

CANADIAN NORTH RESOURCES INC.

Condensed Interim Financial Statements

For the three and nine month periods ended September 30, 2023 and 2022
(Unaudited)

Canadian North Resources Inc.

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

As at:

(Unaudited)

	Note	September 30, 2023	December 31, 2022 (Audited)
Assets			
Current assets			
Cash and cash equivalents	\$	1,891,327	\$ 11,067,170
HST Receivable		2,685,973	1,240,295
Prepaid expenses		30,568	19,044
Total current assets		4,607,868	12,326,509
Non-current assets			
Property and equipment	4	524,676	532,222
Exploration and evaluation assets	5	39,810,358	21,783,859
Right-of-Use Assets	8	2,489,397	-
Total non-current assets		42,824,431	22,316,081
Total assets	\$	47,432,299	\$ 34,642,590
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	\$	3,615,988	\$ 427,166
Flow-through share liabilities		5,401	3,082,559
Current portion lease obligations	8	934,011	-
Total current Liabilities		4,555,400	3,509,725
Long-term Liabilities			
Long-term portion lease obligations	8	1,214,076	-
Total liabilities		5,769,476	3,509,725
Shareholders' Equity			
Share capital	7	43,186,070	33,897,270
Capital surplus	7	6,651,369	3,592,410
Deficit		(8,174,616)	(6,356,815)
Total shareholders' equity		41,662,823	31,132,865
Total liabilities and shareholders' equity	\$	47,432,299	\$ 34,642,590

Nature of operations and going concern (Note 1)

Subsequent events (Note 9)

Approved on behalf of the Board of Directors:

(Signed) "Lee Q. Shim"

Director

(Signed) "Richard 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)

For the months ended:

(Unaudited)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
Other income					
Interest income		\$ 17,542	\$ 58,712	\$ 145,708	\$ 72,269
Flow-through share premium		1,073,027	-	3,701,904	-
Total other income		1,090,569	58,712	3,847,612	72,269
Expenses					
Office and general		1,450,276	451,707	2,076,604	1,150,379
Accretion of lease liabilities	8	59,971	-	142,622	-
Share based compensation	7	1,134,348	671,379	2,898,092	2,408,129
Professional fees	6	113,935	144,240	375,470	401,072
Rent	6	16,500	16,500	49,500	32,000
Depreciation	4	22,785	20,966	69,125	43,902
Management fees	6	18,000	18,000	54,000	54,000
Total expenses		2,815,815	1,322,792	5,665,413	4,089,482
Net loss and comprehensive loss		\$ (1,725,246)	\$ (1,264,080)	\$ (1,817,801)	\$ (4,017,213)
Loss per share					
Basic and diluted		\$ (0.02)	\$ (0.01)	\$ (0.02)	\$ (0.04)
Weighted average shares outstanding					
Basic and diluted	7	108,415,977	102,039,151	106,351,241	95,477,512

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		-	2,827,226	-	2,827,226
Net loss and comprehensive loss		-	-	(4,017,213)	(4,017,213)
As at September 30, 2022		\$ 27,727,287	\$ 2,827,226	\$ (6,479,351)	\$ 24,075,162
As at December 31, 2022		\$ 33,897,270	\$ 3,592,410	\$ (6,356,815)	\$ 31,132,865
Common shares issued through warrant exercise	7	2,230,797	-	-	2,230,797
Common shares issued through option exercise	7	108,890	(46,970)	-	61,920
Flow-through shares issued	7	7,432,551	-	-	7,432,551
Flow-through shares cost	7	(483,438)	-	-	(483,438)
Share-based compensation	7	-	3,105,929	-	3,105,929
Net loss and comprehensive loss		-	-	(1,817,801)	(1,817,801)
As at September 30, 2023		\$ 43,186,070	\$ 6,651,369	\$ (8,174,616)	\$ 41,662,823

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 nine months ended September 30,
(Unaudited)

	Note	2023	2022
Cash provided by (used in):			
Operating activities			
Net loss		\$ (1,817,801)	\$ (4,017,213)
Depreciation for property and equipment	4	69,125	43,902
Share-based compensation	7	2,898,092	2,408,129
Flow-through share premium	7	(3,701,904)	-
Accretion of lease liabilities	8	142,622	-
Changes in non-cash working capital:			
Prepaid expenses and HST receivable		(1,457,202)	(352,780)
Accounts payable and accrued liabilities		3,188,820	-
Net cash used in operating activities		(678,248)	(1,917,962)
Financing Activities			
Share issuance	7	9,866,577	-
Prepayment for lease obligation	8	(500,000)	-
Repayment of lease obligation	8	(598,800)	-
Net cash provided by financing activities		8,767,777	-
Investing Activities			
Purchase of property and equipment	4	(61,579)	(457,139)
Expenditures on exploration and evaluation assets	5	(17,578,793)	(10,282,695)
Funds received from government grant	5	375,000	-
Net cash used in investing activities		(17,265,372)	(10,739,834)
Decrease in cash and cash equivalents		(9,175,843)	(12,657,796)
Cash and cash equivalents, beginning of period		11,067,170	19,025,817
Cash and cash equivalents, end of period		\$ 1,891,327	\$ 6,368,021

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 nine months ended September 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 November 27, 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 nine months ended September 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

	2023	2022
Cost		
Beginning balance January 1 st	\$ 775,395	\$ 318,413
Addition	61,579	457,139
Closing balance, September 30 th	\$ 836,974	\$ 775,552
Accumulated Depreciation		
Beginning balance January 1 st	\$ 243,173	\$ 177,221
Addition	69,125	43,902
Closing balance, September 30 th	\$ 312,298	\$ 221,123
Net Book Value, January 1st	\$ 532,222	\$ 141,192
Net Book Value, September 30th	\$ 524,676	\$ 554,429

Canadian North Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(all amounts are expressed in Canadian dollars)

(Unaudited)

5. Exploration and evaluation assets

	2023	2022
Beginning balance, January 1 st	\$ 21,783,859	\$ 6,108,179
Exploration costs	18,401,499	13,208,011
Funds received from government grant	(375,000)	-
Closing balance, September 30 th	\$ 39,810,358	\$ 19,316,190

6. Related Party Transactions

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

- \$49,500 (the nine months ended September 30, 2022 - \$32,000) office rental expenses paid to a company owned by a director of the Company.
- \$54,000 (the nine months ended September 30, 2022 - \$54,000) management fee paid to a company owned by a director of the Company.
- \$137,778 (the nine months ended September 30, 2022 - \$83,333) geological consulting fee paid to a company owned by a director of the Company, and
- \$116,645 (the nine months ended September 30, 2022 - \$103,298) professional fees paid to companies owned by officers of the Company.
- \$9,502,159 (the nine months ended September 30, 2022 - \$Nil) logistics costs and equipment rental costs paid to company owned by a shareholder of the Company.

As at September 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 September 30, 2023, the amount owing to related parties was \$173,251 (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 nine months ended September 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

	Number of shares	Number of Series 1 warrants	Value
<i>Common shares:</i>			
December 31, 2021	6,869,792	-	\$ 516,981
Series 1 Shares converted to Common Shares	92,945,661	13,332,737	24,986,608
Issuance of Common Shares	2,223,698	-	2,223,698
September 30, 2022	102,039,151	13,332,737	\$ 27,727,287
December 31, 2022	105,293,475	13,332,737	\$ 33,897,270
Issuance of Common Shares through exercise of option (i)	61,000	-	108,890
Issuance of Common Shares through exercise of Series 1 Warrants (ii)	1,487,198	(1,487,198)	2,230,797
Issuance of Flow-Through Share (iii)	2,864,046	-	6,949,113
September 30, 2023	109,705,719	11,845,539	\$ 43,186,070
<i>Total share capital</i>			
Balance, December 31, 2022	105,293,475	13,332,737	\$ 33,897,270
Balance, September 30, 2023	109,705,719	11,845,539	\$ 43,186,070

- (i) On May 11, 2023, 30,000 share options were exercised at a price of \$1.00. The Company received the proceeds of \$30,000 and issued 30,000 Common Shares.

On Aug 9, 2023, 30,000 share options were exercised at a price of \$1.00. The Company received the proceeds of \$30,000 and issued 30,000 Common Shares.

On September 26, 2023, 1,000 share options were exercised at a price of \$1.92. The Company received the proceeds of \$1,920 and issued 1,000 Common Shares.

- (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.

On August 24, 2023, 50,000 Series 1 Warrants were exercised at a price of \$1.50. The Company received the proceeds of \$75,000 and issued 50,000 Common Shares.

- (iii) On September 13, 2023, the Company completed the issuance of Flow-Through Shares of 2,864,046 shares for proceeds of \$8,057,298 at the weighted average price of \$2.81 per share. The cost of the issuance of \$483,438 was offset by the proceeds of Flow-through Shares. A Flow-Through Share premium was recognized as a liability on the statement of financial position for \$624,747.

Canadian North Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three and nine months ended September 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 that 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.

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 for consultants will expire on August 14, 2024, and 200,000 options for employees will expire on August 13, 2028. Options for consultants were vested immediately. The options for employees will be vested equally in 4 years at the year-end after granted.

On August 16, 2023, the Company granted its officers options to purchase a total of 110,000 Common Shares of the Company, at an exercise price of \$2.35 per share, which options will expire on August 16, 2028. The options will be vested equally in 2 years at the year-end after granted.

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

Expiry date	Exercise Price	Outstanding December 31, 2022	Granted	Exercised	Cancelled/ Expired	Outstanding September 30, 2023	Exercisable September 30, 2023
April 4, 2027	\$1.00	771,698	-	(60,000)	-	711,698	711,698
May 18, 2027	\$1.92	2,695,000	-	(1,000)	(10,000)	2,684,000	2,684,000
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
August 14, 2024	\$2.35	-	150,000	-	-	150,000	150,000
August 13, 2028	\$2.35	-	200,000	-	-	200,000	200,000
August 16, 2028	\$2.35	-	110,000	-	-	110,000	110,000
Total		3,466,698	3,210,000	(61,000)	(10,000)	6,605,698	6,605,698
Weighted average exercise price		\$1.72	\$2.44			\$2.07	\$2.07
Weighted average contractual remaining life (years)			2.17			2.91	2.91

The weighted average fair value of share purchase options as at September 30, 2023 is \$2.07 (2022 – \$1.72).

Canadian North Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(all amounts are expressed in Canadian dollars)

(Unaudited)

7. Share Capital and Capital Surplus (Continued)

(c) Share options (Continued)

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%-4.13%	2.52%-2.75%
Expected life in years	1-5	5
Expected volatility*	77.99%-84.88%	100%-101.34%
Grant date share price	\$2.30-\$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.

(d) Warrants

Expiry date	Exercise Price	Outstanding December 31, 2022	Issued	Exercised	Cancelled/ Expired	Outstanding September 30, 2023
December 29, 2023	\$1.50	13,332,737	-	(1,487,198)	-	11,845,539
Total		13,332,737	-	(1,487,198)	-	11,845,539
Weighted average exercise price		\$1.50				\$1.50
Weighted average contractual remaining life (years)		1.00				0.25

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

(e) Loss per share

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

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

	Three months ended September 30,	
	2023	2022
Beginning balance	106,483,153	102,039,151
Weighted average of additional common shares	1,932,824	-
Weighted average as at period end	108,415,977	102,039,151

Canadian North Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(all amounts are expressed in Canadian dollars)

(Unaudited)

7. Share Capital and Capital Surplus(Continued)

(e) Loss per share

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

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

	Nine months ended September 30,	
	2023	2022
Beginning balance	105,293,475	58,049,843
Weighted average of additional common shares	1,057,766	37,427,669
Weighted average as at period end	106,351,241	95,477,512

8. Leases

(a) Right-of-Use Assets

	2023
Cost	
Beginning balance, January 1	-
Addition	3,104,265
Closing balance, September 30	3,104,265
Accumulated depreciation	
Beginning balance, January 1	-
Addition	614,868
Closing balance, September 30	614,868
Net book value	
Beginning balance, January 1	-
Closing balance, September 30	2,489,397

The right-of-use assets recognized by the Company are comprised of \$3,104,265 (December 31, 2022 - \$nil) related to drilling rigs and transportable fuel tanks used in the Ferguson Lake mine.

(b) Lease liabilities

	September 30, 2023
Beginning balance,	-
Addition	2,604,265
Interest expense on the lease liabilities	142,622
Payment of lease liabilities	(598,800)
Closing balance	2,148,087
Current portion of lease liabilities	934,011
Non-current portion of lease liabilities	1,214,076
Closing balance	2,148,087

Canadian North Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(all amounts are expressed in Canadian dollars)

(Unaudited)

9. Subsequent events

On October 11, 2023, 333,334 Series 1 Warrants were exercised at a price of \$1.50. The Company received the proceeds of \$500,001 and issued 333,334 Common Shares.

On October 23, 2023, 400,000 Series 1 Warrants were exercised at a price of \$1.50. The Company received the proceeds of \$600,000 and issued 400,000 Common Shares.

On November 2, 2023, 400,000 Series 1 Warrants were exercised at a price of \$1.50. The Company received the proceeds of \$600,000 and issued 400,000 Common Shares.

On November 2, 2023, 3,000 share options were exercised at a price of \$1.92. The Company received the proceeds of \$5,760 and issued 3,000 Common Shares.

On November 07, 2023, the Company received the refund of HST from CRA in full amount plus interest, which amounts to \$2,736,046.