

**CANADIAN NORTH RESOURCES INC.**

**Financial Statements**

For the years ended December 31, 2024 and 2023

To the Shareholders of Canadian North Resources Inc.:

## Opinion

We have audited the financial statements of Canadian North Resources Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2024 and December 31, 2023, and the statements of net loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and December 31, 2023, and its financial performance and its cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

## Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2024 and, as of that date, the Company had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

## Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Sergey Fesenko.

Calgary, Alberta

April 11, 2025

*MNP LLP*

Chartered Professional Accountants

## Canadian North Resources Inc.

Statements of Financial Position

(Stated in Canadian Dollars)

As at December 31,

<b>Assets</b>	<b>Note</b>	<b>2024</b>	<b>2023</b>
<b>Current assets</b>			
Cash and cash equivalents		\$ 1,646,226	\$ 5,540,312
HST Receivable		90,900	178,789
Prepaid expenses		148,135	572,937
<b>Total current assets</b>		<b>1,885,261</b>	<b>6,292,038</b>
<b>Non-current assets</b>			
Property and equipment	4	454,669	553,367
Exploration and evaluation assets	5	43,643,698	41,124,576
Right-of-Use Assets	8	1,068,414	2,205,201
<b>Total non-current assets</b>		<b>45,166,781</b>	<b>43,883,144</b>
<b>Total assets</b>		<b>\$ 47,052,042</b>	<b>\$ 50,175,182</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 117,103	\$ 110,182
Current portion of lease obligations	8	834,740	960,371
<b>Total current liabilities</b>		<b>951,843</b>	<b>1,070,553</b>
<b>Long-term Liabilities</b>			
Long-term portion of lease obligations	8	129,377	964,117
Deferred tax liabilities	11	2,615,500	3,140,061
<b>Total liabilities</b>		<b>3,696,720</b>	<b>5,174,731</b>
<b>Shareholders' Equity</b>			
Share capital	7(b)	50,342,630	50,151,975
Contributed surplus	7(c)	7,655,459	7,605,787
Deficit		(14,642,767)	(12,757,311)
<b>Total shareholders' equity</b>		<b>43,355,322</b>	<b>45,000,451</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 47,052,042</b>	<b>\$ 50,175,182</b>

Approved on behalf of the Board of Directors:

*Signed "Lee Q Shim"*

Director

*Signed "Kaihui Yang"*

Director

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

## Canadian North Resources Inc.

### Statements of Net Loss and Comprehensive Loss

(Stated in Canadian Dollars)

For the years ended December 31,

<b>Other income</b>	<b>Note</b>	<b>2024</b>	<b>2023</b>
Interest income		\$ 140,560	\$ 196,553
Flow-through share premium	7(b)	-	3,707,306
Other income		6,000	-
<b>Total other income</b>		<b>146,560</b>	<b>3,903,859</b>
<b>Expenses</b>			
Office and general		1,294,128	2,490,891
Accretion of lease liabilities	8(b)	157,429	198,473
Share based compensation	7(c)	336,163	3,685,237
Professional fees	6	605,458	558,769
Rent	6	71,160	66,000
Depreciation	4	24,213	92,924
Management fees	6	72,000	72,000
<b>Total expenses</b>		<b>2,560,551</b>	<b>7,164,294</b>
Net loss before tax		(2,413,991)	(3,260,435)
Deferred income tax recovery / (expense)	11	524,561	(3,140,061)
<b>Net loss and comprehensive loss</b>		<b>\$ (1,889,430)</b>	<b>\$ (6,400,496)</b>
<b>Loss per share</b>			
Basic and diluted		(0.02)	(0.06)
<b>Weighted average shares outstanding</b>			
Basic and diluted	7(e)	114,477,383	107,527,102

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

## Canadian North Resources Inc.

### Statements of Changes in Shareholders' Equity

(Stated in Canadian Dollars)

	Note	Share Capital	Capital Surplus	Deficit	Total
As at December 31, 2022		\$ 33,897,270	\$ 3,592,410	\$ (6,356,815)	\$ 31,132,865
Common shares issued through warrant exercise	7(b)	9,186,597	-	-	9,186,597
Common shares issued through option exercise	7(b)	118,995	(51,315)	-	67,680
Flow-through shares issued	7(b)	7,432,551	-	-	7,432,551
Flow-through shares cost	7(b)	(483,438)	-	-	(483,438)
Share-based compensation	7(c)	-	4,064,692	-	4,064,692
Net loss and comprehensive loss		-	-	(6,400,496)	(6,400,496)
As at December 31, 2023		\$ 50,151,975	\$ 7,605,787	\$ (12,757,311)	\$ 45,000,451
As at December 31, 2023		\$ 50,151,975	\$ 7,605,787	\$ (12,757,311)	\$ 45,000,451
Common share issued through option exercise	7(b,c)	319,555	(137,857)	-	181,698
Common share buyback under NCIB program	7(b)	(128,900)	-	3,974	(124,926)
Share-based compensation	7(c)	-	187,529	-	187,529
Net loss and comprehensive loss		-	-	(1,889,430)	(1,889,430)
<b>As at December 31, 2024</b>		<b>\$ 50,342,630</b>	<b>\$ 7,655,459</b>	<b>\$ (14,642,767)</b>	<b>\$ 43,355,322</b>

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

## Canadian North Resources Inc.

Statements of Cash Flows  
(Stated in Canadian Dollars)  
For the years ended December 31,

Cash used in:	Note	2024	2023
<b>Operating activities</b>			
Net loss		\$ (1,889,430)	\$ (6,400,496)
Deferred tax expense (recovery)	11	(524,561)	3,140,061
Depreciation	4	24,213	92,924
Share-based compensation	7(c)	336,163	3,685,237
Accretion of lease liabilities	8	157,429	198,473
Flow-through premium		-	(3,707,306)
Changes in non-cash working capital:			
Prepaid expenses and HST receivable		512,690	507,613
Accounts payable and accrued liabilities		6,921	(316,984)
Net cash (used in) provided by operating activities		<b>(1,376,575)</b>	<b>(2,800,478)</b>
<b>Financing Activities</b>			
Proceeds from share issuance	7	181,698	17,311,575
Payments of share issuance cost		-	(483,438)
Payments of share buyback under NCIB program	7(b)	(124,926)	-
Prepayment of lease obligation		-	(500,000)
Repayment of lease obligation	8	(1,117,800)	(878,250)
Net cash (used in) provided by financing activities		<b>(1,061,028)</b>	<b>15,449,887</b>
<b>Investing Activities</b>			
Purchase of property and equipment	4	(3,815)	(114,069)
Expenditures on exploration and evaluation assets		(1,627,106)	(18,437,198)
Funds received from government grant	5	174,438	375,000
Net cash used in investing activities		<b>(1,456,483)</b>	<b>(18,176,267)</b>
<b>Decrease in cash</b>		<b>(3,894,086)</b>	<b>(5,526,858)</b>
<b>Cash and cash equivalents, beginning of year</b>		<b>5,540,312</b>	<b>11,067,170</b>
<b>Cash and cash equivalents, end of year</b>		<b>\$ 1,646,226</b>	<b>\$ 5,540,312</b>

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

# Canadian North Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

(all amounts are expressed in Canadian dollars)

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## 1. Nature of Operations

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

These financial statements are prepared on the assumption that the Company will continue as a going concern for the next 12 months and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. At December 31, 2024, the Company had a working capital of \$933,418 including cash and cash equivalents of \$1,646,226. In addition, the Company had an accumulated deficit of \$14,642,767 and currently does not generate revenue. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Company's ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. The ability of the Company to continue as a going concern and fund its expenses in an orderly manner will require additional forms of financing.

There is no assurance that the Company will be successful in obtaining the required financing at an acceptable cost as and when needed or at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone exploration and/or evaluation plans, forfeit rights in its properties or reduce or terminate its operations.

These financial statements do not include any adjustments to carrying values of assets and liabilities, reported expense and the statement of financial position classifications used, that would be necessary if the going concern assumption were not appropriate.

## 2. Basis of Presentation

### (a) Statement of Compliance

These financial statements of the Company have been prepared in accordance with IFRS® Accounting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These financial statements were approved and authorized for issuance on April 11, 2025 by the Board of Directors.

### (b) Basis of Presentation and Measurement

These financial statements have been prepared using the historical cost convention.

### (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 Financial Statements

For the years ended December 31, 2024 and 2023

(all amounts are expressed in Canadian dollars)

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### 3. Material Accounting Policies

(a) Cash and Cash equivalents

Cash consists of deposits held in a financial institution. Cash equivalents consist of short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(b) Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment loss. Property and equipment include costs to purchase and any costs directly attributable to bring the asset to its current location and condition necessary for its intended use including costs of dismantling and removing the item and restoring the site on which it is located. Expenditures for additions and improvements are capitalized and expenditures for maintenance and repairs are charged to expense.

Depreciation is calculated using straight line depreciation method over a period of 5 to 10 years. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposition, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of net loss and comprehensive loss.

Where an item of property and equipment consists of major components with different useful lives, the components are accounted for as separate items of property and equipment.

Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

(c) 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 expense 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.

## Canadian North Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

(all amounts are expressed in Canadian dollars)

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### 3. Material Accounting Policies (continued)

#### (c) Leases (continued)

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.

#### (d) Impairment of non-financial assets

At the end of each reporting period the carrying amounts of the Company's non-financial assets are reviewed to determine whether there are any indications that the assets are impaired. The Company uses external factors, such as changes in expected future prices and costs, and other market factors to assess for indications of impairment. If any such indication exists, an estimate of the asset's recoverable amount is calculated; being the higher of fair value less direct costs of disposal and the asset's value in use.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired, and an impairment loss is charged to the statement of net loss and comprehensive loss so as to reduce the carrying amount in the statement of financial position to its recoverable amount.

Fair value less costs of disposal is determined as the amount that would be obtained from the sale of assets in an arm's length transaction between knowledgeable and willing parties. Fair values for mineral assets are generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted by a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, to arrive at a net present value of the asset.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. Value in use is determined by applying assumptions specific to the Company's continued use and cannot take into account future development.

In testing for indications of impairment and performing impairment calculations, assets are considered as collective groups and referred to as cash generating units. Cash generating units are the smallest identifiable group of assets, liabilities and associated goodwill that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

#### (e) Exploration and evaluation assets ("E&E Assets")

E&E Assets include the costs of acquiring licenses, exploration and evaluation activity, and the fair value, at the date of acquisition, of exploration and evaluation assets acquired in a business combination. Costs incurred before the Company has obtained legal rights to explore an area are recognized in the statement of net loss and comprehensive loss.

## Canadian North Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

(all amounts are expressed in Canadian dollars)

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### 3. Material Accounting Policies (continued)

#### (e) Exploration and evaluation assets (“E&E Assets”) (continued)

Acquisition costs, including general and administration costs, are only capitalized to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploration or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

E&E Assets are assessed for impairment if sufficient evidence exists to determine technical feasibility and commercial viability or facts and circumstances suggest the carrying amount exceeds the recoverable amount.

Once technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to the area of interest are first tested for impairment and then reclassified to mining property development assets within property and equipment.

Recoverability of the carrying amount of any E&E Assets is dependable on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

#### (f) Taxes

Tax on the profit or loss for the years presented comprises current and deferred taxes. Tax is recognized in the statement of net loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting period, adjusted for any income tax reassessments from prior periods.

Deferred tax is provided in full, using the liability method based on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled.

Deferred tax assets are recognized for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

## Canadian North Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

(all amounts are expressed in Canadian dollars)

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### 3. Material Accounting Policies (continued)

(f) Taxes (continued)

Current and deferred taxes attributable to amounts recognized directly in equity are also recognized directly in equity.

(g) Loss per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the total net loss and comprehensive loss attributed to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting the number of shares for the effects of dilutive options and other dilutive potential units. The effects of anti-dilutive potential units are ignored in calculating dilutive loss per share. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

(h) Financial Instruments

The Company recognizes financial assets and financial liabilities, including derivatives, on the statement of financial position when the Company becomes a party to the contract. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or when the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are removed from financial statements when the liability is extinguished either through settlement of, or release from, the obligation of the underlying liability.

Financial assets, financial liabilities and derivatives are measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial instrument's classification, as described below.

*Amortized cost*

A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of the cash flows; and all contractual cash flows represent only principal and interest on that principal. All financial liabilities are measured at amortized cost using the effective interest method except for liabilities incurred for the purposes of selling or repurchasing in the short-term liabilities, if they are held-for trading and those that meet the definition of a derivative.

Cash and cash equivalents, accounts payable and accrued liabilities are classified as assets or liabilities measured at amortized cost.

## Canadian North Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

(all amounts are expressed in Canadian dollars)

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### 3. Material Accounting Policies (continued)

#### (h) Financial Instruments (continued)

##### *Fair value through other comprehensive income (“FVTOCI”)*

A financial asset shall be measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payment of Principal and Interest (“SPPI”) on the principal amount outstanding.

##### *Fair value through profit or loss (“FVTPL”)*

All financial assets that do not meet the definition of being measured at amortized cost or FVTOCI are measured at FVTPL, this includes all derivative financial assets. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. For financial assets and liabilities, the Company may make an irrevocable election to designate an asset at FVTPL. If the election is made it is irrevocable, meaning that asset, liability, or group of financial instruments must be recorded at FVTPL until that asset, liability or group of financial instruments are derecognized.

Financial assets and liabilities are offset and the net amount is reported on the statement of financial position when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

#### (i) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax, risk-free rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on associated assets.

#### (j) Share Purchase Warrants

The Company issues share purchase warrants in connection with certain equity transactions. The fair value of the warrants, as determined using the Black-Scholes pricing model, is credited to contributed surplus. The recorded value of the share purchase warrants is transferred to share capital upon exercise.

## Canadian North Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

(all amounts are expressed in Canadian dollars)

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### 3. Material Accounting Policies (continued)

#### (k) Flow-through Shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors under Canadian income tax legislation. On issuance, the Company separates the flow-through share into,

- 1) Share capital; and,
- 2) A flow-through share premium liability which is equal to the difference between the current market price of the Company's common shares on the date of issue and the issue price of the flow-through share.

At the time the Company renounces the tax benefit, the premium is reversed to other income, and a deferred tax liability is recognized.

#### (l) Share-based payment transactions

The Company operates an equity-settled compensation plan under which it receives services from employees, directors, officers, and contractors as consideration for equity instruments of the Company.

The Company uses the Black-Scholes pricing model to estimate the fair value of equity-settled awards at the grant date. The expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period.

When recognizing the fair value of each tranche over its respective vesting period, the Company incorporates an estimate of the number of options expected to vest and revises that estimate when subsequent information indicates that the number of options expected to vest differs from previous estimates.

No expense is recognized for awards that do not ultimately vest, except for equity-settled awards where vesting is conditional upon a market or non-vesting condition which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. Upon the exercise of options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

#### (m) Government grants

Government grants are recognized when there is reasonable assurance that the Company will comply with the conditions attached to the grant and that the grant will be received. When the grant relates to an expense item, it is recognized as a deduction against the related expense over the necessary period to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it reduces the carrying amount of the asset. Government assistance received relating to future expenses is deferred and deducted against the related expenditures as incurred.

## Canadian North Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

(all amounts are expressed in Canadian dollars)

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### 3. Material Accounting Policies (continued)

#### (n) Use of Estimates and Judgments

The preparation of financial statements requires management to make estimates and use judgments regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the statement of financial position and the reported amounts of expenses during the year. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future years could require a material change in the financial statements. Accordingly, actual results may differ from the estimated amounts as future confirming events occur. Adjustments are recorded in the current year as they become known.

#### Accounting Estimates

##### *Exploration and evaluation assets*

The Company conducts impairment review of exploration and evaluation expenditures and equipment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Determining whether an asset is impaired requires an estimation on the recoverable amount.

##### *Share-based payments*

The factors affecting share-based payments include estimates of when stock options might be exercised, forfeitures and the stock price volatility. The timing for exercise of options is out of the Company's control and will depend, among other things, upon a variety of factors including the market value of Company shares, whether a non-trading restriction has been imposed by the Company, and financial objectives of the holders of the options. The Company has used historical data to determine volatility in accordance with Black-Scholes modeling, however future volatility is inherently uncertain.

##### *Deferred taxes*

The calculations for current and deferred taxes require management's interpretation of tax regulations and legislation in the various tax jurisdictions in which the Company operates, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management's assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income.

The Company is subject to assessments by various taxation authorities in the tax jurisdictions in which it operates, and these taxation authorities may interpret the tax legislation and regulations differently than management. In addition, the calculation of income taxes involves many complex factors. As such, income taxes are subject to measurement uncertainty and actual amounts of taxes may vary from the estimates made by management.

## Canadian North Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

(all amounts are expressed in Canadian dollars)

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### 3. Material Accounting Policies (continued)

(n) Use of Estimates and Judgments (continued)

#### Accounting Estimates(continued)

##### *Incremental Borrowing Rate*

The Company is tasked with determining the incremental borrowing rate("IBR"). This estimation process involves assessment of various factors including the term of the lease, the asset's nature and value, the lessee's creditworthiness, and prevailing market conditions. The determined IBR is used to discount future lease payments to their present value, thereby calculating the lease liability and right-of-use asset.

#### Accounting Judgments

##### Recoverability of exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely to arise from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of resources or reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances and in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off, in whole or in part, in profit or loss in the period when the new information becomes available.

Exploration and evaluation assets are reviewed for changes in facts and circumstances evaluating whether the carrying amount exceeds the recoverable amount at each consolidated statement of financial position date. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends and interruptions in exploration activities. The Company's review considers the following:

- The period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditures on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources, and the entity has decided to discontinue such activities in the specific area; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

## Canadian North Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

(all amounts are expressed in Canadian dollars)

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### 3. Material Accounting Policies (continued)

#### (n) Use of Estimates and Judgments (continued)

##### Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgements. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### Provisions

Management's determination of no material restoration, rehabilitation and environmental exposure is based on the facts and circumstances that existed during the year.

##### Contingencies

Management uses judgment to assess the existence of contingencies. By their nature, contingencies will only be resolved when one of more future events occur or fail to occur. Management also uses judgment to assess the likelihood of the occurrence of one or more future events.

##### Cash generating unit ("CGU") determination

An impairment test requires the Company to determine the recoverable amount of an asset or group of assets. For non-current assets, including property and equipment and E&E Assets, the recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the individual assets are grouped together into a CGU for impairment testing purposes. A CGU for impairment testing is typically considered to be an individual mine site or a development project. The Company has determined that it has one CGU based on its one project.

### 4. Property and Equipment

	2024	2023
<b>Cost</b>		
Beginning balance January 1	\$ 889,464	\$ 775,395
Addition	3,815	114,069
Closing balance, December 31	\$ 893,279	\$ 889,464
<b>Accumulated Depreciation</b>		
Beginning balance January 1	\$ 336,097	\$ 243,173
Depreciation in E&E cost	78,300	-
Depreciation for the period	24,213	92,924
Closing balance, December 31	\$ 438,610	\$ 336,097
<b>Net Book Value, January 1</b>	<b>\$ 553,367</b>	<b>\$ 532,222</b>
<b>Net Book Value, December 31</b>	<b>\$ 454,669</b>	<b>\$ 553,367</b>

## Canadian North Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

(all amounts are expressed in Canadian dollars)

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### 5. Exploration and Evaluation Assets

	2024	2023
Beginning balance, January 1	\$ 41,124,576	\$ 21,783,859
Exploration costs	2,693,560	19,715,717
Funds received from government grant	(174,438)	(375,000)
Closing balance, December 31	\$ 43,643,698	\$ 41,124,576

### 6. Related Party Transactions

The Company has identified directors and senior officers as key management personnel. During the year ended December 31, 2024, the Company recognized the following transactions with related parties:

- \$71,160 (2023 - \$66,000) rental expenses paid to companies owned by a director of the Company.
- \$72,000 (2023 - \$72,000) management fee paid to a company owned by a director of the Company.
- \$320,000 (2023 - \$280,000) geological consulting fee paid to a company owned by a director of the Company.
- \$57,435 (2023 - \$74,396) professional fees paid to companies owned by an officer of the Company.
- \$1,200,222 (2023 - \$9,209,384) logistics and equipment rental cost to a company owned by a shareholder of the Company.
- \$Nil (2023 - \$1,076,823) cost of share-based compensation that granted to the directors and managements of the Company.

During the year ended December 31, 2023 the Company paid \$500,000 to a related party for the lease of two rigs, which was included in ROU Assets. The amount receivable from a related party was \$nil (2023 - \$74,968).

As at December 31, 2024, the amount owing to related party was \$3,597 (2023 – \$8,267) and included in accounts payable. The amount owing to related party is 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 Financial Statements

For the years ended December 31, 2024 and 2023

(all amounts are expressed in Canadian dollars)

### 7. Share Capital

(a) Authorized

Unlimited number of common shares without nominal or par value and an unlimited number of preference shares.

(b) Issued: Common shares and Series 1 Warrants

	Number of shares	Number of series 1 warrants	Value
<i>Common shares:</i>			
December 31, 2022	105,293,475	13,332,737	\$ 33,897,270
Issuance of common shares through exercise of option (iv)	64,000	-	118,995
Issuance of common shares through exercise of series 1 warrants (v)	6,124,398	(6,124,398)	9,186,597
Issuance of flow-through shares (v)	2,864,046	-	7,432,551
Cost of issuance of flow-through shares	-	-	(483,438)
Series 1 warrants expired	-	(7,208,339)	-
December 31, 2023	114,345,919	-	\$ 50,151,975
Issuance of common shares through exercise of option (i)	181,698	-	319,555
Cancellation of common shares through NCIB program (ii)	(128,900)	-	(128,900)
December 31, 2024	114,398,717	-	\$ 50,342,630
<i>Total share capital</i>			
Balance, December 31, 2023	114,345,919	-	\$ 50,151,975
Balance, December 31, 2024 (iii)	114,398,717	-	\$ 50,342,630

(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.

(ii) During December 2024, the Company bought back and cancelled common shares of 128,900 shares under the Normal Course Issuer Bid (the "NCIB") program, which commenced on April 10, 2024 for 12 months period.

(iii) As of December 31, 2024, the Company has 12,139,227 common shares held in escrow. These shares are subject to trading restrictions. Pursuant to the escrow agreement, these shares are scheduled for release on April 5, 2025, at which time they will become freely tradable. This arrangement does not impact on the total issued and outstanding share capital of the Company.

(iv) During the year 2023, the Company issued a total of 64,000 Common Shares upon the exercise of share options, generating aggregate proceeds of \$67,680.

## Canadian North Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

(all amounts are expressed in Canadian dollars)

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### 7. Share Capital (continued)

(b) Issued: Common shares and Series 1 Warrants (continued)

(v) During the year 2023, the Company issued a total of 6,124,398 Common Shares upon the exercise of Series 1 Warrants, generating aggregate proceeds of \$9,186,597.

(vi) During the year 2023, the Company issued 2,864,046 Flow-Through shares at a weighted average price of \$2.81 per share, generating gross proceeds of \$8,057,298. The Company has fully complied with the terms of the Flow-Through share agreements by incurring eligible exploration expenditures as required. As of December 31, 2024, the renounced expenditure obligation of \$1,159,924 was fulfilled. There are no further commitments related to Flow-Through share arrangements as of the financial statement date.

(c) Contributed surplus

	<b>2024</b>	2023
Beginning balance January 1	<b>7,605,787</b>	3,592,410
Share-based compensation	<b>187,529</b>	4,064,692
Exercise of stock option	<b>(137,857)</b>	(51,315)
Closing balance, December 31	<b>7,655,459</b>	7,605,787

(d) Share options

	<b>2024</b>	2023
Beginning balance January 1	<b>6,456,523</b>	3,466,698
Grant of stock option	-	3,198,825
Expiry of stock option	<b>(2,168,825)</b>	(145,000)
Forfeiture of stock option	<b>(592,000)</b>	-
Exercise of stock option	<b>(181,698)</b>	(64,000)
Closing balance, December 31	<b>3,514,000</b>	6,456,523

The Company did not grant share options during the year 2024. During the year 2023, there are 3,198,825 share options granted to the directors, employees and consultants at the weighted average exercise price of \$2.44.

## Canadian North Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

(all amounts are expressed in Canadian dollars)

### 7. Share Capital (continued)

(d) Share options (continued)

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

Expiry date	Exercise Price	Outstanding December 31, 2023	Granted	Exercised	Cancelled/ Expired	Outstanding December 31, 2024	Exercisable December 31, 2024
April 4, 2027	\$1.00	711,698	-	(181,698)	-	530,000	530,000
May 18, 2027	\$1.92	2,571,000	-	-	(272,000)	2,299,000	2,169,000
December 31, 2024(i)	\$1.70	1,600,000	-	-	(1,600,000)	-	-
November 4, 2024(ii)	\$2.45	500,000	-	-	(500,000)	-	-
May 4, 2028	\$2.45	650,000	-	-	(50,000)	600,000	600,000
August 14, 2024	\$2.35	106,000	-	-	(106,000)	-	-
August 13, 2028	\$2.35	200,000	-	-	(175,000)	25,000	12,500
August 16, 2028	\$2.35	85,000	-	-	(25,000)	60,000	60,000
October 17, 2024	\$3.15	32,825	-	-	(32,825)	-	-
<b>Total</b>		<b>6,456,523</b>	<b>-</b>	<b>(181,698)</b>	<b>(2,760,825)</b>	<b>3,514,000</b>	<b>3,371,500</b>
<b>Weighted average exercise price</b>		<b>\$2.08</b>				<b>\$1.88</b>	

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

(ii) The Company amended the expiry date from May 5<sup>th</sup> 2024 to November 4<sup>th</sup> 2024.

The weighted average fair value of share purchase options as at December 31, 2024 is \$1.88 (2023 – \$2.08).

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

	2024	2023
Risk-free interest rate	-%	3.08%-4.30%
Expected life in years	-	1-5
Expected volatility*	-%	77.99%-84.88%
Grant date share price	-	\$2.30-\$3.12
Expected forfeiture rate	-%	-%

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

## Canadian North Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

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### 7. Share Capital (continued)

#### (e) *Weighted average shares outstanding*

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

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

	<u>2024</u>	<u>2023</u>
Opening balance	<b>114,345,919</b>	105,293,475
Weighted average change in common shares	<b>131,464</b>	2,233,627
Weighted average as at period end	<b>114,477,383</b>	107,527,102

### 8. Leases

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

	<u>2024</u>	<u>2023</u>
Cost		
Beginning balance, January 1	\$ 3,104,265	\$ -
Addition	-	3,104,265
Closing balance, December 31	<b>\$ 3,104,265</b>	\$ 3,104,265
Accumulated depreciation		
Beginning balance, January 1	\$ 899,064	\$ -
Addition	<b>1,136,787</b>	899,064
Closing balance, December 31	<b>\$ 2,035,851</b>	\$ 899,064
Net book value		
Beginning balance, January 1	\$ 2,205,201	\$ -
Closing balance, December 31	<b>\$ 1,068,414</b>	\$ 2,205,201

The ROU assets recognized by the Company are comprised of \$nil (2023 - \$3,104,265) related to drilling rigs and transportable fuel tanks used in the Ferguson Lake mine. There was \$500,000 prepayment embedded in the cost of ROU. The depreciation of the ROU assets was capitalized in the exploration cost of \$1,136,787 (2023 - \$899,064).

## Canadian North Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

(all amounts are expressed in Canadian dollars)

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### 8. Leases (continued)

#### (b) Lease liabilities

	2024	2023
Beginning balance,	\$ 1,924,488	\$ -
Addition	-	2,604,265
Interest expense on the lease liabilities	157,429	198,473
Payment of lease liabilities	(1,117,800)	(878,250)
Closing balance	\$ 964,117	\$ 1,924,488
Current portion of lease liabilities	\$ 834,740	\$ 960,371
Non-current portion of lease liabilities	129,377	964,117
Closing balance	\$ 964,117	\$ 1,924,488

### 9. 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 fulfil 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 \$1,885,261 (2023 - \$6,292,038) to settle obligations of \$951,843 (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.

## Canadian North Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

(all amounts are expressed in Canadian dollars)

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### 9. Financial Instruments and Risk Management (continued)

#### (c) Market risk(continued)

##### 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.

#### (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. As of December 31, 2024, the Company does not have financial instruments measured at fair value through profit and loss.

### 10. Capital Management

The Company manages its capital in a manner consistent with the risk characteristics of the assets it holds. All financing, including equity and debt, are analyzed by management and approved by the Board of Directors.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and provide returns for shareholders and to facilitate the development of its core business.

The Company considers cash and cash equivalents and shareholders' equity to be capital of the Company. The Company does not have any externally imposed restrictions on its capital and there have been no changes in the Company's approach to capital management from previous years.

## Canadian North Resources Inc.

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

(all amounts are expressed in Canadian dollars)

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### 11. Taxes

The reconciliation of the expected tax expense calculated by applying the combined Federal and Provincial corporate income tax rates to the tax provision for the year is a result of the following items:

	2024	2023
Loss before tax	\$ (2,413,991)	\$ (3,260,435)
Statutory tax rate	26.5%	26.5%
Expected income tax recovery	(639,708)	(864,015)
Increase (decrease) resulting from:		
Change in deferred tax assets not being recognized	-	4,004,076
Other	115,147	-
Deferred tax expenses / (recovery)	\$ (524,561)	\$ 3,140,061

The significant components of the Company's deferred tax liability are as follows:

	2024	2023
Mineral properties interests	\$ (5,314,989)	\$ (4,792,764)
Lease related balances	104,861	58,111
Share issue costs	76,867	102,489
Non-capital loss carry forwards	2,517,761	1,492,103
Deferred tax liability	\$ (2,615,500)	\$ (3,140,061)