

# **Northway Resources Corp.**

## **Fairness Opinion on the Arrangement and Reverse Takeover Involving Kenorland Minerals Ltd.**

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**Submitted: September 15, 2020**

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## Summary and Conclusions

This report presents the fairness opinion on the proposed reverse takeover (RTO) transaction ('Transaction') involving Kenorland Minerals Ltd. ('Kenorland') by which Northway Resources Corp. ('Northway' or the 'Company') will acquire all outstanding issued and outstanding Kenorland common shares ('shares') on the basis of 2.0 post-consolidation Northway shares for each 1.0 Kenorland share. The Transaction is a RTO because Kenorland holds 6,000,000 Northway shares, a legacy of the founding of the Company in 2018 when Kenorland's holding represented 99% of the Company's outstanding shares. A number of financings on the part of Northway have reduced Kenorland's current position to 14.5%. Debt settlements, private placements and an initial public offering ('IPO') by Northway for 18,486,000 shares completed in August 2019 reduced Kenorland's interest in Northway to the present level of 14.5% based on the primary number of 41,386,000 shares outstanding.

On completion of the consolidation of Northway shares on a 7 for 1 basis and acquisition of all Kenorland shares, on a 1.0 for 2.0 post consolidated Norway shares, but prior to the completion proposed financing, it is expected that Northway will have issued approximately **38,318,002** post consolidated shares representing **84.58%** of Northway's then outstanding shares on a fully diluted basis. This calculation assumes that all currently outstanding Kenorland and Northway warrants and options are exercised as of the effective date of the Transaction. On consolidation, with the elimination of Northway shares held by Kenorland, current Northway shareholders would own approximately **14.25%** of the consolidated Company's 35,473,144 shares on a preliminary basis. As a larger company Northway, with ownership in a variety of projects, may appeal to a wider set of investors thereby supporting the optimal pricing of the Company's shares. To the degree that investor interest is increased, the liquidity of trading in the Company's shares should improve and the volatility in the trading prices of the shares may decrease. These characteristics will be value enhancing for current Northway shareholders as well as to Kenorland shareholders who will receive post consolidated Northway shares.

In assessing the fairness of the proposed Transaction, the writer has analyzed, reviewed and considered numerous factors. The paucity of trading in Northway shares is demonstrated by the fact that based on the annualized rate of trading in Northway shares in 2020, it would take eight years to turnover the current capitalization of the Company. Absent an appropriate market-based value for Northway shares, the book value of the shares was used as a proxy for the market value. Calculations presented in the report show that that on a fully diluted book value basis the underlying book value backing of Northway will remain essentially unchanged at approximately \$0.49 cents per consolidated Northway share versus approximately \$0.98 in value given up for each Kenorland priced at the forthcoming financing priced at \$1.00 per share. However, on a primary basis the RTO will provide a premium over book value to Northway shareholders of approximately 16%. The calculations are based on Kenorland's audited statements to December 31, 2019 and Northway's audited statements as of March 31, 2020. Adjustments were made to Kenorland's book value for reported subsequent events that included the first quarter 2020 completion of two minor private placements and the exercise of options that increased primary numbers by 2,139,000 shares.

To be noted is that when Northway announced on October 19, 2019, that 'broad gold mineralization' was confirmed at the Bronk target on the Healy project, the price of Northway shares declined. All trades in prior to the announcement were at \$0.10 and higher and when the Bronk results were known on October 21<sup>st</sup>, Northway shares opened at \$0.11 but traded as low as \$0.085 and closed at \$0.09 per share for the day and eventually reached a below book value low of \$.045 per share in March 2020. In contrast, after the joint announcement with Kenorland of the first pass drilling results at the Regnault target, the trading prices of Northway shares increased prior to being halted with the last trade recorded at \$0.14.

Based on the above information, observations and analyses conducted by the writer pertaining to the companies, as described in the body of this report, **it is the writer's considered opinion that the Transaction by which Northway will acquire all of Kenorland's right, title and interest principally in the Frotet property (Quebec) as well as a number of other projects mainly in Quebec and the Tanacross project in Alaska, in exchange for 30,418,002 post consolidation Northway shares to be distributed Kenorland shareholders is fair, from a financial point of view, to current Northway shareholders and Kenorland shareholders as a whole and to the minority non-controlling shareholders of the Company.**

September 15, 2020

**To the Board of Directors:**

Northway Resources Corp.  
Suite # 301 – 119 West Pender Street  
Vancouver, BC V6B 1S5

**Re: Reverse Takeover Transaction Involving Kenorland Minerals Ltd.**

**Gentlemen:**

You have engaged the writer to provide a fairness opinion on the proposed reverse takeover transaction ('Transaction') involving Kenorland Minerals Ltd. ('Kenorland') by which Northway Resources Corp. ('Northway' or the 'Company') will acquire all outstanding issued and outstanding Kenorland common shares ('shares') on the basis of 2.0 post-consolidation Northway shares for each 1.0 Kenorland share.

The Transaction is a reverse takeover ('RTO') of because Kenorland holds 6,000,000 Northway shares, a legacy of the founding of the Company in 2018 when Kenorland's holding represented 99% of the Company's outstanding shares. A number of financings on the part of Northway have reduced Kenorland's position to 14.5%. Debt settlements, private placements and an initial public offering ('IPO') by Northway for 18,486,000 shares completed in August 2019 reduced Kenorland's interest in Northway to the present level of 14.5% based on the primary number shares outstanding. Following completion of the Transaction, but prior to the completion of the proposed concurrent private placement expected to raise at least \$12,000,000, current shareholders of Northway will hold approximately **14.25%** of the Resulting Issuer with shareholders of Kenorland holding the remaining **85.75%**.

On completion of the consolidation of Northway shares and acquisition of all Kenorland shares but prior to the completion of the proposed concurrent private placement, it is expected that Northway will have issued approximately **38,318,002** post consolidated shares representing **84.58%** of Northway's then outstanding shares on a fully diluted basis assuming that all currently outstanding Kenorland and Northway warrants and options are exercised as of the effective date of the Transaction. On a primary basis, assuming the elimination of Northway shares held by

Kenorland, current Northway shareholders would own approximately **14.25%** of Kenorland shares on a preliminary basis.

Upon completion of the proposed Transaction, it is anticipated that the resulting issuer will become a Tier 2 Mining issuer on the TSX Venture Exchange ('TSX-V') to carry on the combined businesses of Northway and Kenorland as 'Kenorland' or other such name and trading symbol as will be determined .

The completion of the Transaction is subject to Northway's consolidation of its share capital on a 7.0 old for 1.0 new share basis (the 'Consolidation') and fulfilling the private placement condition of the Transaction to raise gross proceeds of \$10,000,000 under terms yet to be announced. Northway will use the net proceeds of the private placement to fund the Transaction, to develop the business of the resulting issuer and for working capital and general corporate purposes.

### **Services Agreement**

Northway and Kenorland have a service agreement in place whereby Kenorland provides and charges for exploration services that relate to Northway's obligations under the Healy Project Option Agreement (the 'Healy Option').

On July 31, 2018, Northway entered into the Services Agreement with Kenorland to complete all activities necessary for Northway to meet its obligations under the Healy Option. As agreed, Northway will pay a fixed daily rate of \$700 in cash or through the issuance of units, each unit comprising a share and one share purchase warrant. The price of the issuable units issuable will \$0.05 per unit or greater as allowed under the TSX-V Corporate Finance Manual (the 'Manual'). The warrants forming part of the units will be exercisable for five years at a price equal to the greater of \$0.10 per share or the market price as defined in the Manual. In addition to the fixed daily rates, the Company will also Kenorland a monthly fee equal to 10% of all exploration expenditures incurred with the Healy Project.

On January 25, 2019, the Northway issued 2,000,000 units to Kenorland to settle \$100,000 in accounts payable for serviced provided by Kenorland to Northway in August and September of 2018 for the initial work program completed on the Healy Project, which included historical data analysis, field program planning and field work, plus the 10% management fee pertaining to expenses. Services provided from August 2018 to January 2019 in compiling data and information for the Healy Report amounted to \$5,047.59 bringing the total cost to \$105,999.37 for services that Kenorland charged when the company was a "control person" of Northway,

then holding 37.5% of the shares of the Company. Haywood Securities Inc. ('Haywood') and Kenorland are related issuers pursuant to NI 33-105 because members of Haywood's Pro Group collectively are influential shareholders of Kenorland.

### **Information Concerning Northway**

Northway was incorporated under the Business Corporations Act of British Columbia ('BCABC') on May 29, 2018 under its current name and until March 2019 was a 99% owned subsidiary of Kenorland represented by the latter's holding of 6,000,000 Northway shares. As of August 28, 2019, Northway completed its initial public offering ('IPO') of 18,486,000 shares priced at \$0.10 each that raised a gross amount of \$1,848,600, along with a concurrent private placement of 6,900,000 shares priced at \$0.10 each that raised a further \$690,000, primarily to focus on gold exploration in Alaska as in July 2018 the Company had optioned the Healy Project from Newmont North America Exploration Limited ('Newmont') that was identified through Newmont's proprietary stream sediment sampling techniques during a regional survey of eastern interior Alaska. The project was staked in 2012 and has seen only limited early stage exploration and grid soil sampling, geologic mapping and prospecting, and four shallow Shaw back-pack drill holes.

### **Healy Project**

The Healy project is in the Goodpaster Mining District of the Tintina Gold Province, a prolific geologic feature that extends from Alaska, through Yukon and down into British Columbia. The Pogo gold mine, now operated by Australian-based Northstar Resources Limited ('Northstar'), is located 45 km to the northwest of the Healy project. Northstar purchased the Pogo mine from Sumitomo Metal Mining Co. Ltd in mid 2018. Some other significant regional deposits are Donlan Creek, Fort Knox, Coffee, Sheelite Dome and Dublin Gulch

The Healy Option requires Northway to earn its 70% interest from Newmont by incurring staged expenditures amounting to US\$4,000,000 by the end of 2022. The first two annual tranches amounting to US\$500,000 have been met with remaining expenditures of US\$1,500,000 and US\$2,000,000 yet to be spent by December 31, 2021 and December 31, 2022, respectively. On completing this stage of the earn-in, Northway and Newmont will fund additional expenditures on a pro rata basis in accordance to their respective 70%:30% interests by that time

Northway completed the first reconnaissance drilling on the property in September 2019, a ten-hole, reverse circulation drill program on the Bronk target. All ten of the holes encountered gold mineralization with intercepts including 0.42g/t gold over 49.4 meters. The Bronk drill results reinforce Northway's belief that the Healy project could host significant gold mineralization. In

June 2020, a comprehensive surface exploration program was completed on the Healy Project, including geochemical and geophysical surveys. Field teams collected 1820 infill soil samples covering seven discrete target areas, 136-line kilometres of ground electromagnetic (VLF) and magnetics as well as 252 line kilometres in an airborne magnetic survey was completed over the clearly defined highest priority targets (identified as Thor, Bronk and Spike) to define structures related to gold mineralization. A follow-up induced polarization (IP) survey is scheduled to start in the third quarter to provide sub surface data for drill targeting. The total area of the Healy project consists of 198 Alaska State claims and 30 claims designated as Native Selected. In all the claim area covers 35,962 acres.

### **Napoleon Project**

Northway's Napoleon Project is comprised of a contiguous block of 108 unpatented lode claims (6,065 hectares) located in Forty Mile Mining District, also part of the Tintina Gold Province. The claims were staked by Northway in 2018 after an analysis of regional geophysical and geochemical data identified the area as being prospective for gold mineralisation. Between 1998 and 1999 soil sampling, prospecting, airborne and ground geophysics, and the excavation of 25 shallow trenches led to the discovery of five target areas: Main Zone, Saddle Zone, Trench 24 area, Twin Peaks and Burnt Ridge. Kennecott subsequently drilled 6 diamond drill holes and 10 reverse circulation holes and reported gold intercepts over 1.0 ppm in 8 of the 16 holes, with the best intercepts being 0.61m @ 34.71 g/t Au and 0.61m @ 14.74 g/t Au in the Main Zone, and 1.52m @ 6.56 g/t Au at Burnt Ridge.

Teck Resources conducted exploration on the Napoleon Project in 2000 and 2001. Teck's work included airborne magnetic and EM surveys, soil and rock sampling and 11 diamond drill holes with the best intercepts being 0.90m @ 20.59 g/t Au at the Twin Peaks Zone, and 3.00m @ 8.49 g/t Au at the Saddle Zone.

Northway's work in 2019 included data compilation as well as a site visit to inspect historical core and trenches. Northway's 2020 surface program at Napoleon aims to define structural controls on mineralization to aid in future drill targeting. In February 2020, the Company acquired a proprietary exploration database from Millrock Exploration Corp. relating to the Napoleon Project that will allow Northway to identify drill targets more efficiently. This was followed by the acquisition of a proprietary exploration database from another vendor relating to the Napoleon Project. More recently, in July 2020, Northway completed a comprehensive surface exploration program on the Napoleon property, including geochemical and geophysical surveys. A ground electromagnetic (VLF) and magnetic survey was conducted over areas of historical drilling to delineate structural features related to gold mineralization. In addition, field teams

collected 550 infill soil samples over select target areas to refine gold in soil anomalies. The results from these surveys will also aid drill targeting.

In July 2020, Northway entered a non-binding letter of intent with Kenorland, whereby the Company will acquire all outstanding securities of Kenorland by way of share exchange. Kenorland is a private exploration company incorporated on July 13, 2016 under the BCBCA. Kenorland's business model is mining project generation focused on early to advanced stage exploration assets. Upon Northway's completion of the proposed acquisition of securities of Kenorland), it is anticipated that the Company will be listed as a Tier 2 Mining issuer on the TSX-V and will carry on the combined businesses of Northway and Kenorland. The Transaction is a listing transaction for Kenorland and is subject to a number of terms and conditions, including entering into a definitive agreement with respect to the transaction, the completion of satisfactory due diligence, the completion of a private placement of \$10 million by the Company, the completion of the share consolidation of Northway on a 7.0 old share for 1.0 new share basis (the "Consolidation"), and the approval of the TSX-V and other applicable regulatory authorities.

Pursuant to the Transaction, Northway will issue 2.0 post-Consolidation shares ("NTW Shares") to the holders of Kenorland shares in the capital of Kenorland for each 1.0 Kenorland Share. It is anticipated that approximately 30.418 million NTW Shares will be issued pursuant to the Transaction based on the current capital structure of Kenorland. As Kenorland is the holder of 6,000,000 common shares of the Company, representing 14.50% of the current issued and outstanding shares, the Transaction constitutes a 'related party transaction' as defined in Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"). As a result, the completion of the Transaction will be subject to majority of the minority shareholder approval requirements of MI 61-101.

### **Information Concerning Kenorland**

Kenorland currently holds three properties where work is being completed under an earn-in agreement from third parties. The Frotet and Chicobi Projects, which are both located in Quebec and are optioned to Sumitomo Metal Mining Canada Ltd. ('Sumitomo') and the Chebistuan Project, also in Quebec. The latter project is carried on Kenorland's accounts at staking costs, but is optioned to Newmont Mining ('Newmont'). Kenorland also owns 100% of the advanced stage Tanacross porphyry Cu, Au, Mo project in Alaska. Kenorland raised funds through private placement financings to fund the development of its business.

## **Tanacross Property**

The Tanacross property is located 80 kilometers northeast of Tok, Alaska. The property consists of 718 mineral claims that cover 45,900 hectares including the historic Taurus porphyry copper-gold molybdenum project as well as several other untested porphyry style targets. The project is located in the Yukon-Tanana terrane a geologically complex block that contains numerous base-metal, platinum group-element, and gold-silver-copper deposits, the Casino porphyry Cu-Mo-Au deposit, and the Coffee & Pogo orogenic Au deposits.

In 2017, Kenorland acquired the property by physical staking and entering into an option agreement with Seguro Projects Incorporated. In the summer of 2017, Kenorland's exploration teams conducted a property-wide, ridge and spur soil sampling program. This work identified several targets in addition to the East and West Taurus prospects. In summer of 2018, Freeport-McMoRan funded additional ridge and spur soil sampling to follow up to the 2017 program.

In 2018, Kenorland increased its land position by staking a peripheral block of claims. The total area of the 718 claims amounts to 45,900 hectares. On August 1, 2018, Freeport-McRoran Mineral Properties Inc. ('Freeport') entered into an earn in option agreement with Kenorland, by which Freeport could acquire 80% of Kenorland USA's interest in the Taurus Claims in two stages by spending a minimum aggregate work expenditure of US\$45,000,000. However, in June 2020, Freeport terminated the agreement but retains a 1% NSR on the property, 0.5% of which may be bought at any time for US\$2,000,000. As of December 31, 2019, the Tanacross project was carried on Kenorland's accounts as \$546,333 after having charged out \$6.95 million in expenditures and option payments to Freeport.

## **Frotet Project**

On July 29, 2020, Kenorland, jointly with Northway, announced the discovery of a significant gold mineralization in a number of drill holes at the Regnault target located on Kenorland's Frotet Project, located in Quebec's Frotet-Evans Greenstone Belt. This area also hosted the Troilus mine. According to Kenorland, the discovery of a new significant gold system in the Frotet-Evans Greenstone Belt is in an area with no known mineral occurrences or historic drilling. Initial drilling encountered high grade gold mineralization associated with quartz veins along with lower grade, broadly disseminated gold mineralization.

According to Kenorland, the 2020 first pass drilling at the Regnault target followed two seasons of systematic grassroots exploration. In summer of 2018, the initial 55,921 ha property was geochemically screened using B-horizon soil sampling (glacial till substrate) on a 1500m x 150m

grid. In 2019, areas of gold-in-soil anomalism found in the 2018 survey were followed up with infill soil sampling, till sampling, boulder prospecting, geological mapping, airborne magnetics, and LIDAR surveys. An extensive 3km by 1km gold-in-soil anomaly/dispersion train was defined that contained up to 283 gold grains (159 pristine grains) and boulders assaying up to 408 g/t Au. 43 of 115 boulder samples within the soil anomaly returned assays greater than 0.1 g/t Au while ten boulders returned assays greater than 10g/t Au. Due to the absence of any outcrop in the area, drill targeting for the 2020 drill program relied on interpretation from high resolution drone magnetics, 3D IP, and surface geochemistry, including location of mineralized boulders.

Complete results from the 15-drill hole maiden program, funded by Sumitomo Metal Mining Canada Limited ("SMMCL"), are summarized below. Highlights include results from 20RDD007 that intersected 29.08m at 8.47 g/t Au including 11.13m at 18.43 g/t Au. The recognition of geological controls and geophysical expressions of gold mineralization will aid in targeting for future drilling programs.

Table 1. Summary of Significant Intercepts

Hole ID	from (m)	to (m)	length (m )	Au (g/t)	Ag (g/t)
20RDD002	38.93	39.70	0.77	14.60	18.50
and	49.31	53.06	3.75	16.06	23.00
incl.	52.30	53.06	0.76	57.00	83.30
20RDD004	191.80	217.22	25.42	0.27	0.24
and	256.34	258.93	2.59	9.89	10.20
incl.	257.44	258.93	1.49	15.26	17.28
20RDD007	72.00	101.08	29.08	8.47	12.23
incl.	89.27	100.40	11.13	18.43	25.93
and	367.00	369.30	2.30	2.73	2.89
20RDD008	31.50	33.00	1.50	3.54	6.43
and	151.00	151.36	0.36	25.20	45.30
and	160.12	160.43	0.31	28.40	15.20
20RDD009	106.00	116.44	10.44	0.83	0.63
20RDD012	111.67	117.11	5.44	5.94	2.10
incl.	111.67	112.37	0.70	35.30	9.90
and	212.24	213.46	1.22	6.15	2.52
20RDD014	295.18	320.62	25.44	0.31	0.39
and	498.59	505.50	6.91	1.98	1.71
incl.	501.41	501.91	0.50	9.12	9.80
20RDD015	47.57	52.50	4.93	9.59	18.36
incl.	51.90	52.21	0.31	114.30	237.00

On August 31<sup>st</sup> Northway and Kenorland jointly released the results of the second phase of Kenorland's Frotet exploration program. Exploration work included 1,900 metres of drilling, a regional geochemical program and an airborne magnetic survey funded by Sumitomo Metal Mining Canada Limited ('SMMCL'). Highlights of the second phase exploration drilling are shown in the following table and include 20RDD021A that intersected 33.69 g/t Au over 2.66m on a newly identified structure within the Regnault target area. The drilling extended the known strike length of the Regnault system by two kilometres.

*Table 1. Summary of Significant Intercepts*

Hole ID		From (m)	To (m)	Length (m)	Au (ppm)	Ag (ppm)
20RDD017		43.73	44.25	0.52	4.55	3.10
20RDD018		93.94	94.38	0.44	7.04	13.00
	and	186.64	187.43	0.79	5.86	14.20
20RDD019		196.06	199.45	3.39	1.13	1.28
	and	219.52	221.45	1.93	6.91	8.61
20RDD020		129.73	130.80	1.07	12.76	19.51
	and	192.82	210.00	17.18	0.91	1.62
	incl.	206.83	207.63	0.80	12.30	22.70
20RDD021A		22.00	23.30	1.30	6.14	4.00
	and	82.90	85.56	2.66	33.69	14.92
	incl.	83.56	84.58	1.02	76.88	33.77
20RDD023		116.81	124.50	7.69	1.15	0.82
	incl.	118.70	120.51	1.81	3.11	1.98
	and	147.48	158.00	10.52	1.55	1.24
	incl.	153.46	158.00	4.54	3.21	2.44

Mineralization observed in drill core is reported as similar to that of boulders found in the Regnault target area in 2019, which assayed up to 408 g/t Au. The mineralized boulders were found within a significant gold in soil (glacial till substrate) dispersion anomaly directly down ice of the area being drilled.

Kenorland acquired the Frotet Property, north of Chibougamau, through payment of nominal staking costs and subsequently entered into an earn in and joint venture agreement with SMMCL in April 2018 permitting the later company to acquire up to an 80% interest in the property by initially acquiring a 65% interest in the Frotet Property by funding \$4.3 million in expenditures on by April 17, 2021. At that point, in order to acquire the remaining 15% interest in the Frotet property SMMCL has 90 days to notify its intention to fund an additional \$4.0 million within a one-year period. If the project should advance to the joint venture phase, and if either party is diluted to 10% or less, the participating interest will automatically be converted to a 2% net smelter return royalty in favor of the other party.

## **Chicobi Project**

In February 2019, SMMCL entered into an option agreement with Kenorland under similar terms as the Frotet option except that after earning an initial 51% interest by spending \$4.9 million, SMMCL must notify the company within 90 days its commitment to spend an added \$10 million within three years to increase its ownership to 70%. According to NxGold Ltd., a prior optionee, the Chicobi property is located about 30 kilometres northeast of Amos, Quebec and covers approximately 60,000 hectares along 70 kilometres of the Chicobi Deformation Zone of the Abitibi Greenstone Belt.

### **Assignment**

The writer was engaged by the Boards of Directors of Northway to provide a fairness opinion on the proposed Transaction. In connection with the preparation of this report, the writer has not, nor has he been requested to, complete an independent estimate of the respective values of Northway as well as Kenorland shares or the likely trading range of the shares after considering the effects of the Transaction. The Northway Board of Directors believe that market interest and increased liquidity and future fund-raising activities to support the Northway's projects in Alaska and maximize their value to current Northway shareholders will be facilitated through the Transaction as well as exposure to Kenorland's exploration undertakings in Quebec.

### **Definition of Value**

Normally, the definition of value that applies for the purposes of a valuation report or fairness opinion is 'Fair Market Value'. This concept of value, assuming a going concern scenario, is the highest price obtainable, expressed in terms of money, in an open and unrestricted market between knowledgeable, prudent and willing parties, dealing at arm's length, who are fully informed and not under compulsion to transact.

Junior mineral exploration companies typically do not have operating sources of revenue but they are faced with significant cash outflows arising out of ongoing exploration commitments. If such companies can finance their activities by accessing internal or external sources of funding, the going concern criterion is appropriate. The issue of fairness applying to Transactions and Arrangements between companies is usually based on the values that can be attributed to shareholders' ownership rights. On a post-Transaction basis, the pro rata tangible and intangible values attributed to such shareholders' interests should equate to or exceed the prior amount of such values.

## **Credentials and Independence of Valuer**

The writer is a CFA® charter holder awarded by the CFA Institute, a global membership organization that awards the Chartered Financial Analyst® (CFA®) designation upon completion of an assigned curriculum and examinations. The CFA Institute leads the investment industry by setting the highest standards of ethics and professional excellence and vigorously advocating fair and transparent capital markets. The writer also holds an M.B.A. degree with a major in finance granted by Michigan State University.

From 1987 to 1991, the writer was Vice President, Research, LOM Western Securities Ltd., subsequently becoming Canaccord Genuity Corp., then a leading underwriter of resources and industrial companies in Western Canada. As a condition of employment, the writer was required to pass the Partners, Directors and Officers examination administered by the Canadian Securities Institute and was subsequently registered by the British Columbia Securities Commission under the category: Trading Partner, Director, Officer.

The writer is a past director of the Canadian Council of Financial Analysts and since 1991 the writer has been an Independent Financial Consultant providing securities valuation services, fairness opinions, financial research and related consulting services and assignments for approximately four hundred Canadian and International clients such as mining and exploration companies and companies operating in other sectors, financial institutions, law firms, governments and investment dealers.

The writer is knowledgeable in the valuation of mineral resources and his two peer reviewed articles pertaining to this subject appeared in the August 2002 and April 2011 issues of Mining Engineering, a publication of the Society for Mining, Metallurgy and Exploration. The writer is a member in good standing of that organization. At the suggestion of the then Senior Manager, Compliance and Disclosure and First Technical Contact for listing of mining companies on the Toronto Stock Exchange, the writer submitted comments on the 'Draft Standards and Guidelines for Valuation of Mineral Properties' issued by CIMVal.

The writer co-authored one submission to the 2011 Toronto CFA Society and Hillsdale Management Research Award. The writer also acts as an advisor to companies on merger and acquisition matters. The writer has been accepted by the Tax Court of Canada, the British Columbia Supreme Court and the Alberta Court of the Queen's Bench as an expert witness on matters relating to the stock market and mineral exploration company share prices, coal mining, placer gold mining, gold company share prices and mineral claims and mineral royalty matters.

The writer served as a Research and Financial Analyst with the Vancouver Stock Exchange & Securities Regulation Commission (i.e. Matkin Commission) in 1993.

### **Relationship of Writer with Interested Parties**

The writer has no past, present or intended interest in the shares and properties of the principal companies mentioned in this report. The writer is not an insider, associate or affiliated with Northway nor with Kenorland. The writer has not acted as an advisor to the companies or to their respective affiliates and shareholders in connection with the Transaction. Additionally, there are no understandings, commitments or agreements between the writer, Northway and Kenorland with respect to future business dealings.

### **Scope of the Review**

In performing this assignment, the writer relied on information provided by the managements of Northway and Kenorland and referred to publicly available information either provided by the companies or available from public sources such as press releases and other recent filings the companies have made. Other information such as share trading data and commodity prices was accessed through sources available to the writer through subscription as well from data providers.

In the course of this engagement, the writer held a number of discussions with the respective managements of Northway and Kenorland. The writer had access to all information requested from the companies and no suggestions were requested of or offered by the companies as to the approach or methodology used in the preparation of this fairness opinion. Documents and sources of information accessed by the writer include:

- Letter of Intent as well as other agreements pertaining to the companies
- Amalgamation Agreement between Kenorland and Northway in draft form
- Project descriptions, recent slide presentations, NI 43-101 technical reports maps and other information available on Northway's and Kenorland's websites either on SEDAR or made available to the writer in draft form
- Frotet earn-in Agreement with SMMCL
- Technical report on the Tanacross property in Alaska in draft form
- NTW Capitalization Spread Sheet to summarize post consolidation and post Transaction share distributions

## **Considerations as to Fairness**

Neither Northway nor Kenorland currently have any mineral production, revenues or operating earnings. The viability of both companies can only be assured through their ability to raise additional funds to continue their exploration programs. The companies' overlapping interests in their respective exploration asset of each company. However, the value of the respect projects of each company will be increased by consolidating the respective ownership interests in each company under a single corporate entity. In assessing the fairness of the proposed Transaction, the writer has analyzed, reviewed and considered numerous factors. Among these are the following:

- the impact of the proposed Transaction on the respective interests of the companies' shareholders on completion of the Transaction
- the relative past trading volumes and prices of Northway shares on TSX-V since becoming listed on August 22, 2019
- the respective market capitalizations of Northway and Kenorland
- the respective net cash and working capital positions of the companies and the possible impact of the potential exercise of in-the-money options and warrants
- the potentially improved liquidity position the Transaction provides to the shareholders of Northway thereby potentially increasing interest and visibility of their share holdings
- the respective ownership positions of Northway and Kenorland shareholders in the combined company after completion of the Transaction
- the potentially improved prospects for future financing requirements the Transaction provides by combining each companies' project interests into one larger company
- Northway shareholders, if they so wish, will likely be able to dispose of their shares or acquire additional shares in the market on a post Transaction basis as Northway shares will provide ownership in a larger company with greater market liquidity
- the fact that it may be easier to raise funding for projects located in Quebec rather than in Alaska given the impediments placed before the Northern Dynasty project which date back to at least 2008
- the fact that market interest is now focussed on the price of gold after reaching near high prices and provides a window of opportunity for Kenorland to quickly advance the Regnault project rather than face the potential timing delays implicit in the preparation of an IPO.

## **Environment for Gold and Silver Junior Mining Companies**

The two charts on the following page, sourced from Kitco on September 3<sup>rd</sup>, show that price increases in Au and Ag since first quarter 2020 have been spectacular. In the short time frame of a year, the price of silver has increased by approximately 46% and gold has exhibited a slower but steady climb of about 26%. If measured from the March selloff when the price of silver hit a low of about US\$12/oz, the gain to US\$26.00/oz level exceeds 100% versus about 30% for gold.

In general, the investors' interest accelerated in mid-2019 as the price of gold convincingly and sustainably broke through the US\$1,350/oz level after numerous failed rallies. The advance to the current level of \$1,930/oz level can be attributed to a number of factors including uncertainty created by various geopolitical factors that have arisen in Europe, the Middle East, India and the Pacific and the economic and political concerns raised by the worldwide spread of the Covid-19 virus and fears of its second and possible third comings. What is certain is that the global pandemic will take longer to run its course unless some effective vaccines are created.

Once the pandemic has subsided, the global economic fallout of the massive expenditures by countries to provide aid for their citizens and economic stimulus to reignite their economies, will have reverberations for years to come.

In the second quarter of 2020 numerous reports in the financial media reported concerns over possible shortages in physical gold metal in North America as being insufficient to meet the shift in investment preferences for physical gold through coins, bars and ETFs holding physical gold rather than investing in 'paper gold' represented by futures contracts.



Through August 2020 new highs were supported by the decline in the US dollar against many other currencies that made gold cheaper to offshore buyers. Now early in the third quarter with the US presidential election looming on the horizon Covid-19 concerns are being augmented by fears of disruptions to voting and for an uncertain outcome that may take weeks to decide and political unrest that may be unleashed and unknown at this time.

On the geopolitical stage, concerns are being raised how a potentially elected, but obviously physically and mentally weakened President would fare in dealing with arising challenges on the world stage. The recent stand off between the UK and EU over the terms of Brexit add to the uncertainties of current world affairs.

### Recent Trading History of Northway Shares

The market capitalization of a company may not represent its value. A company's share price or the spot price of a commodity on a particular day only represent a minority view of value as the

entirety of a company’s outstanding shares or the regional availability of a particular commodity are typically not on offer at one particular time.

The proposed Transaction will provide shareholders of Northway, who will receive post consolidation shares, with improved liquidity. The reasons are twofold. Larger companies have a greater market following than smaller companies and the aggregate dollar volume of trading in post consolidated Northway shares will increase and likely exceed the dollar volume of trading of the Company had the Northway and Kenorland not agreed to the Transaction.



The terms of corporate merger transactions typically are based on measurable qualities such as share prices, book values, measurable amounts of certain assets such as barrels of oil, levels of sales, geographic and administrative compatibilities that potentially may give rise to economies of scale that are evident in bringing two organizations together to reduce redundancies. Basically one looks for a situation where  $2 + 2 \geq 4$ .

The proposed Transaction involving Northway and Kenorland defies simple categorization as both companies are early stage mining exploration companies with no significant sources of operating revenue, no measurable amounts of resources, but the companies have a common CEO and director.

Shares prices cannot be used for guidance as Northway is a public company with its shares listed for trading on the TSX-V. Northway shares have been thinly traded prior to being halted on July 24, 2020 to await the announcement of the impressive, first pass Regnault drilling results and Northway's letter of intent with Kenorland for an RTO transaction. Trading in Northway shares in 2020 amounted to 2,898,072 shares out of the primary capitalization of 41,386,000 outstanding shares, see chart. At the annualized 2020 rate of trading prior to being halted, it would take eight years to turn over Northway's entire primary capitalization.

As Northway's exploration project are located in Alaska, Covid-19 travel restrictions on international travelers may have affected some current on-site exploration plans. To be noted on the previous chart is that when Northway announced on October 19, 2019, that 'broad gold mineralization' had been confirmed by drilling at the Bronk target on the Healy project, the price of Northway shares declined. All trades in prior to the announcement were at \$0.10 and higher and when the Bronk results became known on October 21<sup>st</sup>, Northway shares opened at \$0.11 but traded as low as \$0.85 and closed at \$0.09 per share for the day and eventually reached a below book value low in March 2020 of \$0.045 per share.

Out of the nine prior available trading days to July 24, 2020, Northway shares traded on seven days with combined volume of 442,000 shares with all trades priced at \$0.11 and higher prior to being halted on July 24<sup>th</sup> with the shares last traded at \$0.14. All trades between June 2<sup>nd</sup> and July 10<sup>th</sup> were below \$0.10 a share. On the 27 available trading days during the latter period only 473,000 Northway shares, seemingly by appointment, on 7 days. In the writer's opinion the paucity of trading in Northway shares does not meet the free and open market criterion of a going concern. Northway is early stage and in the process of evaluating data on the Healy Project.

### **Observations of the Exchange Ratio**

Northway raised a gross amount of \$1,848,600 in an IPO completed as of August 22, 2019 and \$690,000 in a concurrent financing completed as of August 28, 2019. By contrast Kenorland is privately held but the company, by way of the RTO, is proceeding with a financing that is based on the company's reported drilling results on the Regnault discovery in Quebec as a condition of the Transaction. Kenorland, in consultations with its underwriters is planning to raise a gross amount of \$12,000,000 which amount will exceed the required \$10,000,000 financing that is a condition for the Transaction to proceed. The proposed pricing of the financing is \$1.00 per share that is based on the initial drilling results on the Regnault target that have now been enhanced by additional drilling results announced on August 31<sup>st</sup>.

Absent an appropriate market-based value for Northway shares, a proxy for the market value of Kenorland is the proposed pricing of its forthcoming financing at \$1.00 per share supported by the initial drilling results on the Regnault discovery. Absent an appropriate market-based value for Northway shares, the book value of the shares was used as a proxy for Northway's market value. Although the writer was not a party to the negotiations between Kenorland and Northway, it is apparent that Kenorland, a private company, used the proposed pricing of \$1.00 per share for the requisite financing that is a condition of the Transaction as the market value of its shares.

The following table shows the fully diluted capitalization of Northway on completion of the 7.0 for 1.0 consolidation of its shares and subsequent acceptance of the offer for Kenorland shares on the basis of 2.0 post consolidation Northway shares for each 1.0 Kenorland share that has a tested market value of . The second set of calculations on the following page show that on a fully diluted book value basis the underlying value backing of Northway shares at approximately \$0.489 cents per consolidated share will be supported by the proposed financing priced at \$1.00 per share and the implied equivalency to 2.0 post consolidated shares held by current Northway shareholders. However, viewed in terms of primary shares outstanding, the improved value gain of 16% is attractive as will be the increased post financing liquidity of the Company's shares and the broader range of exploration prospects should increase market visibility.

#### **Northway - Post Consolidation Shares – Primary, Diluted and Post Financing**

	<b>Issued Shares</b>	<b>Explanation</b>
Northway - primary	5,055,142	41,386,000 - 6,000,000 divided by 7
	250,000	Shares underlying Northway Options
	<u>1,679,431</u>	Shares underlying Northland Warrants
- diluted	<u>6,984,573</u>	
Kenorland - primary	30,418,002	2(15,209,001) + '20 placements & prop. purchase
	6,800,000	shares underlying Kenorland options 2(3,400,000)
	<u>1,100,000</u>	shares underlying 2(550,000) RSU shares
- diluted	<u>38,318,002</u>	
Proposed Financing	12,000,000	
Brokers' Warrants	<u>720,000</u>	
S/O - Fully Diluted	<u>58,022,576</u>	Shares Outstanding – post Transaction & financing

Accepting the pricing of the proposed Northway financing of 12,000,000 post consolidated shares at \$1.00 each, the RTO will provide a premium over book value to current Northway shareholders

of approximate 16%. The calculations are based on Kenorland's audited statements to December 31, 2019 and Northway's audited statements as of March 31, 2020. Adjustments were made to Kenorland's book value for reported subsequent events that included the first quarter 2020 completion of two minor private placements and the exercise of options that increased primary numbers by 2,139,000 shares all priced or exercised at \$0.50 each.

#### Book Value Comparisons – Primary Shares outstanding and exercise of all options and warrants

Kenorland	Date/Transaction	Share Transactions	Book Value Impact
	Dec 2019 Balance	15,209,001	\$3,041,958 = \$0.15897
	options	3,400,000	1,260,000
	RSU options	<u>550,000</u>	<u>275,000</u>
		19,159,001	\$4,576,958 = \$0.2389
<b>Northway</b>	<b>Date/Transaction</b>	<b>Share Transactions</b>	<b>Book Value Impact</b>
	Mar 31/20 Balance	41,386,000	\$2,481,446 = \$0.05996
	Wts	11,756,000	1,175,600
	Opts	<u>1,750,000</u>	<u>175,000</u>
		54,892,020	\$3,831,446 = \$0.06980
NWT Book Value p.s. - primary & diluted		\$0.05996(p)	\$0.06980(d)
- post consolidation x 7 =		\$0.4197	<b>\$0.4886</b>
- b.v. backing of 2 shares		\$0.8394	\$0.9772
Implied premium to B.V. of \$1.00 p.s. offer		16.1%	2.3%

#### Observations on the Transaction

The Proposed Transaction involving Northway and Kenorland will expedite the financing of the Frotet project in Quebec and ultimately accelerate the exploration and development of that project as well as support the on going commitments on the projects in Alaska and Quebec held by Northway and Kenorland. The fact that current Northway shareholders will gain exposure to Kenorland's more advanced Frotet project as well as the Chicobi and other projects in the mining friendly jurisdiction of Quebec are value enhancing factors. Not lost on the mining community is the fact that after 15 years Northern Dynasty's Pebble project in Alaska seems to face ever increasing regulatory hurdles. A positive offset to Northway shareholders is that they will be subjected to less value dilution to their ownership position in the Healy Option in Alaska as the Transaction with Kenorland should increase the liquidity of their investment and provide exposure to other more advanced exploration projects in Quebec. As such they will be more able

to realize on their investment or make additions to their position, as the case may be. Such would not have been the case had the companies decided to continue separately rather than entering into the Transaction.

Over time Northway post consolidation and post financing as a larger company and with ownership positions in a variety of projects will appeal to a wider set of investors allowing the optimal pricing of the company's shares. To the degree that investor interest is increased, the liquidity of trading in Northway shares, post consolidation and post Transaction, should improve and volatility in the trading prices of the shares may decrease. These characteristics are value enhancing to current Northway shareholders as well as to Kenorland shareholders who will receive post consolidated Northway shares.

The fact that the price of gold is trading at historic highs as well the proximity of the Frotet project to the operations of a number of past, current and potential gold producers and mill sites in the Abitibi and Frotet-Evans Greenstone Belts, are features that add to the attraction of the Frotet project. Northway's ability to attract new funding to support exploration and development of the Regnault project will be enhanced not only by the Transaction but also because the current price of gold is substantially higher than when Kenorland acquired the project in 2018 and commenced its exploration activities.

### **Conclusions as to Fairness**

The implementation of the Transaction should result in increased liquidity for Northway security holders based upon the greater market capitalization of the Company on completion of the Transaction with more shareholders following the Company and by the fact that Northway shareholders will be able to potentially realize the value of their proportional ownership in the Frotet project either through the potential sale of their shares post consolidation or to add to such positions, as the case may be. On a post Transaction basis, Northway post consolidation will have greater critical mass and as a larger corporate entity will be better able to exploit the potential of the Frotet project much faster than had the companies elected to maintain their separate interests in their respective projects in Alaska and Quebec. The transaction will also eliminate the Services Agreement pertaining to the Healy Option, which represents a cost borne by current Northway shareholders.

Based on the above information, observations and analyses conducted by the writer pertaining to the companies, it is the writer's considered opinion that the Transaction by which Northway will acquire all of Kenorland's right, title and interest principally in the Frotet property (Quebec) as well as a number of other projects mainly in Quebec and the Tanacross project in Alaska, in exchange for approximately 38,318,002 post consolidation Northway shares to be distributed

Kenorland shareholders is fair, from a financial point of view, to current Northway shareholders and Kenorland shareholders as a whole and to the minority non-controlling shareholders of the Company.

This opinion is given for the sole and exclusive use of the respective Board of Directors and shareholders of Northway and is given as of this date. The writer reserves the right to amend or withdraw the conclusions reached in this Fairness Opinion, if a material change occurs in any of the facts, representations and reports which have been relied upon in preparing this report, or if information provided to the writer and upon which he has relied, is inaccurate in any material respect. This report has been prepared solely for the purpose of providing information. It should not be construed as a recommendation to buy or sell any of the securities mentioned herein and no representations or warranties of any kind are intended, neither implied nor should be inferred.

Yours truly,

A handwritten signature in black ink, appearing to read 'S. Semeniuk', with a stylized flourish at the end.

Stephen W. Semeniuk, CFA

## Certificate of Qualifications

I, Stephen Semeniuk, of 3845 Southridge Avenue, West Vancouver, Canada hereby certify that:

1. I graduated, B. Comm. (Hons.), from the University of Windsor have been granted an M.B.A. degree in finance from Michigan State University.
2. I am a CFA® charter holder, having completed the program offered by the Institute of Chartered Financial Analysts in 1982.
3. I have been practicing as an independent financial consultant since January 1991 in providing securities valuation services, fairness opinions, and financial consulting and research services to lawyers, government, investment dealers and industry.
4. I was formerly Vice President, Research of LOM Western Securities Ltd., at that time, the leading underwriter of junior resources and industrial companies in Western Canada. I have also held securities research positions with the Vancouver firms: Odlum Brown Ltd. and Brink Hudson and Lefever Ltd.
5. I have also held financial planning and operations analysis positions with British Columbia Resources Investment Corporation, Power Corporation of Canada, Chemcell Ltd. and Ford Motor Company of Canada.
6. The attached Fairness Opinion on the proposed Arrangement and RTO Transaction between Northway Resources Corp. and Kenorland Minerals Ltd. was prepared at the Special Committees of the companies and is based on information, documents, and data provided to me as well as other data, materials and analyses I collected or prepared. I reserve the right to amend or withdraw the conclusions reached in this report, if a material change occurs in or if any of the facts, information or representations provided to me is materially inaccurate.
7. In preparing this report, I was not required to visit the property holdings of the companies.
8. I have no past, present or intended interest in the shares or holdings of companies that are mentioned in this report.
9. I consent to the use of this Fairness Opinion on the Arrangement between Northway Resources Corp. and Kenorland Minerals Ltd. for corporate and regulatory purposes as may be required by the Company. The report, however, should not be construed as a recommendation to buy or sell any shares mentioned in this report. No such representations are intended or implied.



\_\_\_\_\_, West Vancouver, B.C., September 815 2010.

Stephen W. Semeniuk, B. Comm., MBA, CFA