NORONT

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016 AND THREE AND SIX MONTHS ENDED JUNE 30, 2015

(EXPRESSED IN CANADIAN DOLLARS)

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

	Note	As at June 30, 2016	As at December 31, 2015
Assets			
Current Assets			
Cash and cash equivalents	4	$ 5,861,347	$ 3,099,297
Taxes and other receivables		41,745	275,162
Supplies inventory		416,521	135,885
Prepaid expenses		183,600	188,438
Total Current Assets		$ 6,503,213	$ 3,698,782
Non-Current Assets			
Equipment	5	1,690,017	1,821,942
Intangible assets		13,260	17,681
Mineral properties	6	24,654,708	26,092,812
Investments		240,600	240,600
Total Non-Current Assets		$ 26,598,585	$ 28,173,035
Total Assets		$ 33,101,798	$ 31,871,817
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities	7a(III)	$ 2,302,399	$ 3,038,492
Loan Facilities - due to Resource Capital Funds V L.P.	7a	-	23,528,001
Repayment options	7c	-	2,162,256
Embedded Derivative	8	-	274,748
Flow-Through Share Liability	10b	457,343	283,355
Total Current Liabilities		2,759,742	29,286,852
Non-Current Liabilities			
Provision for environmental expenditure	9	1,533,108	1,491,868
Loan Facilities - due to Resource Capital Funds V L.P.	7a	15,337,322	-
Repayment options	7c	6,934,434	-
Loan Facilities - due to Franco-Nevada Corporation	7b	25,371,745	24,842,032
Total Non-Current Liabilities		$ 49,176,609	$ 26,333,900
Total Liabilities		$ 51,936,351	$ 55,620,752
Shareholders' Deficit			
Capital stock	10b	$ 184,263,027	$ 176,756,027
Warrants	10d	874,378	62,859
Contributed surplus		35,028,320	34,616,275
Deficit		(239,000,278)	(235,184,096)
Total Shareholders' Deficit		$ (18,834,553)	$ (23,748,935)
Total Shareholders' Deficit and Liabilities		$ 33,101,798	$ 31,871,817

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

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)

	Note		Three Months Ended June 30, 2016		June 30, 2015		Six Months Ended June 30, 2016		June 30, 2015
Expenses									
Development and exploration expenditures	**14a**	**$**	**1,488,740**	$	1,072,651	**$**	**2,976,760**	$	2,553,334
Office and general	**14b**	**$**	**617,924**	$	567,520		**1,175,748**		2,279,289
Amortization		**$**	**95,459**	$	121,462		**189,695**		242,924
Share-based compensation	**10c,e**	**$**	**183,103**	$	247,548		**498,586**		492,108
Loss before finance items and other gains		**$**	**(2,385,226)**	$	(2,009,181)	**$**	**(4,840,789)**	$	(5,567,655)
Interest income		**$**	**8,452**	$	2,155		**12,659**		10,051
Finance expense		**$**	**(1,036,962)**	$	(742,054)		**(2,113,664)**		(1,122,480)
Flow-Through Share premium		**$**	**214,943**	$	-		**431,122**		-
Gain on sale of investments		**$**	**-**	$	141,680		**-**		141,680
Loss on Loan Extinguishment		**$**	**(3,339,427)**	$	-		**(3,339,427)**		-
Gain on sale of royalty	**7a(II)**	**$**	**-**	$	4,149,462		**2,057,046**		4,149,462
Accretion expense		**$**	**(507,220)**	$	(436,492)		**(1,034,153)**		(577,814)
Re-measurement of repayment options	**7c**	**$**	**361,835**	$	3,727,406		**2,162,256**		(3,004,164)
Re-measurement of embedded derivative	**8**	**$**	**(16,293)**	$	-		**(133,972)**		141,680
Foreign exchange gain (loss)		**$**	**232,951**	$	(913,729)		**2,960,240**		(2,287,190)
Other		**$**	**-**	$	-		**22,500**		-
Net income (loss) and comprehensive income(loss)			**(6,466,947)**		3,919,247	**$**	**(3,816,182)**	$	(8,258,110)
Earnings (loss) per share - basic	**11**	**$**	**(0.02)**	$	0.02	**$**	**(0.01)**	$	(0.03)
Earnings (loss) per share - diluted	**11**	**$**	**(0.02)**	$	0.00	**$**	**(0.01)**	$	(0.03)

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 and Broker Warrants	Contributed Surplus	Deficit	Total
Balance, December 31, 2014	**239,271,809**	**$ 170,711,698**	**$ -**	**$ 33,770,609**	**$ (215,753,305)**	**$ (11,270,998)**
Exercise of options	483,333	121,167	-	-	-	121,167
Issuance of interest shares	1,982,476	728,580	-	-	-	728,580
Share-based compensation	-	-	-	492,108	-	492,108
Net loss for the period	-	-	-	-	(8,258,110)	(8,258,110)
Balance, June 30, 2015	**241,737,618**	**$ 171,561,445**	**$ -**	**$ 34,262,717**	**$ (224,011,415)**	**$ (18,187,253)**

	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 (Note 10b)	22,575,062	6,979,382	-	-	-	6,979,382
Flow-through share premium	-	(605,109)	-	-	-	(605,109)
Exercise of options	841,666	239,677	-	(86,541)	-	153,136
Issue of Warrants	-	-	811,519	-	-	811,519
Issuance of interest shares (Note 7,10b)	2,405,945	893,050	-	-	-	893,050
Share-based compensation (Note 10c,e)	-	-	-	498,586	-	498,586
Net loss for the period	-	-	-	-	(3,816,182)	(3,816,182)
Balance, June 30, 2016	**281,680,296**	**$ 184,263,027**	**$ 874,378**	**$ 35,028,320**	**$ (239,000,278)**	**$ (18,834,553)**

NORONT

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

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

	Note	**Six Months Ended June 30, 2016**	Six Months Ended June 30, 2015
Operating activities			
Net income (loss) for the period		**$ (3,816,182)**	$ (8,258,110)
Amortization		**189,695**	242,924
Share-based compensation	**10c,e**	**498,586**	492,108
Accretion expense		**1,034,153**	577,814
Flow-Through Share Premium		**(431,122)**	-
Flow-Through Proceeds on Sale of Tax Benefits		**605,109**	-
Issuance of interest shares		**911,237**	728,580
Re-measurement of repayment options		**(2,162,256)**	3,004,164
Re-measurement of embedded derivative		**133,972**	-
Accrued interest on Long term Debt	**7b**	**1,230,931**	369,840
Loss on Loan Extinguishment		**2,896,255**	-
Gain on sale of Investments		**-**	(141,680)
Gain on sale of royalty	**7a(II)**	**(2,057,046)**	(4,149,462)
Unrealized foreign exchange (gain)/loss		**(2,865,008)**	2,273,380
Net change in non-cash working capital:			
Taxes and other receivables		**233,676**	(21,702)
Supplies inventory		**(280,636)**	(176,497)
Prepaid expenses		**4,838**	55,423
Accounts payable and accrued liabilities		**(239,516)**	835,671
Net cash used in operating activities		**$ (4,113,314)**	$ (4,167,547)
Investing activities			
Acquisition of mineral properties including transaction costs		**(554,811)**	(33,054,021)
Acquisition of Investments		**-**	(454,350)
Acquisition of equipment		**-**	(44,972)
Proceeds on sale of royalty on chromite assets, net costs		**-**	9,379,977
Proceeds on sale of royalties, net of costs		**621,099**	4,207,971
Proceeds on disposal of securities		**-**	355,430
Net cash provided by (used in) investing activities		**$ 66,288**	$ (19,609,965)
Financing activities			
Proceeds from exercise of options		**168,511**	121,167
Loan facility, net of costs	**7a(II)**	**-**	2,498,000
Long term loan, net of costs		**-**	20,167,439
Prospectus Equity Issuance, net of costs and sale of tax benefits		**5,356,903**	-
Private Placement, net of costs and sale of tax benefits		**1,314,753**	**-**
Finance lease		**(1,990)**	(12,083)
Net cash provided by financing activities		**$ 6,838,177**	$ 22,774,523
Change in cash and cash equivalents		**$ 2,791,151**	$ (1,002,989)
Effect of foreign exchange rates on cash and cash equivalents		**(29,101)**	228,586
Cash and cash equivalents, beginning of period		**3,099,297**	4,803,245
Cash and cash equivalents, end of period		**$ 5,861,347**	$ 4,028,842

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 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 June 30, 2016, the Company had not yet achieved profitable operations, had an accumulated deficit of $239.0 million since inception (December 31, 2015, – $235.2 million) and expects to incur further losses in the development of its business, and had net working capital of $3.7 million. At December 31, 2015 the company had negative working capital as a result of the Resource Capital Funds V L.P ("RCF") loan being classified as current. On June 30, 2016 the Company entered into an amending agreement with RCF to extend the term of its existing US$15 million convertible debt. The maturity date of the convertible debt has been extended until December 31, 2017 and has been re-classified to non-current liabilities as at June 30, 2016. (See Note 7 a (I) - Debt Agreements with Related Party - Resource Capital Funds V L.P).

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 and advance the exploration of its claims and development of its projects in the Ring of Fire. During the first and second quarter the company completed an equity offering with gross proceeds of $6.3 million and private placements with gross proceesd of of $1.6 million to fund exploration and working capital. 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 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 International Accounting Standards Board (IASB). These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2015, 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, 2015. These condensed consolidated interim financial statements were approved by the Audit Committee on behalf of the Board of Directors on August 25, 2016.

(Expressed in Canadian dollars, unless otherwise noted)

3. Fair Value Measurements

a) Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, investments, embedded derivatives, accounts payable and accrued liabilities, 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.

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 financial 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.

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 and the embedded derivative are measured at fair value and classified as Level 2 (Note 7c.)

Investments are classified as Level 3.

The carrying value of the Company's accounts payable and accrued liabilities and loan facilities with RCF in the comparable period approximates the fair values of those financial instruments, due to the short-term maturity of such instruments. As at June 30, 2016 the carrying value of the loan facility due to RCF is equal to its fair value because the amendment to the loan facility on June 30, 2016 has been accounted for as a substantial modification. This resulted in the extinguishment of the exisiting loan facility and the recognition of a new finanical liability measured at fair value on initial recognition. (See Note 7 a (I)). 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.

4. Cash and Cash Equivalents

Cash and cash equivalents consist of:	**June 30, 2016**	December 31, 2015
Cash deposits	**$ 5,757,954**	$ 2,996,410
Guaranteed investment certificate	**103,393**	102,887
	$ 5,861,347	$ 3,099,297

(Expressed in Canadian dollars, unless otherwise noted)

5. Equipment

June 30, 2016	Equipment	Furniture & Fixtures	Leasehold Improvements	Total
Cost	$ 4,205,098	$ 115,027	$ 200,287	$ 4,520,412
Accumulated Amortization	(2,552,855)	(96,477)	(181,063)	(2,830,395)
Closing Net Book Value	$ 1,652,243	$ 18,550	$ 19,224	$ 1,690,017
Opening Net Book Value - Jan 1, 2016	$ 1,779,971	$ 20,611	$ 21,360	$ 1,821,942
Additions	24,453	-	-	24,453
Re-measurement of provision [1]	28,896	-	-	28,896
Amortization	(181,077)	(2,061)	(2,136)	(185,274)
Closing Net Book Value	$ 1,652,243	$ 18,550	$ 19,224	$ 1,690,017

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
Remeasurement of provision [1]	(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

[1]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 9.

(Expressed in Canadian dollars, unless otherwise noted)

6. Mineral Property

		June 30, 2016	December 31, 2015
(i)	McFauld's Lake Property - "Ring of Fire", James Bay Lowlands, Northeastern Ontario		
	Opening balance	**$ 26,092,812**	$ 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
	Sale of 1% NSR royalty to RCF	**$ (1,438,104)**	-
		$ 24,654,708	$ 26,092,812

McFauld's Lake

Eagle's Nest, Nickel, Copper, PGM 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 has been 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.

Other Properties

The Company has also 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.

(Expressed in Canadian dollars, unless otherwise noted)

7. Loan Facilities

	June 30, 2016	December 31, 2015
Current portion of loan facilities		
Debt agreement with related party - February 26, 2013 (a)(I)	-	$ 20,760,001
Debt agreement with related party - June 30, 2015 (a)(II)	-	2,768,000
	-	23,528,001
Long term portion of loan facilities		
Debt agreement with related party - February 26, 2013 (a)(I)	$ 15,337,322	$ -
Long term loan (b)	25,371,745	24,842,032
Total Loan Facilities	$ 40,709,067	$ 48,370,033

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 June 30, 2016 owns approximately 20.07% 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 subsequent to the convertible loan maturity date and 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 is considered to be an extinguishment of the debt. 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 will be carried at amortized cost using the effective interest rate method.

Loan Facility	June 30, 2016	December 31, 2015
Balance, beginning of period	$ 20,760,001	$ 16,761,797
Foreign exchange (gain) loss	(1,384,500)	3,281,329
Accretion of loan facility	-	716,875
Extinguishment of Loan	(19,375,501)	-
Balance, end of period	$ -	$ 20,760,001
Amended Loan Facility (at inception)	15,337,322	-
Balance, end of period	$ 15,337,322	$ -

(Expressed in Canadian dollars, unless otherwise noted)

7. Loan Facilities (Continued)

(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 had drawn down the aggregate principal amount available under the bridge loan 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 for the 20 days prior to the date of each interest period determination (subject to applicable minimum pricing requirements of the TSX Venture Exchange). An establishment fee of 2% of the principal amount of the Facility was paid to RCF in Common Shares, 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.

On January 14, 2016 the Company closed 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.

Loan Facility	**June 30, 2016**	December 31, 2015
Balance, beginning of period	**$ 2,768,000**	**$ -**
Loan	**-**	**2,498,000**
Transaction costs	**-**	**(324,291)**
Foreign exchange loss	**106,600**	**270,000**
Accretion of loan facility	**-**	**324,291**
Repayment of Loan to RCF	**(2,874,600)**	**-**
Balance, end of period	**$ -**	**$ 2,768,000**

III) **Debt Agreements with Related Party - Resource Capital Funds V L.P.**

On January 11, 2016, the Company satisfied the payment of interest of $492,740 for the fourth quarter of 2015 through issuance of 1,240,846 common shares of the Company. The Interest Shares were subject to a four month hold period, which expired on May 11, 2016.

On January 14, 2016, the Company satisfied the payment of interest of $11,330 due on the US$2 million bridge loan for the period from January 1, 2016 to the date the debt was settled in full through issuance of 29,391 common shares of the Company. The Interest Shares were subject to a four month hold period, which expired on May 21, 2016.(see Note 7a(II))

On April 11, 2016, the Company satisfied the payment of interest of $388,980 for the first quarter of 2016 through issuance of 1,135,708 common shares of the Company. The Interest Shares are subject to a four month hold period, which expired on August 11, 2016.

As at June 30, 2016, the Company accrued interest in the amount of $388,050 for the second quarter of 2016. On July 11, 2016, the Company satisfied the payment of interest of $388,050 and the payment of the loan extension fee of $388,050 through issuance of 2,614,616 common shares of the Company. The Interest Shares are subject to a four month hold period, which expires on November 12, 2016. As at June 30, 2016 the accrued interest and the loan extension fee were included in accrued liabilities.

(Expressed in Canadian dollars, unless otherwise noted)

7. 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 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 Property)

	June 30, 2016	December 31, 2015
Balance, beginning of period	**$ 24,842,032**	**$ -**
Long Term Loan	**-**	**20,695,023**
Transaction costs	**-**	**(1,700,847)**
Foreign exchange (gain) loss	**(1,723,026)**	**2,999,832**
Accrued loan interest	**1,230,931**	**1,574,621**
Accretion of loan facility	**1,021,808**	**1,273,403**
Balance, end of period	**$ 25,371,745**	**$ 24,842,032**

c) Repayment Options

The Company's convertible debt agreement contained 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.

During the three and six month period ended June 30, 2016 the fair value of the convertible feature under the terms of the Company's convertible debt agreement prior to amendment declined to nil as at June 30, 2016 when the convertible feature was due to expire. This resulted in gains on the re-measurement of the convertible feature of $0.4 million and $2.2 million for the three and six month periods ended June 30, 2016 which were recognized in the statement of income (loss). Upon extinguishment of the liability for the pre-amendment convertible debt agreement and recognition of a new liability under the terms of the amended convertible debt agreement, the Company extinguished the pre-amendment conversion feature with a carrying value of nil and recognized a liability of $6.9 million for the fair value of the amended convertible feature as at June 30, 2016.

8 Embedded Derivative

On December 30, 2015, the Company settled advisory fee liability 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 were 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. During the three month period ended June 30, 2016 the Company agreed to settle the embedded derivative for a cash payment by the Company of $0.4 million. As at June 30, 2016 the Company has recorded a liability for this future payment in accounts payable and accrued liabilities.

(Expressed in Canadian dollars, unless otherwise noted)

9. Provision for Environmental Expenditure

McFauld's Lake

The Company has established a provision of $1,533,108 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:
a) Total undiscounted future demobilization cost is $1,787,655 (December 31, 2015 - $1,787,655)
b) Nominal risk-free pre-tax discount rate of 1.63% (December 31, 2015 - 2.03%)
c) Demobilization cost expected to be incurred in 10 years (December 31, 2015 - 10 years)

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

	June 30, 2016	December 31, 2015
Balance, beginning of period	**$ 1,491,868**	$ 1,467,096
Accretion expense for the period	**12,344**	29,683
Re-measurement of provision	**28,896**	(4,911)
	$ 1,533,108	$ 1,491,868

10. Capital Stock

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

(b) Issued

	Number of Shares	Value
Balance, January 1, 2015	239,271,809	$ 170,711,698
Flow-through private placement, net of costs	6,359,218	2,831,989
Flow-through private placement, net of costs	2,907,575	945,655
Flow through share premium	-	(368,395)
Issue of shares	2,496,552	870,666
Warrant allocation	-	(69,782)
Issue of interest shares	4,282,470	1,626,763
Exercise of options	539,999	207,433
Balance, December 31, 2015	255,857,623	$ 176,756,027
Prospectus Offering, net of costs (i)	17,142,622	5,769,953
Private placement, net of costs (ii & iv)	4,029,167	1,526,003
Flow through share premium	-	(605,109)
Warrant allocation	-	(818,516)
Issue of shares (iii)	1,403,273	475,289
Issue of interest shares (Note **7**(a))	2,405,945	893,050
Exercise of options	841,666	239,677
Balance, June 30, 2016	**281,680,296**	$ 184,236,374

10. Capital Stock (continued)

(I) On March 17, 2016, the Company closed a short-form prospectus offering raising gross proceeds of $6.3 milliom (net proceeds after transaction costs - $5.8 million) 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 gross proceeds of $4.3 million 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 16, 2019. The Company also raised gross proceeds of $2.0 million 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 16, 2019. The FT Shares will be “flow-through” shares pursuant to the Income Tax Act (Canada). The Company also issued compensation units equal to 2% of units purchased under the offering ("Compensation Units") and compensation warrants equal to 5% of the total number of units purchased under the offering ("Compensation Warrants") to the agents.Each Compensation Unit consists of one common share and one common share purchase warrant which is exercisable into a common share at a price of $0.50 per share. Each Compensation Warrant issued pursuant to the unit offering entitles the holder to purchase one common share at a price of $0.35 per share and each Compensation Warrant issued pursuant to the flow-through offering entitles the holder to purchase one common share at a price of $0.45 per share on or before March 16, 2017.

(II) On March 30, 2016, the Company closed a private placement financing raising total gross proceeds of $1.1 million (net proceeds after transaction costs - $1.1 million). The financing consisted of 1,500,000 units at a price of $0.35 per unit for gross proceeds of $0.5 million with each unit comprised of one common share and one common share purchase warrant (each warrant entitling the holder to purchase one common share at a price of $0.50 per share on or before March 29, 2019) and 1,366,667 flow-through units at a price of $0.45 per flow-through unit for gross proceeds of $0.6 million 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 on or before March 29, 2019).

(iii) On April 13, 2016, the Company issued 1,403,273 common shares at a deemed issue price of $0.34 per share in satisfaction of legal advisory fees amounting to $0.5 million which were incurred in connection with the financing of the purchase of the Cliffs Chromite Assets which closed on April 28, 2015. The issued shares are subject to a four month hold period which will expired on August 14, 2016

(iv) On May 12 , 2016 the Company announced the closing of a private placement of 1,162,500 flow-through shares at a price of $0.40 per flow-through share for gross proceeds of $0.5 million. The Company intends to use the proceeds for its exploration program in the Ring of Fire. The flow-through shares will be “flow-through” shares pursuant to the Income Tax Act (Canada). The flow-through shares are subject to a statutory hold period of four months plus one day which will expire on September 13, 2016. In connection with the offering, the agents received a cash finder’s fee equal to 5% of the gross proceeds of the Offering.

(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 and six months ended June 30, 2016, share-based compensation of $135,579 and $399,068 was charged to net income (for the three and six months ended June 30, 2015 - $230,076 $457,354) .

(i) On March 24, 2016, the Company granted 2,275,000 incentive stock options to directors and employees of the Company at an exercise price of $0.34. The share price on March 24, 2016 was $0.34.

The fair value assigned was estimated using the following assumptions:

Dividend yield	0%
Expected volatility	70.33%
Risk free interest rate	0.56%
Expected life	5 years
Forfeiture rate	3%

The stock options were assigned a value of $443,625.

(ii) On April 13, 2016, the Company granted 500,000 incentive stock options to employees of the Company at an exercise price of $0.33. The share price on April 13, 2016 was $0.33.

The fair value assigned was estimated using the following assumptions:

Dividend yield	0%
Expected volatility	70.60%
Risk free interest rate	0.57%
Expected life	5 years
Forfeiture rate	3%

The stock options were assigned a value of $95,000.

(Expressed in Canadian dollars, unless otherwise noted)

10. 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 June 30, 2016 are as follows:

Number of Stock Options Outstanding	Black-Scholes Value	Exercise Price	Remaining Contractual Life (Years)	Number of Stock Options Exercisable	Expiry Date
300,000	179,400	$ 0.86	0.35	300,000	November 2016
200,000	108,800	$ 0.86	0.44	200,000	December 2016
1,700,000	557,600	$ 0.46	1.05	1,700,000	July 2017
300,000	70,200	$ 0.35	1.29	300,000	October 2017
3,916,667	528,750	$ 0.25	2.03	1,305,556	July 2018
3,000,000	450,000	$ 0.30	2.26	2,000,000	October 2018
2,471,667	210,092	$ 0.17	2.45	1,647,778	December 2018
1,300,000	401,700	$ 0.55	3.76	866,667	March 2020
1,500,000	367,500	$ 0.44	3.97	500,000	June 2020
300,000	59,100	$ 0.35	4.16	100,000	August 2020
2,275,000	443,625	$ 0.34	4.74	758,333	March 2021
500,000	95,000	$ 0.33	4.79	166,667	April 2021
17,763,334	**$ 3,471,767**	**$ 0.39**	**2.63**	**9,845,001**	

The following table summarizes the stock option transactions for the six months ended June 30, 2016.

	Number of Options	**Weighted-Average Exercise Price**
January 1, 2015	**16,895,000**	$0.37
Granted	**3,300,000**	$0.48
Exercised	**(539,999)**	$0.26
Expired	**(150,000)**	$1.25
Forfeited	**(925,000)**	$0.27
December 31, 2015	**18,580,001**	$0.40
Granted	**2,775,000**	$0.34
Exercised	**(841,667)**	$0.20
Expired	**(2,500,000)**	$2.23
Forfeited	**(250,000)**	$0.16
Balance, June 30, 2016	**17,763,334**	$0.39

(Expressed in Canadian dollars, unless otherwise noted)

10. Capital Stock (Continued)

(d) Warrants

The following table lists the Company's warrants as at June 30, 2016. During the three and six months ended June 30, 2016, no warrants expired.

	Number of Warrants	**Weighted-Average Exercise Price**
At December 31, 2015	1,453,787	$ 0.47
Prospectus and Private Placement Warrants	16,737,326	$ 0.51
Compensation Warrants	1,176,455	$ 0.41
Balance, June 30, 2016	**19,367,568**	$0.50

During the three months ended March 31, 2016, 15,730,446 warrants were issued as a result of the prospectus and 2,183,334 warrants were issued as a result of the private placement including compensation warrants. (See Note 10b(I) & (II))

The fair value of the warrants were calculated using the following assumptions:

Warrants issued under propectus	
Expected volatility	40.00%
Risk free interest rate	0.58%
Expected life	3 Years

Warrants issued to agents	
Expected volatility	40.00%
Risk free interest rate	0.58%
Expected life	1 Years

Warrants issued under private placement	
Expected volatility	40.00%
Risk free interest rate	0.56%
Expected life	3 Years

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

For the three and six months ended June 30, 2016, share-based compensation of $47,524 and $99,518 was charged to net income for PSUs and RSUs (three and six months ended June 30, 2015 - $17,472 and $34,754) .

The following tables list the Company's PSUs and RSUs as at June 30, 2016. During the three and six months ended June 30, 2016, no PSUs or RSUs expired.

Performance Share Units	Number of PSUs	Fair Value	Expected Life
At June 30, 2016 and December 31, 2015	**3,000,000**	**$ 455,095**	5 years

Restricted Share Units	Number of RSUs	Fair Value	Expected Life
At June 30, 2016 and December 31, 2015	**335,000**	**$ 77,050**	2 years

(Expressed in Canadian dollars, unless otherwise noted)

11. Earnings/(Loss) Per Share

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	**June 30, 2016**	June 30, 2015
Income (Loss) attributable to common shareholders	**$ (6,466,947)**	$ 3,919,247	**$ (3,816,182)**	$ (8,258,110)
Weighted average shares outstanding - basic	**280,776,428**	$ 241,352,904	**270,247,763**	240,858,455
Earnings (Loss) per share - basic	**$ (0.02)**	$ 0.02	**$ (0.01)**	$ (0.03)
Income (Loss) attributable to common shareholders	**$ (6,466,947)**	$ 3,919,247	**$ (3,816,182)**	$ (8,258,110)
Adjustment for:				
Re-measurement of repayment options	**-**	(3,727,406)	**-**	-
Interest expense on convertible debt	**-**	368,820	**-**	-
Accretion expense on convertible debt	**-**	138,657	**-**	-
Foreign exchange gain on convertible debt	**-**	(225,717)	**-**	-
Income (loss) used to determine diluted earnings (loss) per share	**(6,466,947)**	473,601	**(3,816,182)**	(8,258,110)
Weighted average shares outstanding - basic	**-**	241,352,904	**-**	240,858,455
Adjustment for:				
Assumed conversion of convertible debt	**-**	42,220,000	**-**	-
Stock options	**-**	3,967,802	**-**	-
Weighted average shares outstanding - diluted	**280,776,428**	**287,540,706**	**270,247,763**	240,858,455
Earnings (Loss) per share - diluted	**$ (0.02)**	$ 0.00	**$ (0.01)**	$ (0.03)

As a result of the net loss for the three and six months ended June 30, 2016, 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 June 30, 2015, 3,047,223 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.

(Expressed in Canadian dollars, unless otherwise noted)

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 June 30, 2016, the Company is committed to incurring approximately $2.4 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 $219,734 in 2016, $425,465 in 2017, $45,559 in 2018, $12,301 in 2019, $12,301 in 2020 and $159,913 due in 2021.

c) 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 June 30, 2016, the amount of this contingent liability is approximately $250,000.

13. Compensation of Key Management

	Three Months Ended		Six Months Ended	
	June 30 2016	June 30, 2015	**June 30, 2016**	June 30, 2015
Salaries, benefits and directors' fees	**$ 385,994**	$ 729,748	**$ 608,992**	$ 1,128,045
Share-based compensation	**202,835**	245,122	**501,890**	465,578
	$ 588,829	$ 974,870	**$ 1,110,882**	$ 1,593,623

Key management includes the 7 directors and 6 members of the executive management team (three and six months ended June 30, 2015 - 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. At June 30, 2015 bonuses and directors fees were included in Salaries, benefits and director's fees. Director's fees were suspended in Q1 2016 and for two months of Q2 2016; there were no bonus accruals at June 30, 2016

14. Supplementary Expense Information

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	**June 30, 2016**	June 30, 2015
a) Development and Exploration Expenditures				
Owner's Costs	**$ 160,234**	$ 369,557	**$ 317,751**	$ 882,430
Camp Operations & Exploration Expense	**1,269,790**	487,091	**2,593,816**	1,074,388
Permitting	**54,159**	148,172	**60,636**	314,359
Engineering/Site & Road Geotechnical	**-**	59,351	**-**	273,677
Other	**4,557**	8,480	**4,557**	8,480
	$ 1,488,740	$ 1,072,651	**$ 2,976,760**	$ 2,553,334

Included in development and exploration expenditures expenses for the three and six months ended June 30, 2016 is $581,517 and $1,185,951 of salaries and benefits (three and six months ended June 30, 2015 - $451,023 and $1,097,982) and $72,212 and $172,003 of fuel expenses (three and six months ended June 30, 2015 - $52,403 and $140,963).

(Expressed in Canadian dollars, unless otherwise noted)

14. Supplementary Expense Information (continued)

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	**June 30, 2016**	June 30, 2015
b) Office and General:				
Salaries, benefits and directors' fees	**$ 282,041**	$ 576,926	**$ 509,534**	$ 1,046,171
Donations & sponsorships	**3,550**	17,587	**21,550**	80,688
Administrative and other expenses	**190,089**	241,402	**366,679**	429,520
Professional fees	**101,857**	(360,094)	**167,373**	544,095
Communications & travel	**40,387**	91,699	**110,612**	178,815
	$ 617,924	$ 567,520	**$ 1,175,748**	$ 2,279,289

15 Subsequent Events

On July 5, 2016 the Company granted the option to acquire an aggregate of 416,253 common shares to senior management as compensation for voluntary pay reductions. The options are exercisable into common shares as an exercise price of $0.31 per common share (the closing market price at date of grant) for a period of 5 years. The stock options were assigned a value of $74,509.

On August 24, 2016 the Company announced that it has closed the previously announced transaction to acquire a 75% interest in all the MacDonald Mines properties in the Ring Of Fire. The properties acquired consist of two separate blocks of claims: The Butler Property (77 claim units) and the Sanderson Property (70 claim units). The Company issued $750,000 in common shares of the company to MacDonald to earn the 75% interest. MacDonald will have a 25% carried interest until the issuance of a NI 43-101 compliant resource on one of the properties, at which time MacDonlad will have the option to convert the carried interest to a 1% NSR on the acquired claims (the Conversion Right). If MacDonald does not elect to exercise its Conversion Right, Noront can elect to buy back MacDonald's 25% interest for $3 million (the Buy-back Right), payable in cash or shares at the option of Noront. If neither the Conversion Right nor the Buy-back Right are exercised, a joint venture arrangement will be formed between to the parties to develop the properties.