



**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015 AND**  
**YEAR ENDED DECEMBER 31, 2014**  
**(EXPRESSED IN CANADIAN DOLLARS)**

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying consolidated financial statements of Noront Resources Ltd. (the "Company") were prepared by management in accordance with International Financial Reporting Standards. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 3 to these consolidated financial statements.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented in the consolidated financial statements.

The Board of Directors is responsible for ensuring that management fulfills its financial reporting responsibilities and for reviewing and approving the consolidated financial statements together with other financial information. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the internal controls over the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

**(Signed) "Alan Coutts"**  
**Alan Coutts**  
**President & Chief Executive Officer**

**(Signed) "Greg Rieveley"**  
**Greg Rieveley, CPA, CA**  
**Chief Financial Officer**



March 30, 2016

## **Independent Auditor's Report**

### **To the Shareholders of Noront Resources Ltd.**

We have audited the accompanying consolidated financial statements of Noront Resources Ltd. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014 and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficit, and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Noront Resources Ltd. and its subsidiaries as at December 31, 2015 and December 31, 2014 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

**Emphasis of matter**

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that cast significant doubt about the corporation's ability to continue as a going concern.

**(Signed) "PricewaterhouseCoopers LLP"**

**Chartered Professional Accountants, Licensed Public Accountants**

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

	Note	As at December 31, 2015	As at December 31, 2014
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	\$ 3,099,297	\$ 4,803,245
Taxes and other receivables	8	275,162	63,980
Supplies inventory		135,885	56,621
Prepaid expenses		188,438	168,823
<b>Total Current Assets</b>		<b>\$ 3,698,782</b>	<b>\$ 5,092,669</b>
<b>Non-Current Assets</b>			
Equipment	9	1,821,942	2,250,048
Intangible assets	10	17,681	35,361
Mineral properties	6, 11	26,092,812	1,438,104
Marketable securities		240,600	-
<b>Total Non-Current Assets</b>		<b>\$ 28,173,035</b>	<b>\$ 3,723,513</b>
<b>Total Assets</b>		<b>\$ 31,871,817</b>	<b>\$ 8,816,182</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 3,038,492	\$ 974,493
Loan Facilities - due to Resource Capital Funds V L.P.	12a	23,528,001	16,761,797
Repayment options	12c	2,162,256	883,794
Embedded Derivative	13	274,748	-
Flow-Through Share Liability	15b	283,355	-
<b>Total Current Liabilities</b>		<b>29,286,852</b>	<b>18,620,084</b>
<b>Non-Current Liabilities</b>			
Provision for environmental expenditure	14	1,491,868	1,467,096
Loan Facilities - due to Franco-Nevada Corporation	6, 12b	24,842,032	-
<b>Total Non-Current Liabilities</b>		<b>\$ 26,333,900</b>	<b>\$ 1,467,096</b>
<b>Total Liabilities</b>		<b>\$ 55,620,752</b>	<b>\$ 20,087,180</b>
<b>Shareholders' Deficit</b>			
Capital stock	15b	\$ 176,756,027	\$ 170,711,698
Warrants	15d	62,859	-
Contributed surplus		34,616,275	33,770,609
Deficit		(235,184,096)	(215,753,305)
<b>Total Shareholders' Deficit</b>		<b>\$ (23,748,935)</b>	<b>\$ (11,270,998)</b>
<b>Total Shareholders' Deficit and Liabilities</b>		<b>\$ 31,871,817</b>	<b>\$ 8,816,182</b>

Nature of Business and Going Concern (Note 1)  
Commitments and Contingencies (Note 18)

Approved on behalf of the Board of Directors:

(Signed) "Paul Parisotto"  
Director

(Signed) "Darren Blasutti"  
Director



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

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

	Note	Year Ended	
		December 31, 2015	December 31, 2014
<b>Expenses</b>			
Development and exploration expenditures	20a	\$ 5,014,244	\$ 6,307,988
Office and general	20b	4,127,891	4,008,608
Amortization		485,848	479,120
Share-based compensation	15c,e	919,633	905,189
<hr/>			
Loss before finance items and other gains		\$ (10,547,616)	\$ (11,700,905)
Interest income		17,105	97,652
Interest expense		(3,316,542)	(1,379,486)
Flow-Through Share premium		85,040	-
Gain on sale of marketable security		141,680	-
Gain on sale of royalty	6	4,149,462	-
Gain on disposal of fixed asset		-	5,683
Accretion expense		(2,352,043)	(472,249)
Re-measurement of repayment options	12c	(1,278,462)	30,790
Foreign exchange loss		(6,329,415)	(1,063,618)
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Loss before tax		\$ (19,430,791)	\$ (14,482,133)
Recovery of deferred tax on expiry of warrants		-	187,648
<hr/>			
<b>Net loss and comprehensive loss</b>		<b>\$ (19,430,791)</b>	<b>\$ (14,294,485)</b>
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<b>Loss per share - basic and diluted</b>	<b>17</b>	<b>\$ (0.08)</b>	<b>\$ (0.06)</b>



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

Noront Resources Ltd.

Consolidated Statement of Changes in Shareholders' Deficit  
(Expressed in Canadian dollars, unless otherwise indicated)

	Common Shares	Capital Stock	Warrants and Broker Warrants	Contributed Surplus	Deficit	Total
<b>Balance, December 31, 2013</b>	<b>234,759,233</b>	<b>\$ 169,210,869</b>	<b>\$ 1,416,211</b>	<b>\$ 31,636,857</b>	<b>\$ (201,458,820)</b>	<b>\$ 805,117</b>
Exercise of options	154,833	72,415	-	-	-	72,415
Issuance of interest shares	4,357,743	1,428,414	-	-	-	1,428,414
Expiry of warrants, net of tax	-	-	(1,416,211)	1,228,563	-	(187,648)
Share-based compensation	-	-	-	905,189	-	905,189
Net loss for the period	-	-	-	-	(14,294,485)	(14,294,485)
<b>Balance, December 31, 2014</b>	<b>239,271,809</b>	<b>\$ 170,711,698</b>	<b>\$ -</b>	<b>\$ 33,770,609</b>	<b>\$ (215,753,305)</b>	<b>\$ (11,270,998)</b>
	<b>Common Shares</b>	<b>Capital Stock</b>	<b>Warrants</b>	<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Total</b>
<b>Balance, December 31, 2014</b>	<b>239,271,809</b>	<b>\$ 170,711,698</b>	<b>\$ -</b>	<b>\$ 33,770,609</b>	<b>\$ (215,753,305)</b>	<b>\$ (11,270,998)</b>
Issue of shares (Note 15b)	11,763,345	4,578,528	-	-	-	4,578,528
Flow-through share premium	-	(368,395)	-	-	-	(368,395)
Exercise of options	539,999	207,433	-	(73,967)	-	133,466
Issue of warrants (Note 15d)	-	-	62,859	-	-	62,859
Issuance of interest shares (Note 12,15b)	4,282,470	1,626,763	-	-	-	1,626,763
Share-based compensation (Note 15c,e)	-	-	-	919,633	-	919,633
Net loss for the period	-	-	-	-	(19,430,791)	(19,430,791)
<b>Balance, December 31, 2015</b>	<b>255,857,623</b>	<b>\$ 176,756,027</b>	<b>\$ 62,859</b>	<b>\$ 34,616,275</b>	<b>\$ (235,184,096)</b>	<b>\$ (23,748,935)</b>



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

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

	Note	Year Ended December 31, 2015	Year Ended December 31, 2014
<b>Operating activities</b>			
Net loss for the year		\$ (19,430,791)	\$ (14,294,485)
Amortization		485,848	479,120
Share-based compensation	15c,e	919,633	905,189
Accretion expense		2,352,043	472,249
Flow-Through Share Premium		(85,040)	-
Flow-Through Proceeds on Sale of Tax Benefits		368,395	-
Issuance of interest shares		1,646,763	1,428,414
Re-measurement of repayment options		1,278,462	(30,790)
Accrued interest on Long term Debt	12b	1,574,621	-
Gain on sale of marketable security		(141,680)	-
Gain on disposal of fixed asset		-	(5,683)
Gain on sale of royalty	6	(4,149,462)	-
Unrealized foreign exchange loss		6,629,663	1,064,421
Recovery of deferred tax on expiry of warrants		-	(187,648)
Net change in non-cash working capital:			
Taxes and other receivables		(211,182)	143,218
Supplies inventory		(79,264)	50,839
Prepaid expenses		(19,615)	(70,955)
Accounts payable and accrued liabilities		901,075	(723,166)
<b>Net cash used in operating activities</b>		<b>\$ (7,960,531)</b>	<b>\$ (10,769,277)</b>
<b>Investing activities</b>			
Acquisition of mineral properties including transaction costs		(33,244,936)	-
Acquisition of marketable securities		(454,350)	-
Acquisition of equipment		(44,972)	(303,831)
Acquisition of intangible assets		-	(10,993)
Proceeds on sale of fixed assets		-	20,000
Proceeds on sale of royalties, net of costs		13,583,284	-
Proceeds on disposal of securities		355,430	-
Release of Restricted cash		-	385,046
<b>Net cash used in investing activities</b>		<b>\$ (19,805,544)</b>	<b>\$ 90,222</b>
<b>Financing activities</b>			
Proceeds from exercise of options		133,466	72,415
Loan facility, net of costs	12a(II)	2,428,226	-
Long term loan, net of costs		20,097,453	-
Private Placement, net of costs		3,409,001	-
Finance lease		(24,404)	(23,662)
<b>Net cash provided by financing activities</b>		<b>\$ 26,043,742</b>	<b>\$ 48,753</b>
<b>Change in cash and cash equivalents</b>		<b>\$ (1,722,333)</b>	<b>\$ (10,630,302)</b>
Effect of foreign exchange rates on cash and cash equivalents		18,385	348,455
<b>Cash and cash equivalents, beginning of period</b>		<b>4,803,245</b>	<b>15,085,092</b>
<b>Cash and cash equivalents, end of period</b>		<b>\$ 3,099,297</b>	<b>\$ 4,803,245</b>



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 is part of the Company's McFauld's Lake Project, 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 consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board 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. At December 31, 2015, the Company had not yet achieved profitable operations, had an accumulated deficit of \$235.2 million since inception (December 31, 2014 – \$215.8 million), expects to incur further losses in the development of its business, and had net working capital deficit of \$(23.4) million as a result of the convertible loan facility which is due June 30, 2016. Net working capital includes all current assets and current liabilities, excluding the non-cash repayment options of \$2.2 million. The Company will need to raise funds or negotiate an extension on the terms of its convertible loan facility or the holder has to convert the loan to equity as it does not have the cash nor cash flow to repay the facility. 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.

The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its ongoing corporate overhead expenditures, discharge its liabilities as they come due (see Note 12 – Loan Facilities) and advance the exploration of its claims and development of its projects in the Ring of Fire. To improve the Company's working capital position management has ongoing discussions with its major shareholder and debt provider concerning extending the convertible loan which is coming due on June 30, 2016. Subsequent to the year end the company completed an equity offering of \$6.3 million and a private placement of \$1.14 million to fund exploration and working capital. (see subsequent event note 21). Management also continues to pursue financing alternatives to fund the Company's activities through 2016 and beyond so it can continue as a going concern. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

These consolidated 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 consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, except for certain financial instruments that have been measured at fair value. The principal accounting policies and critical estimate and judgments, used when compiling these consolidated financial statements are set out below. These consolidated financial statements were approved by the Board of Directors on March 24, 2016.

**3. Significant Accounting Policies**

**a) Principles of Consolidation**

These consolidated financial statements include the accounts of Noront Resources Ltd. and its wholly-owned subsidiaries, Noront Resources 2008 Ltd., Noront Mexico S.A de C.V. and Noront Muketei Minerals Ltd (NMM). NMM was formed as result of the acquisition of chromite assets (See Note 6 - Acquisition of Chromite Assets). All intercompany balances and transactions have been eliminated upon consolidation.

**b) Functional and Presentation Currency**

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"), which was determined to be Canadian dollars for all entities including the new subsidiary, NMM, that has expenses primarily in Canadian dollars. The consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency. Transactions in currencies other than the Canadian dollar are translated at rates of exchange at the time of the transactions as follows:

- i) Monetary assets and liabilities are translated at current rates of exchange with the resulting gains or losses recorded in foreign exchange gain/loss in the statement of loss and comprehensive loss;
- ii) Non-monetary items are translated at historical exchange rates;
- iii) Expense items are translated at the average rates of exchange with any gains or losses recognized within foreign exchange gain/loss in the statements of loss and comprehensive loss.

**c) Cash and Cash Equivalents**

Cash and cash equivalents have original maturities of less than 90 days.

**d) Financial Instruments**

The Company's financial instruments consist of cash and cash equivalents, marketable securities, accounts payable and accrued liabilities, a finance lease obligation, loan facilities and related repayment options.

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.

Marketable securities in publicly traded companies, which do not trade in an active market, are designated as available-for-sale and are recorded in the consolidated statements 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.

For investments classified as available-for-sale, a significant or prolonged decline in the fair value of the marketable security below its cost is evidence that the asset is impaired. If any such evidence exists for marketable securities, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from other comprehensive income (loss) and recognised in the consolidated statement of loss.

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

Repayment Options are classified as Level 2 (Note 12c).

Marketable securities are classified as Level 3.

**3. Significant Accounting Policies (Continued)**

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, the finance lease obligation, the loan facility are classified as other financial liabilities. Other financial liabilities are classified as current liabilities unless the Corporation has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date. The carrying values of the Company's accounts payable and accrued liabilities and loan facilities with Resource Capital Funds V L.P. approximate 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 it was recorded at fair value on initial recognition.

**e) Taxes and Other Receivables**

Taxes and other receivables consists primarily of HST receivable from government authorities in Canada in respect of the Company's expenses and cost reimbursement from third parties.

**f) Supplies Inventory**

Supplies inventory is comprised of diesel fuel and jet fuel and is valued at the lower of cost and net realizable value. Cost includes the cost of fuel and transportation to ship the supplies inventory to the site and is determined using the first-in, first-out method. Net realizable value is the estimated selling price to a third party in the event the Company would need to dispose of the fuel.

**g) Intangible Assets**

Intangible assets are recorded at cost less accumulated amortization and accumulated impairment loss. Amortization is provided over the related assets' estimated useful life using the declining balance method of amortization at a rate of 50%.

**h) Equipment**

Equipment is recorded at cost less accumulated amortization and accumulated impairment loss. Amortization is provided over the related assets' estimated useful lives using the following methods and annual rates:

Equipment	20% - 30% declining balance
Furniture and fixtures	20% declining balance
Leasehold improvements	20% declining balance

**3. Significant Accounting Policies (Continued)**

**i) Mineral Properties, Development and Exploration Expenditures**

Mineral property acquisition costs are capitalized and the balance is written off should the property be disproven by exploration or abandoned. These assets are recorded at cost. The carrying value of these assets is dependent, among other things upon: the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development, and upon future profitable production or proceeds from disposition of such properties. The assets are evaluated each quarter for indications of impairment or when events occur that would require assessment.

Where the Company considers that there is an impairment indicator such as significant decrease in resource and reserve estimates, expiration or permanent cancellation of rights, impairment is assessed and if necessary, recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of fair value less cost to dispose or value in use. An impairment loss is recognized whenever the carrying amount of these assets or its cash generating unit (which is the property) exceeds its recoverable amount. Impairment losses are recorded in the consolidated statement of net loss.

Development and exploration expenditures are the costs incurred in the initial search for mineral deposits with economic potential. Exploration expenditures typically include costs associated with prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore. Development expenditures are the costs related to the technical, environmental, permitting and consultation in support of the Company's pre-development work.

All development and exploration expenditures are expensed as incurred. Development and exploration expenditures will be capitalized when management determines that future economic benefits will be generated as a result of the expenditures.

**j) Sale of Royalties on a Mineral Property**

The sale of royalties on a mineral property are recorded as a reduction in the carrying value of the mineral property. Any excess proceeds on the sale of royalties over the carrying value of the mineral property are recorded as a gain on sale of royalties and reflected on the statement of loss and comprehensive loss. The reduction in the carrying value of the mineral property or the gain on sale of royalties is recorded net of transaction costs.

**k) Leases**

Leases of property, plant and equipment are classified as finance leases when the lessee retains substantially all of the risks and rewards of ownership. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Finance leases are capitalized at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding lease obligations, net of finance charges, are recorded as interest-bearing liabilities. Each lease payment is allocated between liability and finance cost when paid.

**l) Provision for Environmental Expenditure**

Both legal and constructive obligations associated with the retirement of long-lived assets are recorded as a provision for environmental expenditure when there is a probability of an outflow of resources embodying economic benefits to settle the obligation. The amount of the provision is measured at the best estimate of the expenditure needed to settle the present obligation. It is possible that the Company's estimates of its provision for environmental expenditure could change as a result of changes in regulations, the extent of environmental remediation required and the means of reclamation or cost estimates. Changes in estimates are accounted for prospectively from the period these estimates are revised.

Significant judgments and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows. Those expectations are formed based on existing environmental and regulatory requirements or, if more stringent, the Company's environmental policies which give rise to constructive obligations. The cash flows are discounted using the current real risk-free pre-tax discount rate.

**3. Significant Accounting Policies (Continued)**

**m) Joint Ventures**

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control such that significant operating and financial decisions require the unanimous consent of the parties sharing control. The Company's joint ventures consist of jointly controlled assets ("JCAs"). The balances related to JCA's are not material.

A JCA is a joint venture in which the venturers have joint control and ownership over the assets contributed to or acquired for the purposes of the joint venture. JCAs do not involve the establishment of a corporation, partnership or other entity. The participants in a JCA derive benefit from the joint activity through a share of production and bears an agreed share of expenses incurred as opposed to receiving a share of the net operating results. The Company's proportionate interest in the assets, liabilities, expenses, and cash flows of the JCAs are incorporated into the consolidated financial statements under the appropriate headings.

**n) Loss per Common Share**

The basic loss per share is calculated based upon the weighted-average number of common shares outstanding during the period. Stock options and warrants outstanding are not included in the computation of diluted loss per share if their inclusion would be anti-dilutive.

**o) Share-based Compensation**

The Company grants stock options, performance share units and restricted share units to certain employees and non-employees under the terms of the Company's Stock Option Plan or Share Awards Plan.

*Stock options:* Each tranche in an option award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires estimates for the expected life of options and stock price volatility which can materially affect the fair value estimate. Volatility and expected life of option is estimated based on an analysis of factors such as the Company's historical price trends, history of option holder activity, and peer and industry benchmarks for similar transactions.

*Performance share units:* The fair value of each tranche is measured at the date of grant using a method incorporating the current market value of the underlying common shares, the performance conditions and the vesting provisions.

*Restricted share units:* The fair value of restricted share units are based on the terms of the individual tranche incorporating the market price of the underlying common shares and vesting terms.

Share-based compensation expense is recognized over the vesting period of the grant by increasing contributed surplus based on the number of awards expected to vest. This number is reviewed at least annually, with any change in estimate recognized immediately in share-based compensation expense with a corresponding adjustment to contributed surplus.

**p) Income Taxes**

Deferred tax assets and liabilities are determined based on the differences between the financial statement carrying values of assets and liabilities and their respective income tax bases (temporary differences), and losses carried forward.

Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realized or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

The determination of the ability of the Company to utilize tax loss carry-forwards to offset deferred tax payable involves judgment and certain assumptions about the future performance of the Company. Assessment is required about whether it is "probable" that the Company will benefit from the prior losses and other deferred tax assets. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of the utilization of the losses.



**3. Significant Accounting Policies (Continued)**

**q) Flow-through Shares**

The Company has adopted a policy whereby flow-through proceeds are allocated between the offering of the common shares and the sale of tax benefits when the flow-through common shares are offered. The allocation is made based on the difference ("premium") between the quoted price of the common shares and the amount the investor pays for the flow-through shares. A liability is recognized for the premium paid by the investors and is then derecognized in the period the eligible expenditures are incurred, which is recorded in the consolidated statement of loss.

**r) Segment Disclosure**

The Company's chief operating decision makers are responsible for allocating resources and assessing performance of the operations according to strategic decisions. The Company's operations comprise of a reporting segment engaged in the exploration and development of minerals in Canada.

**s) New Accounting Standards Issued But Not Yet Applied**

***IFRS 9 Financial Instruments***

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement, that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI and not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is yet to assess IFRS 9's full impact.

***IFRS 16 Leases***

In January 2016, the IASB issued IFRS 16 'Leases' which sets out the principles for the recognition, measurement presentation and disclosure of leases. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for most leases. IFRS 16 is effective from January 1, 2019 though a company can choose to apply IFRS 16 before that date but only in conjunction with IFRS 15 'Revenue from Contracts with Customers'. The Company is currently assessing the impact of adopting IFRS 16 on its consolidated financial statements.

**3. Significant Accounting Policies (Continued)**

**t) Critical Accounting Estimates and Judgments**

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate, but are not limited to, the following:

Mineral Properties

Noront capitalizes mining property acquisition costs which are to be amortized when production is attained or the balance thereof written off should the property be disproven through exploration or abandoned. On an ongoing basis, the Company evaluates deferred expenditures relating to each property to assess whether there has been impairment in value. The Company recognizes write-downs for impairment where the carrying value of the mining property exceeds its estimated long term net recoverable value. Recoverable value is estimated based upon current exploration results and upon the Company's assessment of the future probability of positive cash flows from the property or from the sale of the property.

Provision for Environmental Expenditure

The Company has a provision for future environmental expenditures. The Company records the fair value of this provision as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. The fair value of the provision is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the life of the asset. Subsequent to the initial measurement of the provision for environmental expenditure, the provision is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the provision. If the provision is settled for other than its carrying amount, the Company will recognize a gain or loss on settlement.

Stock Options, Warrants and Embedded Derivatives

The Black-Scholes option valuation model used by the Company to determine fair values for stock-based compensation was developed for use in estimating the fair value of freely traded options. This model requires input of highly subjective assumptions including future stock volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate.

Repayment Options

The Company's convertible debt agreement contains embedded derivatives related to the Company's prepayment option (expired in February 2014) and the Lender's convertible feature as well as a debt settlement agreement based on the value of the company's shares. ("Repayment Options"). The fair value assigned to the Repayment Options uses level 2 assumptions with the main inputs to the valuation being credit spread of the Company, historical prices of the underlying stock, USD discount curve and CAD/USD foreign exchange rates. The most significant assumption regarding the lender's convertible feature is the probability of the loan being repaid prior to reaching the conversion date. This was estimated by obtaining credit spreads for an index of comparable companies residing in the same industry, which has an impact on the probability that the bridge loan will be repaid at maturity. Refer to Note 12c for further information on the Repayment Options.



**3. Significant Accounting Policies (Continued)**

**t) Critical Accounting Estimates and Judgments (Continued)**

Loan Facility and Royalty Interests

The Company granted royalty interests on the mineral claims it acquired through the acquisition of certain subsidiary companies of Cliffs Natural Resources (the "Royalty Interests"). These Royalty Interests are over potential future projects which have not yet been defined. As a result, the Company has determined the fair value of the Royalty Interests by estimating the fair value of the consideration received. The Company received what management considers to be a below market loan as consideration for the royalty interests. Management estimated the fair value of the Royalty Interests by calculating the difference between the present value of the future payment stream using management's estimate of a market interest rate of approximately 15% and the face value of the loan being USD\$25 million and the stated interest rate of the loan (7%). The loan was also initially recorded at its fair value as determined by the above fair value calculation. See note 12(b).

Asset Acquisition

The assessment of whether an acquisition meets the definition of a business, or whether assets are acquired is an area of key judgment. If deemed to be a business combination, applying the acquisition method to business combinations requires each identifiable asset and liability to be measured at its acquisition-date fair value. Any excess of the fair value of consideration over the fair value of the net identifiable assets acquired is recognized as goodwill. The acquisition of a business generally has three elements:

Input – an economic resource that creates outputs when one or more processes are applied to it;

Process – a system, standard, protocol, convention or rule that when applied to an input or inputs, creates outputs;

Output – the result of inputs and processes applied to those inputs.

The acquisition of chromite assets during the period is accounted for in these consolidated financial statements as an asset acquisition since the process and output elements of a business combination were not present at the acquisition date. The acquired assets are recorded at fair value on the acquisition date.

#### 4. Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its capital stock, warrant, and option components of its shareholders' equity.

The properties in which the Company currently has an interest are in the early development and early exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned development activity and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital within current economic conditions by:

- i) minimizing discretionary disbursements;
- ii) reducing or eliminating expenditures which are of limited strategic value; and
- iii) exploring alternate sources of liquidity.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2015. The Company is not subject to externally imposed capital requirements.

#### 5. Property and Financial Risk Factors

##### a) Property Risk

The Company's major mineral property is the McFauld's Lake Property in the "Ring of Fire" (Note 11). Unless the Company acquires or develops additional material properties, the Company will be mainly dependent upon its existing property. Any adverse development affecting the Company's major mineral property would have a materially adverse effect on the Company's financial condition and results of operations.

##### b) Financial Risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate, and commodity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

##### Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents. Cash and cash equivalents consist of cash on hand, term deposits and savings accounts with reputable financial institutions with strong credit ratings which are closely monitored by management.

##### Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2015, the Company had cash and cash equivalents and taxes receivable balances of \$3,374,459 (December 31, 2014 - \$4,867,225) to settle current liabilities of \$29,286,852 (December 31, 2014 - \$18,620,084) which includes a loan facility of \$23,528,001, repayment options of \$2,162,156 and embedded derivatives of \$274,748. The loan is convertible into equity with a conversion price of \$0.45 per share at the option of RCF anytime prior to June 30, 2016. All of the Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company remains dependent upon financing from capital markets and a loan facility (see Note 1).



**5. Property and Financial Risk Factors (Continued)**

**b) Financial Risk**

Market Risk

Market risk is the risk of loss that might arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i) Interest Rate Risk

The Company has cash balances and a loan facility with a fixed interest rate. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates and deposit accounts managed by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

ii) Foreign Currency Risk

The Company is exposed to foreign currency risk as a result of the loan facility held in a currency other than its functional currency, the Canadian dollar. The majority of the Corporation's expenses are denominated in Canadian dollars. The Company does not currently have any plans for exploration or development activities in foreign jurisdictions.

At December 31, 2015, the Company had monetary assets and liabilities denominated in U.S. dollars as follows:

	<b>December 31, 2015</b>	December 31, 2014
Cash	<b>US \$ 82,096</b>	\$ 3,610,937
Loan Facilities	<b>US \$ (42,000,000)</b>	(15,000,000)
	<b>US \$ (41,917,904)</b>	\$ (11,389,063)

iii) Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. The Company closely monitors commodity prices as it relates to the value and the future outlook of the Company's mineral properties and equity prices to determine the appropriate course of action to be taken for current and future projects.

**Sensitivity Analysis**

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve month period.

- i) The Company has cash balances and a loan facility in foreign currencies that give rise to exposure to foreign exchange risk. Sensitivity to a 1% change in the foreign currency exchange rate would have affected the net loss by approximately \$0.5 million for the year ended December 31, 2015.
- ii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability from mineral exploration depends upon the world market price of valuable minerals. Commodity prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of minerals may be produced in the future, a profitable market will exist for them. As of December 31, 2015, the Company is not a producer of valuable minerals. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.



**6. Acquisition of Chromite Assets**

On April 28, 2015, the Québec Superior Court granted an approval and vesting order (the "Order") for the acquisition by the Company of the shares of Cliffs Chromite Ontario Inc. (CCOI) and Cliffs Chromite Far North Inc. (CCFNI), both indirect wholly owned subsidiaries of Cliffs Natural Resources Inc. for a purchase price of USD\$27.5 million (CAD\$33.1 million) (the "Transaction").

To finance the Transaction, concurrently with the execution of the revised share purchase agreement, the Company entered into a loan agreement with Franco-Nevada Corporation (Franco-Nevada) through which Franco-Nevada loaned USD\$25 million to Noront for a five-year period at a 7% interest rate with interest to be accrued and paid at the end of the loan term. In return, Franco-Nevada received a 3% royalty over the Black Thor deposit and a 2% royalty over all of the Company's other deposits, excluding its interest in the Big Daddy and McFauld's Lake volcanic massive sulphide (VMS), copper and zinc deposit. The loan is secured against the CCOI and CCFNI assets acquired in connection with the Transaction. In addition, Noront received from Franco-Nevada USD\$3.5 million (CAD\$4.2 million) in cash consideration as part of the granting of the royalty over the existing Noront property in the region with the exception of Eagle's Nest, which is excluded. As a result of the Transaction, the Company also acquired a 13.8% equity ownership of KWG Resources Inc.

The acquisition of the chromite assets has been accounted for as an asset acquisition and the transaction costs incurred by the Company have been capitalized.

The purchase price was allocated as follows:

	USD	CAD
Taxes receivable	\$ 6,581	\$ 7,918
Marketable securities	377,681	454,350
Mineral properties	27,331,473	32,879,762
Fixed asset	37,383	44,972
Lease obligation	(253,118)	(304,501)
	<b>\$ 27,500,000</b>	<b>\$ 33,082,501</b>

The sale of the 3% royalty over the Black Thor deposit and 2% royalty over all of Noront's other deposits in the region with the exception of the Big Daddy deposit, was recorded as a reduction in the carrying value of the mineral property in the amount of CAD\$9,379,977 (See Note 11).

The USD\$3.5 million sale of the royalty over the existing Noront property, excluding Eagle's Nest, was recorded as a gain on sale of royalty and reflected on the statement of loss, net of transaction costs, in the amount of CAD\$4,149,462.

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**7. Cash and Cash Equivalents**

Cash and cash equivalents consist of:	December 31, 2015	December 31, 2014
Cash deposits	\$ 2,996,410	\$ 4,701,373
Guaranteed investment certificate	102,887	101,872
	<b>\$ 3,099,297</b>	<b>\$ 4,803,245</b>

**8. Taxes and Other Receivables**

Taxes and other receivables consist of:	December 31, 2015	December 31, 2014
Recoverable sales taxes	\$ 274,853	\$ 57,585
Other receivables	309	6,395
	<b>\$ 275,162</b>	<b>\$ 63,980</b>

**9. Equipment**

December 31, 2015	Equipment	Furniture & Fixtures	Leasehold Improvements	Total
Cost	\$ 4,151,749	\$ 115,027	\$ 200,287	\$ 4,467,063
Accumulated Amortization	(2,371,778)	(94,416)	(178,927)	(2,645,121)
Closing Net Book Value	\$ 1,779,971	\$ 20,611	\$ 21,360	\$ 1,821,942
Opening Net Book Value - Jan 1, 2015	\$ 2,197,584	\$ 25,764	\$ 26,700	\$ 2,250,048
Additions	44,972	-	-	44,972
Re-measurement of provision <sup>2</sup>	(4,911)	-	-	(4,911)
Amortization	(457,674)	(5,153)	(5,340)	(468,167)
Closing Net Book Value	\$ 1,779,971	\$ 20,611	\$ 21,360	\$ 1,821,942
December 31, 2014	Equipment	Furniture & Fixtures	Leasehold Improvements	Total
Cost	\$ 4,111,687	\$ 115,027	\$ 200,287	\$ 4,427,001
Accumulated Amortization	(1,914,103)	(89,263)	(173,587)	(2,176,953)
Closing Net Book Value	\$ 2,197,584	\$ 25,764	\$ 26,700	\$ 2,250,048
Opening Net Book Value - Jan 1, 2014	\$ 1,708,396	\$ 32,205	\$ 33,375	\$ 1,773,976
Additions <sup>1</sup>	887,458	-	-	887,458
Disposals	(14,317)	-	-	(14,317)
Remeasurement of provision <sup>2</sup>	51,433	-	-	51,433
Amortization	(435,386)	(6,441)	(6,675)	(448,502)
Closing Net Book Value	\$ 2,197,584	\$ 25,764	\$ 26,700	\$ 2,250,048

<sup>1</sup> Included in additions for the year ended December 31, 2014 is \$583,627 relating to the asset retirement of camp assets and equipment acquired during the year.

<sup>2</sup> A re-measurement of the McFauld's Lake property asset retirement obligation was recognized due to a change in the discount rate used to calculate the obligation as further described in Note 14.



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

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**10. Intangible Assets**

Computer software	December 31, 2015	December 31, 2014
Cost	\$ 357,636	\$ 357,636
Accumulated Amortization	(339,955)	(322,275)
<b>Closing Net Book Value</b>	<b>\$ 17,681</b>	<b>\$ 35,361</b>

Computer software	December 31, 2015	December 31, 2014
Opening Net Book Value	\$ 35,361	\$ 54,986
Additions	-	10,993
Amortization	(17,680)	(30,618)
<b>Closing Net Book Value</b>	<b>\$ 17,681</b>	<b>\$ 35,361</b>

**11. Mineral Property**

	December 31, 2015	December 31, 2014
(i) <u>McFauld's Lake Property - "Ring of Fire", James Bay Lowlands, Northeastern Ontario</u>		
Opening balance	\$ 1,438,104	\$ 1,438,104
Acquisition of chromite assets	32,879,762	-
Transaction costs - acquisition of chromite assets	989,207	-
Royalty on chromite assets	(9,379,977)	-
Transaction costs - royalty on chromite assets	165,716	-
	<b>\$ 26,092,812</b>	<b>\$ 1,438,104</b>

McFauld's Lake

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.

On April 28, 2015, the Company acquired mineral properties including the Black Thor, Big Daddy and Black Label chromite deposits, the McFauld's Lake VMS deposits and various other claims through the acquisition of a subsidiary of Cliffs Natural Resources for USD\$27.3 million (CAD\$32.9 million). As outlined in Note 6, the Company has accounted for the acquisition of this subsidiary as an asset acquisition.

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 they have a 3% GSR and also excluding the Big Daddy deposit.
- 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



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12. **Loan Facilities**

	December 31, 2015	December 31, 2014
Current portion of loan facilities		
Debt agreement with related party - February 26, 2013 (a)(I)	\$ 20,760,001	\$ 16,761,797
Debt agreement with related party - June 30, 2015 (a)(II)	2,768,000	-
	<b>23,528,001</b>	<b>16,761,797</b>
Long term portion of loan facilities		
Long term loan (b)	24,842,032	-
<b>Total Loan Facilities</b>	<b>\$ 48,370,033</b>	<b>\$ 16,761,797</b>

a) **Debt Agreements 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 December 31, 2015 owns approximately 21.15% of the Company's common shares, in the aggregate principal amount of USD\$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. On December 31, 2015 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 June 30, 2016 with all other terms and conditions remaining the same. The Convertible Loan may be converted into common shares of the Company at the option of RCF at a price of \$0.45 cents per share at any time subsequent to the convertible loan maturity date and prior to June 30, 2016 (the "Conversion Rights").

Loan Facility	December 31, 2015	December 31, 2014
Balance, beginning of year	\$ 16,761,797	\$ 14,899,003
Foreign exchange loss	3,281,329	1,412,876
Accretion of loan facility	716,875	449,918
<b>Balance, end of year</b>	<b>\$ 20,760,001</b>	<b>\$ 16,761,797</b>

- (II) On June 30, 2015, the Company entered into a definitive agreement with Resource Capital Funds V L.P. ("RCF") for a US\$2.0 million bridge loan facility (the "Facility") and has drawn down the aggregate principal amount available under the Facility (the "Drawdown").

Interest on the Facility was paid quarterly, in arrears, in common shares of Noront ("Common Shares") based on the volume-weighted average trading price of such Common Shares the 20 days prior to the date of each interest period determination (subject to applicable minimum pricing requirements of the TSX Venture Exchange), or at RCF's option, in cash. An establishment fee of 2% of the principal amount of the Facility will be paid to RCF in Common Shares within three business days of the Drawdown, being 101,852 Common Shares (the "Establishment Fee Shares"). The Establishment fee shares were transferred to RCF on July 10, 2015. The Facility matured on December 31, 2015.

The proceeds of the Facility were used to augment the Company's working capital and advance its mineral projects in the Ring of Fire.

On December 31, 2015 the company entered into a Royalty Purchase Agreement and Loan Set-off and Satisfaction Agreement with RCF. The Royalty Purchase Agreement included the terms for the sale of a 1% Net Smelter Royalty (NSR) on the Eagle's Nest deposit for US\$2.5 million. US\$2.0 million of the proceeds were used to satisfy the Facility based on the terms of the Loan Set-off and Satisfaction Agreement. The agreements were subject to several closing conditions including approval of the TSX Venture Exchange. Closing conditions were met and closing occurred on January 14, 2016.



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**12. Loan Facilities (Continued)**

Loan Facility	December 31, 2015	December 31, 2014
Balance, beginning of year	\$ -	\$ -
Loan	2,498,000	-
Transaction costs	(324,291)	-
Foreign exchange loss	270,000	-
Accretion of loan facility	324,291	-
Balance, end of year	\$ 2,768,000	\$ -

iii) **Debt Agreements with Related Party - Resource Capital Funds V L.P.(Continued)**

On January 12, 2015, the Company satisfied the payment of interest of \$476,481 for the fourth quarter of 2014 by delivery of 1,253,888 common shares of the Company. The Interest Shares were subject to a four month hold period, which expired on May 13, 2015.

On April 10, 2015, the Company satisfied the payment of interest of \$380,250 for the first quarter of 2015 by delivery of 728,588 common shares of the Company. The Interest Shares were subject to a four month hold period, which expired on August 11, 2015.

On July 10, 2015, the Company satisfied the payment of interest of \$421,702 by delivery of 912,859 common shares of the Company. The Interest Shares are subject to a four month hold period, which expired on November 11, 2015.

On October 13, 2015, the Company satisfied the payment of interest of \$476,481 by delivery of 1,387,135 common shares of the Company. The Interest Shares are subject to a four month hold period, which expired on February 14, 2016.

As at December 31, 2015, the Company accrued interest in the amount of \$492,740 for the fourth quarter of 2015. On January 11, 2016, the Company satisfied the payment of interest of \$492,740 by delivery of 1,240,846 common shares of the Company. The Interest Shares are subject to a four month hold period, which expires on May 11, 2016.



**12. Loan Facilities (Continued)**

**b) Long Term Loan - 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 holds 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 through the Cliffs transaction with limited recourse to the 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 Significant Accounting Policies - Critical Accounting Estimates and Judgments Note 3(t) for description of how the fair value of the long term loan was determined at initial recognition.

	December 31, 2015	December 31, 2014
Balance, beginning of year	\$ -	\$ -
Long Term Loan	20,695,023	-
Transaction costs	(1,700,847)	-
Loan Facility, net of transaction costs and royalty (at inception)	18,994,176	-
Foreign exchange loss	2,999,832	-
Accrued loan interest	1,574,621	-
Accretion of loan facility	1,273,403	-
Balance, end of year	\$ 24,842,032	\$ -

**c) Repayment Options**

The Company's convertible debt agreement contains embedded derivatives related to the Company's prepayment option and the Lender's convertible feature ("Repayment Options"). The prepayment option expired on February 25, 2014. 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 December 31, 2015, the fair value attributed to the convertible feature was \$2,162,256 (December 31, 2014 - \$883,794) with the related expense of \$(1,278,462) for the year ended December 31, 2015 being recognized in the statement of loss (year ended December 31, 2014 - recovery of \$30,790).

### 13 Embedded Derivatives

On December 30, 2015, the company settled advisory fees by issuing 2,446,552 shares at a deemed issue price of \$0.46 per share. The agreement with the advisor includes an embedded put option in favour of the advisor and a call option in favour of the Company (the "Options") on the Company's share price. The fair value assigned to these embedded derivatives are valued with the main inputs to the valuation being the historical prices of the Company's underlying stock in order to calculate the volatility and term of the options.

At December 31, 2015, the net value attributed to the Options was \$274,748. The embedded derivatives are classified within Level 2 of the fair value hierarchy.

The embedded derivative was calculated using the following assumptions:

Expected volatility	50.00%
Risk free interest rate	0.48%
Expected life	0.83 Years

### 14. Provision for Environmental Expenditure

#### McFauld's Lake

The Company has established a provision of \$1,491,868 representing the estimated present value of its future environmental expenditure. These costs are not expected to be incurred within the next twelve months.

The provision is based upon the following estimates and assumptions:

- Total undiscounted future demobilization cost is \$1,787,655 (December 31, 2014 - \$1,787,655)
- Nominal risk-free pre-tax discount rate of 2.03% (December 31, 2014 - 2.22%)
- Demobilization cost expected to be incurred in 10 years (December 31, 2014 - 10 years)

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

	December 31, 2015	December 31, 2014
Balance, beginning of period	\$ 1,467,096	\$ 809,705
Additions <sup>1</sup>	-	583,627
Accretion expense for the period	29,683	22,331
Re-measurement of provision	(4,911)	51,433
	<b>\$ 1,491,868</b>	<b>\$ 1,467,096</b>

<sup>1</sup> Included in additions for the year ended December 31, 2014 is \$583,627 relating to the asset retirement of camp assets and equipment acquired during the year.

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**15. Capital Stock**

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

(b) Issued

	Number of Shares	Value
Balance, January 1, 2014	234,759,233	\$ 169,210,869
Issue of interest shares	4,357,743	1,428,414
Exercise of options	154,833	72,415
Balance, December 31, 2014	239,271,809	\$ 170,711,698
Flow-through private placement, net of costs (i)	6,359,218	2,831,989
Non Flow-through Private placement, net of costs (i)	2,907,575	945,655
Flow through share premium	-	(368,395)
Issue of warrants	-	(69,782)
Issue of shares (ii)	2,496,552	870,666
Issue of interest shares (Note 13(a))	4,282,470	1,626,763
Exercise of options	539,999	207,433
Balance, December 31, 2015	<b>255,857,623</b>	<b>\$ 176,756,027</b>

(i) On September 4, 2015, the Company completed a non-brokered private placement by issuing 1,535,000 flow-through common shares ("Flow-Through Shares") at a price of \$.38 cents per flow-through share, representing gross proceeds of \$583,300. ("The offering"). The flow-through common shares were issued at a premium to the market price in recognition of the tax benefits accruing to subscribers. The flow-through common shares are subject to a four month plus one day hold period which expired on January 5, 2016. The Company also completed a non-brokered private placement. The company issued 2,907,575 share units in the capital of the Company (the "units") at a purchase price of \$0.33 per share unit, representing gross proceeds to the Company of \$959,500. Each non flow-through share consists of one common share and one half of a common share purchase warrant, with each whole warrant entitling the holder to acquire one common share of Noront for a period of two years from the date of closing at a price of \$0.47 per common share. The common shares and warrants comprising the Units under the private placement and any common shares issuable upon exercise of the warrants are subject to a hold period of four months plus one day, which expired on January 5, 2016.

On November 24, 2015 the company announced the closing of a private placement (the "offering") of 4,824,218 flow-through common shares at a price of \$0.50 per flow-through common share for gross proceeds of \$2,412,109. The common shares are subject to a four month plus one day hold period which expires on March 25, 2016. The gross proceeds from the offering are being used to continue exploration efforts in the Ring of Fire. The company paid a cash finder's fee equal to 6% of the gross proceeds in connection with the offering.

(ii) On November 25, 2015 the company also issued 50,000 common shares at a price of \$0.40 per common share in satisfaction of an advance royalty payment due on one of its properties outside of the Ring of Fire. The common shares are subject to a four month plus one day hold which expires on March 26, 2016.

(iii) On December 30, 2015 the company issued 2,446,552 shares at a price of \$0.46 per share in satisfaction of advisory fees in relation to the financing of the purchase of the Cliffs Chromite Assets. The issued shares are subject to a four month hold period which will expire on April 30, 2016.



**15. 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 year ended December 31, 2015, share-based compensation of \$748,915 was charged to net loss (December 31, 2014 - \$762,689) .

- (i) On March 31, 2015, the Company granted 1,500,000 incentive stock options to directors and employees of the Company at an exercise price of \$0.55. The share price on March 31, 2015 was \$0.55.

The fair value assigned was estimated using the following assumptions:

Dividend yield	0%
Expected volatility	68.59%
Risk free interest rate	0.50%
Expected life	5 years
Forfeiture rate	3%

The stock options were assigned a value of \$463,500.

- (ii) On June 18, 2015, the Company granted 1,500,000 incentive stock options to an employee of the Company at an exercise price of \$0.44. The share price on June 18, 2015 was \$0.44.

The fair value assigned was estimated using the following assumptions:

Dividend yield	0%
Expected volatility	68.66%
Risk free interest rate	0.61%
Expected life	5 years
Forfeiture rate	3%

The stock options were assigned a value of \$367,500.

- (iii) On August 25, 2015, the Company granted 300,000 incentive stock options to a director of the Company at an exercise price of \$0.35. The share price on August 25, 2015 was \$0.35.

The fair value assigned was estimated using the following assumptions:

Dividend yield	0%
Expected volatility	68.74%
Risk free interest rate	0.36%
Expected life	5 years
Forfeiture rate	3%

The stock options were assigned a value of \$58,500.

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**15. Capital Stock (Continued)**

(c) Stock Options

The weighted-average remaining contractual life and weighted average exercise price of options outstanding and options exercisable as at December 31, 2015 are as follows:

Number of Stock Options Outstanding	Black-Scholes Value	Exercise Price	Remaining Contractual Life (Years)	Number of Stock Options Exercisable	Expiry Date
500,000	69,000	\$ 0.30	0.22	500,000	March 2016
1,900,000	1,292,760	\$ 0.88	0.35	1,900,000	May 2016
300,000	179,400	\$ 0.86	0.85	300,000	November 2016
200,000	108,800	\$ 0.86	0.94	200,000	December 2016
1,700,000	557,600	\$ 0.46	1.55	1,700,000	July 2017
300,000	70,200	\$ 0.35	1.79	300,000	October 2017
4,250,000	573,750	\$ 0.25	2.53	3,216,667	July 2018
3,000,000	450,000	\$ 0.30	2.76	2,000,000	October 2018
3,013,334	256,133	\$ 0.17	2.95	2,008,889	December 2018
250,000	79,250	\$ 0.59	3.35	41,667	May 2019
1,366,667	422,300	\$ 0.55	4.25	455,556	March 2020
1,500,000	367,500	\$ 0.44	4.47	500,000	June 2020
300,000	59,100	\$ 0.35	4.66	100,000	August 2020
<b>18,580,001</b>	<b>\$ 4,485,793</b>	<b>\$ 0.39</b>	<b>2.53</b>	<b>13,222,779</b>	

The following table summarizes the stock option transactions for the year ended December 31, 2015.

	Number of Options	Weighted-Average Exercise Price
January 1, 2014	<b>21,556,666</b>	\$0.51
Granted	<b>250,000</b>	\$0.59
Exercised	<b>(154,833)</b>	\$0.47
Expired	<b>(4,640,166)</b>	\$1.02
Forfeited	<b>(116,667)</b>	\$0.22
December 31, 2014	<b>16,895,000</b>	\$0.37
Granted	<b>3,300,000</b>	\$0.48
Exercised	<b>(539,999)</b>	\$0.26
Expired	<b>(150,000)</b>	\$1.25
Forfeited	<b>(925,000)</b>	\$0.27
Balance, December 31, 2015	<b>18,580,001</b>	\$0.40

There were 539,999 stock options exercised in the year ended December 31, 2015 (year ended December 31, 2014 - 154,833).



**15. Capital Stock (Continued)**

(d) Warrants

The following table lists the Company's warrants as at December 31, 2015. During the year ended December 31, 2015, no warrants expired.

	Number of Warrants	Weighted-Average Exercise Price
Issued September 4, 2015	1,453,787	\$0.47
Balance, December 31, 2015	1,453,787	\$0.47

The warrants were calculated using the following assumptions:

Expected volatility	40.00%
Risk free interest rate	0.45%
Expected life	2 Years

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

For the year ended December 31, 2015, share-based compensation of \$170,718 was charged to net loss for PSUs and RSUs (year ended December 31, 2014 - \$142,500).

The following tables list the Company's PSUs and RSUs as at December 31, 2015. During the year ended December 31, 2015, no PSUs or RSUs expired.

<b>Performance Share Units</b>	Number of PSUs	Fair Value	Expected Life
At December 31, 2014	2,000,000	\$ 147,870	
Issued June 22, 2015	1,000,000	307,225	5 years
At December 31, 2015	<b>3,000,000</b>	<b>\$ 455,095</b>	

  

<b>Restricted Share Units</b>	Number of RSUs	Fair Value	Expected Life
At December 31, 2015 and December 31, 2014	<b>335,000</b>	<b>\$ 77,050</b>	

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**16. Income Taxes**

A reconciliation between the tax expense and the product of accounting loss multiplied by the Company's domestic tax rate is as follows:

	Year Ended December 31, 2015	Year Ended December 31, 2014
Statutory tax rate	<b>26.50 %</b>	26.50 %
Loss before recovery of income taxes	<b>\$ (19,430,791)</b>	\$ (14,482,133)
Expected income tax recovery	<b>(5,149,160)</b>	(3,837,765)
Permanent differences	<b>221,167</b>	614,729
True-ups and other	<b>(108,393)</b>	(24,608)
ITC's	<b>(377,310)</b>	(232,233)
Benefits of tax attributes not recognized	<b>5,413,696</b>	3,292,229
Total tax recovery	<b>\$ -</b>	\$ (187,648)

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off the current tax assets and current tax liabilities or deferred tax assets and liabilities and they relate to taxes levied by the same tax authority.

The tax benefit of the following unused tax losses and deductible temporary differences have not been recognized in the consolidated financial statements due to the unpredictability of future earnings.

	Year Ended December 31, 2015	Year Ended December 31, 2014
<b>Deductible Temporary Differences</b>		
Mineral properties	<b>\$ 93,035,275</b>	\$ 87,552,905
Provision for environmental expenditure	<b>1,467,096</b>	1,467,096
Capital losses	<b>11,298</b>	1,817,993
Loss-carryforwards	<b>48,885,198</b>	43,801,705
Share issue costs	<b>192,536</b>	571,376
Loan facility and unaccreted amounts	<b>12,081,304</b>	1,456,404
ITC's	<b>8,368,943</b>	7,991,633
	<b>\$ 164,041,650</b>	\$ 144,659,112



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**16. Income Taxes (Continued)**

At December 31, 2015, the Company had unclaimed non-capital income tax losses that expire as follows:

2026	\$ 499,732
2027	1,179,805
2028	6,895,022
2029	7,720,158
2030	6,614,041
2031	8,385,059
2032	7,128,570
2033	1,665,096
2034	5,466,961
2035	3,330,754
	<u>\$ 48,885,198</u>

**17. Loss Per Share**

	Year Ended	
	December 31, 2015	December 31, 2014
Income (Loss) attributable to common shareholders	<u>\$ (19,430,791)</u>	<u>\$ (14,294,485)</u>
Weighted average shares outstanding - basic	<u>243,989,460</u>	<u>237,531,352</u>
Loss per share - basic	<u>\$ (0.08)</u>	<u>\$ (0.06)</u>

As a result of the net loss for the year ended December 31, 2015 and for the year ended December 31, 2014, the potential effects of the exercise of stock options and the conversion of the RCF loan facility - February 26, 2013 were anti-dilutive. Thus, basic loss per share and diluted loss per share are equal for those periods.

**18. Commitments and Contingencies**

- 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 \$434,697 in 2016, \$425,465 in 2017, \$45,559 in 2018, \$12,301 in 2019 and \$12,301 in 2020.
- The Company currently has agreements with several constructors that include provisions where the constructors 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 December 31, 2015, the amount of this contingent liability is approximately \$250,000.



**19. Compensation of Key Management**

	Year Ended	
	December 31, 2015	December 31, 2014
Salaries, benefits and directors' fees	\$ 1,935,510	\$ 1,604,647
Severance and consulting	-	80,000
Share-based compensation	835,748	802,819
	<b>\$ 2,771,258</b>	<b>\$ 2,487,466</b>

Key management includes the 7 directors and 6 members of the executive management team (year ended December 31, 2014 - 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.

**20. Supplementary Expense Information**

	Year Ended	
	December 31, 2015	December 31, 2014
<b>a) Development and Exploration Expenditures</b>		
Owner's Costs	\$ 1,528,173	\$ 1,520,586
Camp Operations & Exploration Expenditure	2,583,509	1,949,922
Permitting	500,048	2,361,697
Engineering/Site & Road Geotechnical	402,514	1,043,249
Other	-	(567,466)
	<b>\$ 5,014,244</b>	<b>\$ 6,307,988</b>

Included in development and exploration expenditures expenses for the year ended December 31, 2015 is \$2,151,256 of salaries and benefits (year ended December 31, 2014 - \$1,958,768) and \$277,755 of fuel (year ended December 31, 2014 - \$335,290).

Included in other costs for the year ended December 31, 2014 is a recovery of \$568,282 related to tax credits for exploration expenditures, incurred in fiscal years 2008 and 2009, which were previously denied by the Government of Québec. In July 2014, the Company received a final notice of assessment allowing the inclusion of a portion of the underlying expenditures resulting in a recovery of exploration expenditures.

	Year Ended	
	December 31, 2015	December 31, 2014
<b>b) Office and General:</b>		
Salaries, benefits and directors' fees	\$ 1,772,426	\$ 1,561,266
Employee severance	42,821	80,000
Donations & sponsorships	159,682	115,076
Administrative and other expenses	821,523	811,963
Professional fees	1,048,228	1,042,129
Communications & travel	283,211	398,174
	<b>\$ 4,127,891</b>	<b>\$ 4,008,608</b>



## 21 Subsequent Events

On December 31, 2015 the company announced the sale of a 1% NSR Royalty (the "Royalty") over the Eagles's Nest deposit to RCF for the sum of US\$2.5 million and the loan set-off and satisfaction agreement (the "Loan Set-Off"). The Royalty agreement contains a buy-back provision whereby the company can repurchase 50% of the royalty for US\$3.125 million for a period of 30 months. The transaction closed on January 14, 2016. The proceeds from this transaction were used to satisfy the repayment of the US\$2 million bridge loan to RCF as per the terms of the Loan Set-off and Satisfaction Agreement (see note 12.a (ii)) and also for working capital purposes.

The Company issued 29,391 common shares of the company (the "Interest shares") at a price of \$0.39 per share in satisfaction of interest in the amount of \$11,330 due on the US\$2 million bridge loan for the period from January 1 - 13, 2016 as a result of closing the sale of the Royalty. The shares will be subject to a four month hold period which will expire on May 21, 2016.

On March 17, 2016, the Company announced that it had closed its previously announced short-form prospectus offering raising gross proceeds of \$6,332,772 through the issuance of the maximum number of units ("Units") and flow-through units ("Flow-Through Units") under the base deal, as well as the exercise of the over-allotment option, by the Agent. Noront raised \$4,305,522 from the sale of 12,301,492 Units at a price of \$0.35 per Unit, with each such Unit consisting of one common share and one common share purchase warrant, each whole warrant entitling the holder to purchase one common share at a price of \$0.50 per share on or before March 17, 2019. The Company also raised \$2,027,250 from the sale of 4,505,000 Flow-Through Units at a price of \$0.45 per Flow-Through Unit, with each such Flow-Through Unit consisting of one flow through common share ("FT Share") and one-half of one common share purchase warrant, each whole warrant entitling the holder to purchase one common share at a price of \$0.55 per share on or before March 17, 2019. The FT Shares will be "flow-through" shares pursuant to the Income Tax Act (Canada). As a precondition to the prospectus financing, RCF provided the Company with an undertaking to extend the Convertible Loan to March 17, 2017.

On March 30, 2016, the Company announced the closing of a private placement financing raising total gross proceeds of \$1.14 million. The financing consisted of 1,500,000 units at a price of \$0.35 per unit for gross proceeds of \$525,000 with each unit comprised of one common share and one common share purchase warrant (each whole warrant entitling the holder to purchase one common share at a price of \$0.50 per share for a period of 36 months from closing) and 1,366,666 flow-through units at a price of \$0.45 per flow-through unit for gross proceeds of \$615,000 with each flow-through unit comprised of one flow-through share and one-half of one common share purchase warrant (each whole warrant entitling the holder to purchase one common share at a price of \$0.55 per share for a period of 36 months from closing).