NORONT

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND MARCH 31, 2016

(EXPRESSED IN CANADIAN DOLLARS)

Noront Resources Ltd.
Condensed Consolidated Interim Statement of Financial Position
(Expressed in Canadian dollars)
(Unaudited)

	Note	As at March 31, 2017	As at December 31, 2016
Assets			
Current Assets			
Cash and cash equivalents	4	$ 8,684,128	$ 11,480,077
Taxes and other receivables		78,439	129,760
Supplies inventory		250,832	226,878
Prepaid expenses		89,643	104,634
Total Current Assets		$ 9,103,042	$ 11,941,349
Non-Current Assets			
Equipment	5	1,492,898	1,614,692
Mineral properties	6	25,418,065	25,418,065
Investments		240,600	240,600
Total Non-Current Assets		$ 27,151,563	$ 27,273,357
Total Assets		$ 36,254,605	$ 39,214,706
Liabilities and Shareholders' Deficit			
Current Liabilities			
Accounts payable and accrued liabilities	7	$ 1,450,524	$ 1,397,458
Loan Facilities - due to Resource Capital Funds V L.P.	8a	17,679,052	17,174,433
Repayment option	8c	1,196,189	2,144,371
Flow-through share liability		389,211	813,267
Total Current Liabilities		20,714,976	21,529,529
Non-Current Liabilities			
Provision for environmental obligations	9	1,633,960	1,662,031
Loan Facilities - due to Franco-Nevada Corporation	8b	29,695,100	28,750,976
Total Non-Current Liabilities		$ 31,329,060	$ 30,413,007
Total Liabilities		$ 52,044,036	$ 51,942,536
Shareholders' Deficit			
Capital stock	10b	$ 195,161,929	$ 194,758,699
Warrants	10d	2,334,489	2,334,489
Contributed surplus		35,883,175	35,343,243
Deficit		(249,169,024)	(245,164,261)
Total Shareholders' Deficit		$ (15,789,431)	$ (12,727,830)
Total Shareholders' Deficit and Liabilities		$ 36,254,605	$ 39,214,706

Nature of Business and Going Concern (Note 1)
Commitments and Contingencies (Note 12)

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The accompanying notes are an integral part of these consolidated financial statements.

Noront Resources Ltd.
Condensed Consolidated Interim Statement of Income (Loss) and Comprehensive Income (Loss)
(Expressed in Canadian dollars)
(Unaudited)

		Three Months Ended	
	Note	**March 31, 2017**	March 31, 2016
Expenses			
Development and exploration expenditures	**14a**	**$ 2,037,294**	$ 1,488,020
Office and general	**14b**	**869,024**	557,824
Amortization		**84,239**	94,236
Share-based compensation	**10c,d**	**539,932**	315,483
Loss before finance items and other gains		**$ (3,530,489)**	$ (2,455,563)
Interest income		**13,220**	4,207
Finance expense		**(1,050,377)**	(1,076,702)
Flow-through share premium		**424,056**	216,179
Gain on sale of royalty		**-**	2,057,046
Accretion expense		**(1,220,441)**	(526,933)
Re-measurement of repayment option	**8c**	**948,182**	1,800,421
Re-measurement of embedded derivative		**-**	(117,679)
Foreign exchange gain		**411,086**	2,727,289
Other		**-**	22,500
Net income (loss) and comprehensive income (loss)		**$ (4,004,763)**	$ 2,650,765
Earnings (loss) per share - basic	**11**	**$ (0.01)**	$ 0.01
Earnings (loss) per share - diluted	**11**	**$ (0.01)**	$ 0.00

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The accompanying notes are an integral part of these consolidated financial statements.

Noront Resources Ltd.
Condensed Consolidated Interim Statement of Changes in Shareholders' Deficit
(Expressed in Canadian dollars, unless otherwise indicated)
(Unaudited)

	Common Shares	Capital Stock	Warrants	Contributed Surplus	Deficit	Total
Balance, December 31, 2015	**255,857,623**	**$ 176,756,027**	**$ 62,859**	**$ 34,616,275**	**$ (235,184,096)**	**$ (23,748,935)**
Issue of shares	20,009,289	6,060,511	-	-	-	6,060,511
Flow-through share premium	-	(535,359)	-	-	-	(535,359)
Exercise of options	700,000	208,833	-	(71,166)	-	137,667
Issuance of interest shares	1,270,237	504,070	-	-	-	504,070
Issue of warrants	-	-	811,519	-	-	811,519
Share-based compensation	-	-	-	315,483	-	315,483
Net income for the period	-	-	-	-	2,650,765	2,650,765
Balance, March 31, 2016	**277,837,149**	**$ 182,994,082**	**$ 874,378**	**$ 34,860,592**	**$ (232,533,331)**	**$ (13,804,279)**

	Common Shares	Capital Stock	Warrants	Contributed Surplus	Deficit	Total
Balance, December 31, 2016	**324,392,693**	**$ 194,758,699**	**$ 2,334,489**	**$ 35,343,243**	**$ (245,164,261)**	**$ (12,727,830)**
Issuance of interest shares (Note 8,10b)	1,636,383	403,230	-	-	-	403,230
Share-based compensation (Note 10c,e)	-	-	-	539,932	-	539,932
Net loss for the period	-	-	-	-	(4,004,763)	(4,004,763)
Balance, March 31, 2017	**326,029,076**	**$ 195,161,929**	**$ 2,334,489**	**$ 35,883,175**	**$ (249,169,024)**	**$ (15,789,431)**

Noront Resources Ltd.
Condensed Consolidated Interim Statement of Cash Flows
(Expressed in Canadian dollars)
(Unaudited)

	Note	Three Months Ended March 31, 2017	March 31, 2016
Operating activities			
Net income (loss) for the period		**$ (4,004,763)**	$ 2,650,765
Amortization		**84,239**	94,236
Share-based compensation	**10c,e**	**539,932**	315,483
Accretion expense		**1,220,441**	526,933
Flow-Through share premium		**(424,056)**	(216,179)
Issuance of interest shares		**403,230**	504,070
Re-measurement of repayment option		**(948,182)**	(1,800,421)
Re-measurement of embedded derivative		**-**	117,679
Accrued interest on long term debt	**8b**	**650,025**	629,917
Gain on sale of royalty		**-**	(2,057,046)
Unrealized foreign exchange gain		**(411,484)**	(2,739,377)
Net change in non-cash working capital:			
Taxes and other receivables		**51,321**	134,673
Supplies inventory		**(23,954)**	(344,924)
Prepaid expenses		**14,991**	71,797
Accounts payable and accrued liabilities		**53,066**	53,283
Flow-Through proceeds on sale of tax benefits		**-**	535,359
Net cash used in operating activities		**$ (2,795,194)**	$ (1,523,752)
Investing activities			
Acquisition of mineral properties including transaction costs		**-**	(70,000)
Proceeds on sale of royalties, net of costs		**-**	621,099
Net cash provided by investing activities		**$ -**	$ 551,099
Financing activities			
Proceeds from exercise of options		**-**	137,667
Prospectus equity issuance, net of costs and sale of tax benefits		**-**	5,480,406
Private placement, net of costs and sale of tax benefits		**-**	942,851
Finance lease		**-**	(1,990)
Net cash provided by financing activities		**$ -**	$ 6,558,934
Change in cash and cash equivalents		**$ (2,795,194)**	$ 5,586,281
Effect of foreign exchange rates on cash and cash equivalents		**(755)**	(27,747)
Cash and cash equivalents, beginning of period		**11,480,077**	3,099,297
Cash and cash equivalents, end of period		**$ 8,684,128**	$ 8,657,831

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of Business and Going Concern

Noront Resources Ltd. (the "Company" or "Noront") is a resource Company listed on tier 1 of the TSX Venture Exchange ("TSX-V") involved in the exploration, development and acquisition of properties prospective in base and precious metals, including: nickel, copper, platinum group metals, precious metals, chromite, and vanadium. The Company's assets consist of its flagship Eagle's Nest nickel-copper-platinum-palladium deposit, deposits of high grade chromite and copper-zinc volcanic massive sulphide (VMS) deposits which are part of the Company's McFauld's Lake Project. The assets are located primarily in the area known as the Ring of Fire ("ROF") in the James Bay Lowlands, Ontario. Eagle's Nest is the Company's most advanced mining project in the ROF and is the first of several mineral discoveries that have been made since 2007. The address of Noront's head office is 110 Yonge Street, Suite 400, Toronto, ON, Canada, M5C 1T4.

The Company is a development stage entity that does not generate operating revenues and has limited financial resources. The Company is subject to risks and challenges similar to companies in a comparable stage of development. These risks include the availability of capital and risks inherent in the mining industry related to development, exploration and operations as well as global economic and commodity price volatility. The underlying value of the Company's mineral properties and the recoverability of the related capitalized costs are entirely dependent on the Company's ability either to obtain the necessary permits to operate and secure the required financing to complete development of and establish future profitable production from its mineral assets, or the proceeds from the disposition of its mineral properties.

These condensed consolidated interim financial statements have been prepared using International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board (IASB) on a going concern basis, which assumes the Company will be able to meet its obligations and continue its operations for the next twelve months from March 31, 2017. At March 31, 2017, the Company had not yet achieved profitable operations, had an accumulated deficit of $249.2 million since inception (December 31, 2016 – $245.2 million) and expects to incur further losses in the development of its business, and had a net working capital deficit of $10.0 million as a result of the $17.7 million convertible loan facility which is due on December 31, 2017. Net working capital includes all current assets and current liabilities, excluding the non-cash repayment option of $1.2 million and the flow-through share liability of $0.4 million. The Company also has a flow-through commitment to spend $2.3 million on Canadian Exploration Expenditures by December 31, 2017. The Company will need to raise funds, negotiate an extension on the terms of its convertible loan facility or the holder has to convert the loan to equity as the Company does not have the cash nor cash flow to repay the facility.

The Company's ability to continue as a going concern is dependent upon its ability to repay or refinance its long term debt facilities, obtain the necessary financing to meet its ongoing corporate overhead expenditures as well as advance the exploration of its claims and development of its projects in the Ring of Fire. Although the Company has been successful in the past in refinancing its debt and obtaining financing, there is no assurance that it will be able to do so in the future or that such arrangements will be on terms advantageous to the Company. These material uncertainties cast significant doubt upon the Company's ability to realize its assets and discharge its liabilities in the normal course of business and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

These condensed consolidated interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. Basis of Preparation

These condensed consolidated interim financial statements are prepared in accordance with IFRS, including International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the IASB. These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS and include information necessary or useful to understanding the Company's business and financial statement presentation.

The condensed consolidated interim financial statements have been prepared using the same accounting policies, methods of computation and presentation as were applied in the annual financial statements for the year ended December 31, 2016. These condensed consolidated interim financial statements were approved by the Audit Committee on behalf of the Board of Directors on May 25, 2017.

3. Significant Accounting Policies

a) Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, investments, accounts payable and accrued liabilities, loan facilities and the related repayment option.

The Company has classified its cash and cash equivalents as loans and receivables which are measured at amortized cost. The carrying value of these instruments approximates their fair values due to their short-term nature.

Investments in publicly traded companies, which do not trade in an active market, are designated as available-for-sale and are recorded in the condensed consolidated interim statement of financial position at fair value. Fair value is based on the market values of comparable companies, if such information is readily available, or by reference to recent transactions involving assets held by a comparable Company with adjustments for differences in mineral resources for the assets.

The three levels of fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
Level 3 - Inputs for assets or liabilities that are not based on observable market data

The repayment option is measured at fair value and classified as Level 2 (Note 8c).

Investments are classified as Level 3.

Financial liabilities classified as other financial liabilities are initially recognized at fair value net of transaction costs and are subsequently measured at amortized cost using the effective interest rate method. Accounts payable and accrued liabilities and the loan facilities are classified as other financial liabilities. Other financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date. The carrying value of the Company's accounts payable and accrued liabilities and loan facilities with RCF approximates the fair values of those financial instruments, due to the short-term maturity of such instruments. The carrying value of the Company's loan facility with Franco-Nevada Corporation, exclusive of transaction costs, approximates fair value as there has not been a significant change in circumstances since this facility was recorded at fair value on initial recognition.

b) New and Amended Standards Adopted by the Company

The following standard was effective and implemented as of January 1, 2017. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting the new standard.

Disclosure Initiative - Amendments to IAS 7 Statement of Cash Flows

The Company has adopted the amendments to IAS 7 Statement of Cashflows, in its financial statements for the annual period beginning on January 1, 2017. On first application, the Company is not required to provide comparative information in respect of preceding periods.

The amendment requires disclosure of changes in financial liabilities and financial assets arising from financing activities. These are liabilities and assets for which cash flows were, or future cash flows will be, classified in the statement of cash flows from financing activities. The adopted standard has no material impact as the Company has always disclosed the changes of its financial liabilities (Note 8).

(Expressed in Canadian dollars, unless otherwise noted)

4. Cash and Cash Equivalents

Cash and cash equivalents consist of:	**March 31, 2017**	December 31, 2016
Cash deposits	**$ 8,580,020**	$ 11,376,173
Guaranteed investment certificate	**104,108**	103,904
	$ 8,684,128	$ 11,480,077

5. Equipment

March 31, 2017	Equipment	Furniture & Fixtures	Leasehold Improvements	Total
Cost	$ 4,638,288	$ 115,027	$ 200,287	$ 4,953,602
Accumulated Amortization	(3,177,288)	(99,363)	(184,053)	(3,460,704)
Closing Net Book Value	$ 1,461,000	$ 15,664	$ 16,234	$ 1,492,898
Opening Net Book Value	$ 1,581,115	$ 16,489	$ 17,088	$ 1,614,692
Re-measurement of provision[1]	(37,555)	-	-	(37,555)
Amortization	(82,560)	(825)	(854)	(84,239)
Closing Net Book Value	$ 1,461,000	$ 15,664	$ 16,234	$ 1,492,898

December 31, 2016	Equipment	Furniture & Fixtures	Leasehold Improvements	Total
Cost	$ 4,675,842	$ 115,027	$ 200,287	$ 4,991,156
Accumulated Amortization	(3,094,727)	(98,538)	(183,199)	(3,376,464)
Closing Net Book Value	$ 1,581,115	$ 16,489	$ 17,088	$ 1,614,692
Opening Net Book Value	$ 1,797,652	$ 20,611	$ 21,360	$ 1,839,623
Additions	234,509	-	-	234,509
Remeasurement of provision[1]	(68,050)	-	-	(68,050)
Amortization	(382,996)	(4,122)	(4,272)	(391,390)
Closing Net Book Value	$ 1,581,115	$ 16,489	$ 17,088	$ 1,614,692

[1]A re-measurement of the asset retirement obligation for the McFauld's Lake and Butler Lake properties was recognized due to a change in the discount rate used to calculate the obligations as further described in Note 9.

(Expressed in Canadian dollars, unless otherwise noted)

6. Mineral Properties

		March 31, 2017	December 31, 2016
(i)	McFauld's Lake Property - "Ring of Fire", James Bay Lowlands, Northeastern Ontario		
	Opening balance	**$ 24,654,708**	$ 26,092,812
	Sale of 1% NSR royalty to RCF	**-**	(1,438,104)
		24,654,708	24,654,708
(ii)	Butler and Sanderson Properties - "Ring of Fire", James Bay Lowlands, Northeastern Ontario		
	Opening balance	**763,357**	-
	Acquisition of mineral assets	**-**	750,000
	Acquisition costs	**-**	13,357
		763,357	763,357
		$ 25,418,065	$ 25,418,065

Big Daddy, Black Thor, Black Label and Other Properties

On April 28, 2015, the Company acquired mineral properties including the Black Thor, Big Daddy and Black Label chromite deposits, the McFauld's Lake volcanic massive sulphide (VMS) deposits and other various claims for USD$27.3 million (CAD$32.9 million). The value of the royalties granted against these properties reduced the amount capitalized.

The Company has granted the following royalties to Franco-Nevada:

a) 2% Gross Smelter Royalty (GSR) on all of the Company's chromite properties, except for Black Thor for which there is a 3% GSR and the Big Daddy deposit which is not subject to a royalty.
b) 2% NSR over all other minerals of the Company's properties, excluding the Company's Eagle's Nest deposit and its McFauld's Lake VMS deposit.

McFauld's Lake

Eagle's Nest, nickel, copper, platinum group element (PGE) Deposit

Condor/Greenstone retains a 1% Net Smelter Royalty (NSR) on the Eagle's Nest nickel, copper, PGM deposit which may be purchased by the Company at any time upon payment of the sum of $500,000 and/or at the Company's option, issuance of an equivalent number of common shares of the Company.

In addition, on January 14, 2016 the Company closed the sale of a 1% NSR over the Eagle's Nest deposit to RCF for a sum of US$2.5 million. The agreement contains a buy back provision whereby Noront can repurchase 50% of the royalty for US$3.1 million for a period of 30 months. The proceeds from this transaction were used to extinguish the US$2.0 million bridge loan payable to RCF and for working capital. The sale of the royalty was recorded as a reduction in the carrying value of mineral property to the extent of previously capitalized acquisition costs for the Eagle's Nest deposit ($1.4 million) and the remaining proceeds, net of transaction costs, have been recorded as a gain on sale of royalty as reflected in the statement of income (loss) in the amount of $2.1 million.

Butler and Sanderson Properties

On August 24, 2016 the Company issued common shares with a value of $750,000 to MacDonald Mines Ltd. ("MacDonald") for a 75% interest in its Ring of Fire properties including its flagship Butler and Sanderson Properties. MacDonald will have a 25% carried interest until the issuance of a NI 43-101 compliant resource on one of the properties,

(Expressed in Canadian dollars, unless otherwise noted)

6. Mineral Properties (Continued)

Butler and Sanderson Properties (Continued)

at which time MacDonald will have the option to convert the carried interest into a 1% NSR (the Conversion Right). If MacDonald does not elect to exercise its conversion right, the Company can elect to buy back MacDonalds 25% interest for $3 million (the Buy-back Right), payable in cash or shares at the option of the Company. If neither the Conversion Right nor Buy-back Right are exercised, a Joint Venture arrangement will be formed between the parties to develop the properties. There is a 2% NSR over six claims which comprise part of the Butler Property held by third parties.

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of:		**March 31, 2017**	December 31, 2016
Accounts payable		**$ 450,552**	$ 395,735
Accrued liabilities		**599,742**	598,493
Accrued interest payable	**8(a)(ii)**	**400,230**	403,230
		$ 1,450,524	$ 1,397,458

8. Loan Facilities

	March 31, 2017	December 31, 2016
Current portion of loan facilities		
Debt agreement with related party - February 26, 2013 (a)(i)	**$ 17,679,052**	**$ 17,174,433**
Repayment option (c)	**1,196,189**	**2,144,371**
	18,875,241	**19,318,804**
Long term portion of loan facilities		
Long term loan (b)	**29,695,100**	**28,750,976**
Total Loan Facilities	**$ 48,570,341**	**$ 48,069,780**

a) Loan Facilities with Related Party - Resource Capital Funds V L.P.

(i) On February 26, 2013, the Company entered into a loan facility with Resource Capital Funds V L.P. ("RCF" or "the Lender"), which as of March 31, 2017 owns approximately 19.05% of the Company's common shares, in the aggregate principal amount of US$15.0 million (the "Facility"). The Facility was a one year bridge loan (the "Bridge Loan") which matured on February 25, 2014. Since the Facility was not repaid prior to the Bridge Loan maturity date, it automatically rolled into a convertible loan (the "Convertible Loan") with a maturity date of December 31, 2015 which was then extended to June 30, 2016.

On June 30, 2016 the Company entered into an amending agreement with the Lender to extend the terms of the the Convertible Loan. The Convertible Loan has been extended to December 31, 2017. The Convertible Loan may be converted into common shares of the Company at the option of RCF at a price of $0.34 cents per share (previously $0.45 cents per share) at any time prior to December 31, 2017 (the "Conversion Rights"). An extension fee of 2% of the principal amount of the Convertible Loan was paid to RCF in common shares of the Company with such shares valued using the volume weighted average trading price for the twenty days prior to June 30, 2016 (the "Extension Fee Shares"). All other terms and conditions of the Convertible Loan remain the same.

As the terms of the amendment to the Convertible Loan were substantially different from the terms of the existing Convertible Loan, the amendment was considered to be an extinguishment of the debt at June 30, 2016. As a result, a loss on debt extinguishment of $3.3 million was recorded for the difference between the carrying value of the Convertible Loan at the date of the amendment and the fair value of the cash flows under the amended terms. This loss on debt extinguishment includes the extension fee for the amendment. Subsequent to June 30, 2016 the Convertible Loan is carried at amortized cost using the effective interest rate method.

(Expressed in Canadian dollars, unless otherwise noted)

8. Loan Facilities (Continued)

a) Loan Facilities with Related Party - Resource Capital Funds V L.P. (Continued)

Original Loan Facility	**March 31, 2017**	December 31, 2016
Balance, beginning of period	**$ -**	**$ 20,760,001**
Foreign exchange (gain) loss	**-**	**(1,384,500)**
Extinguishment of Loan	**-**	**(19,375,501)**
Balance, end of period	**$ -**	**$ -**

Amended Loan Facility	**March 31, 2017**	December 31, 2016
Beginning balance	**17,174,433**	**$ 15,337,322**
Foreign exchange (gain) loss	**(144,527)**	**652,340**
Accretion of loan facility	**649,146**	**1,184,771**
Balance, end of period	**$ 17,679,052**	**$ 17,174,433**

(ii) On January 13, 2017, the Company satisfied the payment of interest of $403,230 for the fourth quarter of 2016 through issuance of 1,636,383 common shares of the Company. The Interest Shares were subject to a four month hold period, which expired on May 14, 2017.

As at March 31, 2017, the Company accrued interest in the amount of $400,230 for the first quarter of 2017. On April 10, 2017, the Company satisfied the payment of interest of $400,230 for the first quarter of 2017 through issuance of 1,682,346 common shares of the Company. The Interest Shares are subject to a four month hold period, which will expire on August 11, 2017.

b) Loan Facilities - Due to Franco-Nevada Corporation

On April 28, 2015, Noront Muketei Minerals Ltd, a 100% owned subsidiary of the Company, entered into a Loan Agreement with Franco-Nevada in order to fund the acquisition of a subsidiary of Cliffs Natural Resources which held chromite deposits and other mining interests in the Ring of Fire (the “Cliffs Transaction”). The Franco-Nevada Loan is a US$25 million five year loan with interest compounding quarterly at an annual interest rate of 7%. Interest is accrued on a quarterly basis and presented as part of the Long Term Loan. Payment of both principal and accrued interest is due at the end of the five year term. The loan is secured against the assets acquired in the Cliffs transaction with limited recourse to the parent company. At initial recognition, the Long Term Loan was recorded at fair value less transaction costs. Subsequent to initial recognition, the Long Term Loan is carried at amortized cost using the effective interest rate method.

In connection with the Long Term Loan, the Company granted Franco-Nevada certain royalties over the mineral properties acquired through the Cliffs Transaction (see Note 6 - Mineral Properties).

	March 31, 2017	December 31, 2016
Balance, beginning of period	**$ 28,750,976**	**$ 24,842,032**
Foreign exchange gain	**(267,712)**	**(680,549)**
Accrued loan interest	**650,025**	**2,494,491**
Accretion of loan facility	**561,811**	**2,095,002**
Balance, end of period	**$ 29,695,100**	**$ 28,750,976**

(Expressed in Canadian dollars, unless otherwise noted)

c) Repayment Option

The Company's convertible debt agreement contains an embedded derivative related to the Lender's convertible feature "Repayment Option"). The fair value assigned to the convertible feature is valued with the main inputs to the valuation being the USD discount curve, the credit spread of the Company, the historical prices of the Company's underlying stock in order to calculate the volatility, and the forward CAD/USD foreign exchange rates.

At March 31, 2017, the fair value attributed to the convertible feature was $1,196,189 (December 31, 2016 - $2,144,371).

9. Provision for Environmental Obligations

McFauld's Lake and Butler Lake

The Company has established a provision of $1,444,216 and $189,744 representing the estimated present value of its future environmental expenditure for the Company's McFauld's Lake Camp and Butler Lake Camp respectively. These costs are not expected to be incurred within the next twelve months.

The provision is based upon the following estimates and assumptions:

a) Total undiscounted future demobilization cost is $1,780,483 for McFaulds Lake (December 31, 2016 - $1,787,655) and $233,933 for Butler Lake(December 31, 2016 - $238,346) .
b) Nominal risk-free pre-tax discount rate of 2.17% (December 31, 2016 - 2.21%)
c) Inflation rate of 1.58% (December 31, 2016 - 1.77%)
d) Demobilization cost expected to be incurred in 10 years (December 31, 2016 - 10 years)

A summary of the changes in the site remediation provision is set out below:

	March 31, 2017	December 31, 2016
Balance, beginning of period	**$ 1,662,031**	$ 1,491,868
Butler Lake provision addition	**-**	204,357
Accretion expense for the period	**9,484**	33,856
Re-measurement of provision	**(37,555)**	(68,050)
Balance, March 31, 2017	**$ 1,633,960**	$ 1,662,031

10. Capital Stock

(a) Authorized - Unlimited common shares without par value.

(b) Issued

	Number of Shares	Value
Balance, January 1, 2016	255,857,623	$ 176,756,027
Prospectus offering, net of costs	41,213,930	13,026,224
Private placement, net of costs	16,328,833	5,131,832
Flow-through share premium	-	(1,439,203)
Warrant allocation	-	(2,278,625)
Issue of shares	3,798,666	1,245,289
Issue of interest shares	6,351,975	2,063,530
Exercise of options	841,666	253,625
Balance, December 31, 2016	324,392,693	$ 194,758,699
Issue of interest shares (Note 8(a))	1,636,383	403,230
Balance, March 31, 2017	**326,029,076**	$ 195,161,929

(Expressed in Canadian dollars, unless otherwise noted)

10. Capital Stock (continued)

(c) Stock Options

Under the provisions of the Company's 2007 Incentive Stock Option Plan, an aggregate maximum of 10% of the issued and outstanding common shares may be issued for granting of options to directors, senior officers, full time employees of the Company, affiliates or subsidiaries, or any consultants to the Company. The terms of the awards under the Plan are determined by the Board of Directors.

For the three months ended March 31, 2017, share-based compensation $503,138 was charged to net income (March 31, 2016 - $263,489) .

(i) On February 24, 2017, the Company granted 5,003,417 incentive stock options to directors and employees of the Company at an exercise price of $0.25. The share price on February 24, 2017 was $0.25.

The fair value assigned was estimated using the following assumptions:

Dividend yield	0%
Expected volatility	69.06%
Risk free interest rate	0.72%
Expected life	5 years
Forfeiture rate	3%

The stock options were assigned a value of $710,485.

The weighted-average remaining contractual life and weighted average exercise price of options outstanding and options exercisable as at March 31, 2017 are as follows:

Number of Stock Options Outstanding	Black-Scholes Value	Exercise Price	Remaining Contractual Life (Years)	Number of Stock Options Exercisable	Expiry Date
1,000,000	328,000	$ 0.46	0.30	1,000,000	July 2017
300,000	70,200	$ 0.35	0.54	300,000	October 2017
3,916,667	528,750	$ 0.25	1.28	3,916,667	July 2018
3,000,000	450,000	$ 0.30	1.51	3,000,000	October 2018
2,471,667	210,092	$ 0.17	1.70	2,471,667	December 2018
1,225,000	378,525	$ 0.55	3.01	1,225,000	March 2020
1,500,000	367,500	$ 0.44	3.22	1,000,000	June 2020
300,000	59,100	$ 0.35	3.41	200,000	August 2020
2,275,000	443,625	$ 0.34	3.99	1,516,667	March 2021
500,000	95,000	$ 0.33	4.04	166,667	April 2021
416,253	74,509	$ 0.31	4.27	416,253	July 2021
5,003,417	710,485	$ 0.25	4.91	2,826,289	February 2022
21,908,004	**$ 3,715,786**	**$ 0.30**	**2.79**	**18,039,210**	

The following table summarizes the stock option transactions for the three months ended March 31, 2017.

	Number of Options	**Weighted-Average Exercise Price**
December 31, 2016	**16,904,587**	$0.32
Granted	**5,003,417**	$0.25
Balance, March 31, 2017	**21,908,004**	$0.30

(Expressed in Canadian dollars, unless otherwise noted)

10. Capital Stock (Continued)

(d) Performance Share Units (PSUs) and Restricted Share Units (RSUs)

For the three months ended March 31, 2017, share-based compensation of $36,794 was charged to net income for PSUs and RSUs (March 31, 2016 - $51,994) .

The following tables list the Company's PSUs and RSUs as at March 31, 2017. During the three months ended March 31, 2017, no PSUs or RSUs expired.

Performance Share Units	Number of PSUs	Fair Value
At March 31, 2017 and December 31, 2016	**3,000,000**	**$ 455,095**

Restricted Share Units	Number of RSUs	Fair Value
At December 31, 2016	335,000	$ 77,050
Issued February 24, 2017	665,000	166,250
At March 31, 2017	**1,000,000**	**$ 243,300**

On February 24, 2017, 665,000 Restricted Share Units ("RSUs") were granted to senior officers of the Company. The share price on February 24, 2017 was $0.25. The RSUs were assigned a value of $166,250.

(Expressed in Canadian dollars, unless otherwise noted)

11. Loss Per Share

	March 31, 2017	March 31, 2016
Income (loss) attributable to common shareholders	$ (4,004,763)	$ 2,650,765
Weighted average shares outstanding - basic	325,792,710	259,719,097
Earnings (loss) per share - basic	$ (0.01)	$ 0.01
Income (loss) attributable to common shareholders	$ (4,004,763)	$ 2,650,765
Adjustment for:		
Re-measurement of repayment option	-	(1,800,421)
Interest expense on convertible debt	-	411,720
Foreign exchange gain on convertible debt	-	(1,279,500)
Income (loss) used to determine diluted earnings (loss) per share	(4,004,763)	(17,436)
Weighted average shares outstanding - basic	325,792,710	259,719,097
Adjustment for:		
Assumed conversion of convertible debt	-	46,133,333
Stock options	-	2,182,967
Weighted average shares outstanding - diluted	325,792,710	308,035,397
Earnings (loss) per share - diluted	$ (0.01)	$ 0.00

As a result of the net loss for the three months ended March 31, 2017, the potential effects of the exercise of stock options and the conversion of the RCF loan facility were anti-dilutive. Thus, basic loss per share and diluted loss per share are equal for this period.

For the three months ended March 31, 2016, 5,416,667 stock options were excluded from the calculation of diluted earnings per share due to the exercise prices of the stock options being greater than the weighted average price of the common shares for the period.

12. Commitments and Contingencies

a) Pursuant to the terms of the flow-through share agreements, the Company is in the process of complying with its flow-through contractual obligations with subscribers with respect to the Income Tax Act (Canada) requirements for flow-through shares. As at March 31, 2017, the Company is committed to incurring approximately $2.3 million in Canadian Exploration Expenditures by December 31, 2017.

b) Under the terms of leases including Noront's mining lease, office space, vehicles and equipment, the Company is obligated to minimum annual rent and lease payments of $349,376 in 2017, $45,559 in 2018, and $12,301 thereafter until the end of the mining lease in 2033.

c) As at March 31, 2017, the Company currently has agreements with several contractors that include provisions where the contractors provide up-front time with the understanding that if the Eagle's Nest Project proceeds into the construction stage, they will be granted a contract for the agreed scope of services. In some cases, the constructor may be reimbursed for the time incurred, or an amount agreed up front, if the Project does not go ahead. As at March 31, 2017, the amount of this contingent liability is approximately $250,000.

(Expressed in Canadian dollars, unless otherwise noted)

13. Compensation of Key Management

		March 31, 2017		March 31, 2016
Salaries, benefits and directors' fees	**$**	**402,884**	$	241,789
Share-based compensation		**526,334**		294,171
	$	**929,218**	$	535,960

Key management includes the 7 directors and 6 members of the executive management team (three months ended March 31, 2016 - 7 directors and 6 members of the executive management team). Three members of key management are allocated to Development and Exploration Expenditures under Owner's Costs and three members of key management and the directors are included in Office and General. Certain members of key management took a voluntary decrease in cash compensation from February to May 2016 and director's fees were suspended in Q4 2015 and reinstated in June 2016.

14. Supplementary Expense Information

	Three Months Ended			
		March 31, 2017		March 31, 2016
a) Development and Exploration Expenditures				
Owner's costs	**$**	**82,856**	$	157,517
Camp operations & Exploration expense		**1,898,294**		1,324,026
Community Engagement & Permitting		**43,361**		6,477
Engineering/Site, Road Geotechnical & other		**12,783**		-
	$	**2,037,294**	$	1,488,020

Included in development and exploration expenditures expenses for the three months ended March 31, 2017 is $714,451 of salaries and benefits (three months ended March 31, 2016 - $604,434) and $210,221 of fuel expenses (three months ended March 31, 2016 - $99,791).

	Three Months Ended			
		March 31, 2017		March 31, 2016
b) Office and General:				
Salaries, benefits and directors' fees	**$**	**469,311**	$	227,493
Employee severance		**10,027**		-
Administrative and other expenses		**201,207**		194,590
Professional fees		**126,272**		65,516
Communications & travel		**62,207**		70,225
	$	**869,024**	$	557,824