 30, 2023, 1,437,198 Series 1 Warrants were exercised at a price of \$1.50. The Company received the proceeds of \$2,155,797 and issued 1,437,198 Common Shares.

## Canadian North Resources Inc.

Notes to the Condensed Interim Financial Statements  
For the three and six months ended June 30, 2023 and 2022  
(all amounts are expressed in Canadian dollars)  
(Unaudited)

### 7. Share Capital and Capital Surplus(Continued)

#### (c) Share options

On May 5, 2023, the Company granted its directors, officers and consultants options to purchase a total of 1,150,000 Common Shares of the Company, at an exercise price of \$2.45 per share. There are 500,000 options will expire on May 4, 2024, and 650,000 options will expire on May 4, 2028. Options to directors and officers were vested immediately. In the number of options to consultants, 100,000 options will be vested 6 months after granted. 400,000 options will be vested equally every 3 months after granted.

On May 9, 2023, the Company granted consultants options to purchase a total of 1,600,000 Common Shares of the Company, at an exercise price of \$2.45 per share, which options will expire on December 31, 2024. No options will be vested by December 31, 2023.

The continuity of share purchase options for the period ended June 30, 2023 is as follows:

Expiry date	Exercise Price	Outstanding December 31, 2022	Granted	Exercised	Cancelled/ Expired	Outstanding June 30, 2023	Exercisable June 30, 2023
April 4, 2027	\$1.00	771,698	-	(30,000)	-	741,698	741,698
May 18, 2027	\$1.92	2,695,000	-	-	-	2,695,000	2,695,000
December 31, 2024	\$2.45	-	1,600,000	-	-	1,600,000	1,600,000
May 4, 2024	\$2.45	-	500,000	-	-	500,000	500,000
May 4, 2028	\$2.45	-	650,000	-	-	650,000	650,000
<b>Total</b>		<b>3,466,698</b>	<b>2,750,000</b>	<b>(30,000)</b>	<b>-</b>	<b>6,186,698</b>	<b>6,186,698</b>
Weighted average exercise price		\$1.72	\$2.45			\$2.05	\$2.05
Weighted average contractual remaining life (years)			2.19			3.13	3.13

The weighted average fair value of share purchase options as at June 30, 2023 is \$2.05 (2022 – \$1.72).

Options were valued using the Black-Scholes option pricing model using the following weighted average assumptions to estimate the fair value of options granted:

	2023	2022
Risk-free interest rate	3.08%-3.73%	2.52%-2.75%
Expected life in years	1-5	5
Expected volatility*	77.99%-84.88%	100%-101.34%
Grant date share price	\$2.45	\$1-\$1.92
Expected forfeiture rate	-%	-%

\*The expected volatility used was based on the historical volatility of the peer companies' share price over a period equivalent to the expected life of the options prior to their grant date.

## Canadian North Resources Inc.

Notes to the Condensed Interim Financial Statements  
For the three and six months ended June 30, 2023 and 2022  
(all amounts are expressed in Canadian dollars)  
(Unaudited)

### 7. Share Capital and Capital Surplus(Continued)

#### (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	-	(1,437,198)	-	11,895,539
<b>Total</b>		<b>13,332,737</b>	<b>-</b>	<b>(1,437,198)</b>	<b>-</b>	<b>11,895,539</b>
Weighted average exercise price		\$1.50				\$1.50
Weighted average contractual remaining life (years)		1.00				0.50

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 been included in the weighted average calculation for the three months period ended June 30, 2023.

The basic weighted average shares outstanding is calculated as below:

	Three months ended June 30,	
	2023	2022
Opening balance	105,293,475	99,815,453
Weighted average of additional common shares	1,189,678	2,101,517
Weighted average as at period end	<b>106,483,153</b>	101,916,970

The diluted weighted average shares outstanding is calculated as below:

	Three months ended June 30,	
	2023	2022
Opening balance	105,293,475	99,815,453
Weighted average of additional common shares	1,189,678	2,101,517
Effect of dilutive instruments	3,742,282	-
Weighted average as at period end	<b>110,225,435</b>	101,916,970

## Canadian North Resources Inc.

Notes to the Condensed Interim Financial Statements  
For the three and six months ended June 30, 2023 and 2022  
(all amounts are expressed in Canadian dollars)  
(Unaudited)

---

### 7. Share Capital and Capital Surplus(Continued)

#### (e) Loss per share(Continued)

The effect of outstanding options and warrants have not been included in the weighted average calculation for the six months period ended June 30, 2023, as the impact is anti-dilutive.

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

	Six months ended June 30,	
	2023	2022
Opening balance	105,293,475	6,869,792
Weighted average of additional common shares	16,393	85,272,522
Weighted average as at period end	<b>105,309,868</b>	<b>92,142,314</b>

### 8. Leases

#### (a) Right-of-Use Assets

	2023
Cost	
Beginning balance, January 1st	-
Addition	2,872,626
Closing balance, June 30th	<b>2,872,626</b>
Accumulated depreciation	
Beginning balance, January 1st	-
Depreciation	340,322
Closing balance, June 30th	<b>340,322</b>
Net book value	
Beginning balance, January 1st	-
Closing balance, June 30th	<b>2,532,304</b>

The right-of-use assets recognized by the Company are comprised of \$2,532,304 (December 31, 2022 - \$0) related to drilling rigs and transportable fuel tanks used in the Ferguson Lake mine.

## Canadian North Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

(all amounts are expressed in Canadian dollars)

*(Unaudited)*

---

### 8. Leases(Continued)

#### (b) Lease liabilities

	<u>June 30, 2023</u>
Opening balance,	-
Addition	2,372,626
Interest expense on the lease liabilities	82,651
Payment of lease liabilities	<u>(330,000)</u>
Ending balance	<u>2,125,277</u>
Current portion of lease liabilities	799,587
Non-current portion of lease liabilities	<u>1,325,690</u>
Ending balance	<u>2,125,277</u>

### 9. Subsequent events

On July 26, 2023, the Company completed the issuance of Flow-through Shares of 1,031,425 shares for proceeds of \$2,784,848 at the price of \$2.70 per share.

On July 31, 2023, the Company completed the issuance of Flow-through Shares of 1,082,621 shares for proceeds of \$3,114,701 at the price of \$2.877 per share.

On August 9, 2023, 30,000 share options that were issued on April 5, 2022 were exercised. The Company issued 30,000 common shares.

On August 14, 2023, the Company granted its employees and consultants options to purchase a total of 350,000 Common Shares of the Company, at an exercise price of \$2.35 per share. There are 150,000 options will expire on August 14, 2024, and 200,000 options will expire on August 13, 2028. Options to consultants were vested immediately. Options to employees shall vest as to 25% thereof on each of December 31, 2023, December 31, 2024, December 31, 2025 and December 31, 2026.

On August 17, 2023, the Company granted its employees options to purchase a total of 110,000 Common Shares of the Company, at an exercise price of \$2.35 per share. The options will expire on August 16, 2028. Options shall vest as to 50% thereof on each of December 31, 2023 and December 31, 2024.