

CANADIAN NORTH RESOURCES INC.

Condensed Interim Financial Statements

For the three-month periods ended March 31, 2024 and 2023
(Unaudited)

Canadian North Resources Inc.

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

As at

	Note	March 31, 2024 (Unaudited)	December 31, 2023 (audited)
Assets			
Current assets			
Cash and cash equivalents		\$ 4,749,941	\$ 5,540,312
HST Receivable		84,505	178,789
Prepaid expenses		318,999	572,937
Total current assets		5,153,445	6,292,038
Non-current assets			
Property and equipment	4	527,818	553,367
Exploration and evaluation assets	5	41,749,426	41,124,576
Right-of-Use Assets		1,921,004	2,205,201
Total non-current assets		44,198,248	43,883,144
Total assets		\$ 49,351,693	\$ 50,175,182
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 76,358	\$ 110,182
Current portion of lease obligations		969,769	960,371
Total current liabilities		1,046,127	1,070,553
Long-term Liabilities			
Long-term portion of lease obligations		724,264	964,117
Deferred tax liabilities		2,908,132	3,140,061
Total liabilities		4,678,523	5,174,731
Shareholders' Equity			
Share capital	7(b)	50,471,530	50,151,975
Contributed surplus	7(c)	7,750,012	7,605,787
Deficit		(13,548,372)	(12,757,311)
Total shareholders' equity		44,673,170	45,000,451
Total liabilities and shareholders' equity		\$ 49,351,693	\$ 50,175,182

Approved on behalf of the Board of Directors:

Signed "Lee O Shim"

Director

Signed "Rick Brown"

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)

Other income	Note	Three months ended March 31,	
		2024	2023
Interest income		\$ 44,058	\$ 23,284
Flow-through share premium		-	192,920
Total other income		44,058	216,204
Expenses			
Office and general		603,081	277,600
Accretion of lease liabilities		48,995	-
Share based compensation	7(c)	219,699	98,228
Professional fees	6	135,224	119,138
Rent	6	16,500	16,500
Depreciation	4	25,549	22,473
Management fees	6	18,000	18,000
Total expenses		1,067,048	551,939
Loss before tax		(1,022,990)	(335,735)
Deferred income tax recovery		231,929	-
Net loss and comprehensive loss		\$ (791,061)	\$ (335,735)
Loss per share			
Basic and diluted		(0.01)	(0.00)
Weighted average shares outstanding			
Basic and diluted	7(e)	114,387,899	105,293,475

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, 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)
As at March 31, 2023		\$ 33,897,270	\$ 3,739,013	\$ (6,692,550)	\$ 30,943,733
As at December 31, 2023		\$ 50,151,975	\$ 7,605,787	\$(12,757,311)	\$ 45,000,451
Common share issued by option exercise	7(b,c)	319,555	(137,857)	-	181,698
Share-based compensation	7(c)	-	282,082	-	282,082
Net loss and comprehensive loss		-	-	(791,061)	(791,061)
As at March 31, 2024		\$ 50,471,530	\$ 7,750,012	\$(13,548,372)	\$ 44,673,170

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)

Cash used in:	Note	Three months ended March 31,	
		2024	2023
Operating activities			
Net loss		\$ (791,061)	\$ (335,735)
Depreciation	4	25,549	22,473
Share-based compensation	7(c)	219,699	98,228
Accretion of lease liabilities		48,995	-
Flow-through premium		-	(192,920)
Deferred income tax recovery		(231,929)	-
Changes in non-cash working capital:			
Prepaid expenses and HST receivable		348,222	(611,036)
Accounts payable and accrued liabilities		(33,824)	182,949
Net cash used in operating activities		(414,349)	(836,041)
Financing Activities			
Common share issued by option exercise	7(b)	181,698	-
Repayment of lease obligation		(279,450)	-
Net cash used in financing activities		(97,752)	-
Investing Activities			
Purchase of property and equipment	4	-	(32,413)
Expenditures on exploration and evaluation assets		(278,270)	(723,365)
Non-cash working capital		-	(250,000)
Funds received from government grant		-	125,000
Net cash used in investing activities		(278,270)	(880,778)
Decrease in cash		(790,371)	(1,716,819)
Cash and cash equivalents, beginning of period		5,540,312	11,067,170
Cash and cash equivalents, end of period		\$ 4,749,941	\$ 9,350,351

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, 2024 and 2023

(all amounts are expressed in Canadian dollars)

(Unaudited)

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, 2023.

These financial statements were approved and authorized for issuance on May 21, 2024 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, 2024 and 2023

(all amounts are expressed in Canadian dollars)

(Unaudited)

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, 2023 and should be read in conjunction with those annual financial statements and the notes thereto.

4. Property and Equipment

	2024	2023
Cost		
Beginning balance January 1	\$ 889,464	\$ 775,395
Addition	-	32,413
Closing balance, March 31	\$ 889,464	\$ 807,808
Accumulated Depreciation		
Beginning balance January 1	\$ 336,097	\$ 243,173
Depreciation for the period	25,549	22,473
Closing balance, March 31	\$ 361,646	\$ 265,646
Net Book Value, January 1	\$ 553,367	\$ 532,222
Net Book Value, March 31	\$ 527,818	\$ 542,162

5. Exploration and Evaluation Assets

	2024	2023
Beginning balance, January 1	\$ 41,124,576	\$ 21,783,859
Exploration costs	624,850	646,740
Closing balance, March 31	\$ 41,749,426	\$ 22,430,599

6. Related Party Transactions

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

During the three months ended March 31, 2024, the Company recognized the following transactions with related parties:

- \$16,500 (2023 - \$16,500) office rental expenses paid to a company owned by a director of the Company.
- \$18,000 (2023 - \$18,000) management fee paid to a company owned by a director of the Company.
- \$80,000 (2023 - \$50,000) geological consulting fee paid to a company owned by a director of the Company.
- \$15,025 (2023 - \$19,906) professional fees paid to companies owned by officer of the Company.
- \$339,129 (2023 - \$353,247) logistics costs and equipment rental costs paid to company owned by a shareholder of the Company.

Canadian North Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2024 and 2023

(all amounts are expressed in Canadian dollars)

(Unaudited)

6. Related Party Transactions(continued)

As at March 31, 2024, the amount of deposit paid to a related party for the two rigs was \$500,000 (2023 – \$500,000) and was included in ROU Assets.

As at March 31, 2024, the amount owing to related parties was \$3,461 (2023 – \$122,160) and included in accounts payable. The 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 2024.

(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
March 31, 2023	105,293,475	13,332,737	\$33,897,270
December 31, 2023	114,345,919	-	\$50,151,975
Issuance of Common Shares (i)	181,698	-	319,555
March 31, 2024	114,527,617	-	\$50,471,530

(i) On March 25, 2024, 181,698 share options were exercised at a price of \$1.00 per share. The Company received the proceeds of \$181,698 and issued 181,698 Common Shares.

(c) Capital surplus

	2024	2023
Beginning balance January 1	7,605,787	3,592,410
Share-based compensation	282,082	146,603
Exercise of stock option	(137,857)	-
Closing balance, March 31	7,750,012	3,739,013

Canadian North Resources Inc.

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7. Share Capital (continued)

(d) Share options

	2024	2023
Beginning balance January 1	6,456,523	3,466,698
Exercise of stock option	(306,698)	-
Closing balance, March 31	6,149,825	3,466,698

The continuity of share purchase options for the period ended March 31, 2024 is as follows:

Expiry date	Exercise Price	Outstanding December 31, 2023	Granted	Exercised	Cancelled/ Expired	Outstanding March 31, 2024	Exercisable March 31, 2024
April 4, 2027	\$1.00	711,698	-	(181,698)	-	530,000	530,000
May 18, 2027	\$1.92	2,571,000	-	-	(100,000)	2,471,000	2,123,500
December 31, 2024(i)	\$1.70	1,600,000	-	-	-	1,600,000	1,600,000
May 4, 2024	\$2.45	500,000	-	-	-	500,000	400,000
May 4, 2028	\$2.45	650,000	-	-	-	650,000	650,000
August 14, 2024	\$2.35	106,000	-	-	-	106,000	106,000
August 13, 2028	\$2.35	200,000	-	-	-	200,000	50,000
August 16, 2028	\$2.35	85,000	-	-	(25,000)	60,000	30,000
October 17, 2024	\$3.15	32,825	-	-	-	32,825	8,206
Total		6,456,523	-	(181,698)	(125,000)	6,149,825	5,497,706
Weighted average exercise price		\$2.08				\$1.91	

- (i) On March 21, 2024, the Company amended the exercise price of options to purchase a total 1,600,000 shares from \$2.45 to \$1.70 per share.

The weighted average fair value of share purchase options as at March 31, 2024 is \$1.91 (2023 – \$2.08).

(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,	
	2024	2023
Opening balance	114,375,919	105,293,475
Weighted average change in common shares	11,980	-
Weighted average as at period end	114,387,899	105,293,475

Canadian North Resources Inc.

Notes to the Condensed Interim Financial Statements

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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 \$5,153,445 (2023 - \$6,292,038) to settle obligations of \$1,046,127 (2023 - \$1,070,553).

(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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Notes to the Condensed Interim Financial Statements

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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. Commitment

Pursuant to the terms of the flow-through share agreements, the Company needs to comply with its flow-through contractual obligations with subscribers with respect to the Income Tax Act (Canada). As at March 31, 2024, the Company is committed to incurring approximately \$638,052 in qualifying exploration expenditures in Canada by December 31, 2024.