



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**FOR THE THREE AND SIX MONTHS ENDED JUNE 30 2017 AND THREE AND SIX
MONTHS ENDED JUNE 30, 2016**

(EXPRESSED IN CANADIAN DOLLARS)

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

	Note	As at June 30, 2017	As at December 31, 2016
Assets			
Current Assets			
Cash and cash equivalents	4	\$ 6,689,269	\$ 11,480,077
Taxes and other receivables		36,119	129,760
Supplies inventory		150,262	226,878
Prepaid expenses		107,432	104,634
Total Current Assets		\$ 6,983,082	\$ 11,941,349
Non-Current Assets			
Equipment	5	1,425,390	1,614,692
Mineral properties	6	25,418,065	25,418,065
Investments		240,600	240,600
Total Non-Current Assets		\$ 27,084,055	\$ 27,273,357
Total Assets		\$ 34,067,137	\$ 39,214,706
Liabilities and Shareholders' Deficit			
Current Liabilities			
Accounts payable and accrued liabilities	7	\$ 998,289	\$ 1,397,458
Loan Facility - due to Resource Capital Funds V L.P.	8a	17,944,399	17,174,433
Repayment option	8c	4,207,830	2,144,371
Flow-through share liability		245,938	813,267
Total Current Liabilities		23,396,456	21,529,529
Non-Current Liabilities			
Provision for environmental obligations	9	1,658,107	1,662,031
Loan Facility - due to Franco-Nevada Corporation	8b	30,192,416	28,750,976
Total Non-Current Liabilities		\$ 31,850,523	\$ 30,413,007
Total Liabilities		\$ 55,246,979	\$ 51,942,536
Shareholders' Deficit			
Capital stock	10b	\$ 195,963,728	\$ 194,758,699
Warrants		2,291,370	2,334,489
Contributed surplus		36,016,778	35,343,243
Deficit		(255,451,718)	(245,164,261)
Total Shareholders' Deficit		\$ (21,179,842)	\$ (12,727,830)
Total Shareholders' Deficit and Liabilities		\$ 34,067,137	\$ 39,214,706

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 Loss and Comprehensive Loss
(Expressed in Canadian dollars)
(Unaudited)

	Note	Three Months Ended		Six Months Ended	
		June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Expenses					
Development and exploration expenditures	14a	\$ 1,113,961	\$ 1,488,740	\$ 3,151,255	\$ 2,976,760
Office and general	14b	884,445	617,924	1,753,469	1,175,748
Amortization		84,240	95,459	168,479	189,695
Share-based compensation	10c,e	178,658	183,103	718,590	498,586
Loss before finance and other items		\$ (2,261,304)	\$ (2,385,226)	\$ (5,791,793)	\$ (4,840,789)
Interest income		9,624	8,452	22,844	12,659
Finance expense		(1,062,463)	(1,036,962)	(2,112,840)	(2,113,664)
Flow-through share premium		143,273	214,943	567,329	431,122
Loss on loan extinguishment	8a(i)	-	(3,339,427)	-	(3,339,427)
Gain on sale of royalty		-	-	-	2,057,046
Accretion expense		(1,285,687)	(507,220)	(2,506,128)	(1,034,153)
Re-measurement of repayment option	8c	(3,011,641)	361,835	(2,063,459)	2,162,256
Re-measurement of embedded derivative		-	(16,293)	-	(133,972)
Foreign exchange gain		1,185,504	232,951	1,596,590	2,960,240
Other		-	-	-	22,500
Net loss and comprehensive loss		\$ (6,282,694)	\$ (6,466,947)	\$ (10,287,457)	\$ (3,816,182)
Loss per share - basic and diluted	11	\$ (0.02)	\$ (0.02)	\$ (0.03)	\$ (0.01)



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

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

	Common Shares	Capital Stock	Warrants	Contributed Surplus	Deficit	Total
Balance, December 31, 2015	255,857,623	\$ 176,756,027	\$ 62,859	\$ 34,616,275	\$ (235,184,096)	\$ (23,748,935)
Issue of shares	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 interest shares	2,405,945	893,050	-	-	-	893,050
Issue of warrants	-	-	811,519	-	-	811,519
Share-based compensation	-	-	-	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)
	Common Shares	Capital Stock	Warrants	Contributed Surplus	Deficit	Total
Balance, December 31, 2016	324,392,693	\$ 194,758,699	\$ 2,334,489	\$ 35,343,243	\$ (245,164,261)	\$ (12,727,830)
Exercise of options	800,000	230,000	-	(78,000)	-	152,000
Exercise of warrants	499,359	171,569	(10,174)	-	-	161,395
Expiry of warrants	-	-	(32,945)	32,945	-	-
Issue of interest shares (Note 8,10b)	3,318,729	803,460	-	-	-	803,460
Share-based compensation (Note 10c,e)	-	-	-	718,590	-	718,590
Net loss for the period	-	-	-	-	(10,287,457)	(10,287,457)
Balance, June 30, 2017	329,010,781	\$ 195,963,728	\$ 2,291,370	\$ 36,016,778	\$ (255,451,718)	\$ (21,179,842)



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, 2017	June 30, 2016
Operating activities			
Net loss for the period		\$ (10,287,457)	\$ (3,816,182)
Amortization		168,479	189,695
Share-based compensation	10c,e	718,590	498,586
Accretion expense		2,506,128	1,034,153
Flow-Through share premium		(567,329)	(431,122)
Issuance of interest shares		803,460	911,237
Re-measurement of repayment option		2,063,459	(2,162,256)
Re-measurement of embedded derivative		-	133,972
Accrued interest on long term debt	8b	1,322,303	1,230,931
Loss on loan extinguishment		-	2,896,255
Gain on sale of royalty		-	(2,057,046)
Unrealized foreign exchange gain		(1,599,294)	(2,865,008)
Net change in non-cash working capital:			
Taxes and other receivables		93,641	233,676
Supplies inventory		76,616	(280,636)
Prepaid expenses		(2,798)	4,838
Accounts payable and accrued liabilities		(399,169)	(239,516)
Flow-Through proceeds on sale of tax benefits		-	605,109
Net cash used in operating activities		\$ (5,103,371)	\$ (4,113,314)
Investing activities			
Acquisition of mineral properties including transaction costs		-	(554,811)
Proceeds on sale of royalties, net of costs		-	621,099
Net cash provided by investing activities		\$ -	\$ 66,288
Financing activities			
Proceeds from exercise of options		152,000	168,511
Proceeds from exercise of warrants		161,395	-
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)
Net cash provided by financing activities		\$ 313,395	\$ 6,838,177
Change in cash and cash equivalents		\$ (4,789,976)	\$ 2,791,151
Effect of foreign exchange rates on cash and cash equivalents		(832)	(29,101)
Cash and cash equivalents, beginning of period		11,480,077	3,099,297
Cash and cash equivalents, end of period		\$ 6,689,269	\$ 5,861,347



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

1. Nature of Business and Going Concern

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

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

These condensed consolidated interim financial statements have been prepared using International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board (IASB) on a going concern basis, which assumes the Company will be able to meet its obligations and continue its operations for the next twelve months from June 30, 2017. At June 30, 2017, the Company had not yet achieved profitable operations, had an accumulated deficit of \$255.5 million since inception (December 31, 2016 – \$245.2 million) and expects to incur further losses in the development of its business, and had a net working capital deficit of \$12.0 million as a result of the \$17.9 million convertible loan facility which is due on December 31, 2017. Net working capital includes all current assets and current liabilities, excluding the non-cash repayment option of \$4.2 million and the flow-through share liability of \$0.2 million. The Company also has a flow-through commitment to spend \$1.5 million on Canadian Exploration Expenditures by December 31, 2017. The Company will need to raise funds, negotiate an extension on the terms of its convertible loan facility or the holder has to convert the loan to equity as the Company does not have the cash nor cash flow to repay the facility.

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

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

2. Basis of Preparation

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

The condensed consolidated interim financial statements have been prepared using the same accounting policies, methods of computation and presentation as were applied in the annual financial statements for the year ended December 31, 2016. These condensed consolidated interim financial statements were approved by the Audit Committee on behalf of the Board of Directors on August 28, 2017.

3. Significant Accounting Policies

a) Financial Instruments

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

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

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

The three levels of fair value hierarchy are:

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

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

Investments are classified as Level 3.

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

b) New and Amended Standards Adopted by the Company

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

Disclosure Initiative - Amendments to IAS 7 Statement of Cash Flows

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

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

Noront Resources Ltd.
Notes to Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars, unless otherwise noted)
For the three and six months ended June 30, 2017 and June 30, 2016

4. Cash and Cash Equivalents

Cash and cash equivalents consist of:	June 30, 2017	December 31, 2016
Cash deposits	\$ 6,584,928	\$ 11,376,173
Guaranteed investment certificate	104,341	103,904
	\$ 6,689,269	\$ 11,480,077

5. Equipment

June 30, 2017	Equipment	Furniture & Fixtures	Leasehold Improvements	Total
Cost	\$ 4,655,019	\$ 115,027	\$ 200,287	\$ 4,970,333
Accumulated Amortization	(3,259,849)	(100,187)	(184,907)	(3,544,943)
Closing Net Book Value	\$ 1,395,170	\$ 14,840	\$ 15,380	\$ 1,425,390
Opening Net Book Value	\$ 1,581,115	\$ 16,489	\$ 17,088	\$ 1,614,692
Re-measurement of provision ¹	(20,823)	-	-	(20,823)
Amortization	(165,122)	(1,649)	(1,708)	(168,479)
Closing Net Book Value	\$ 1,395,170	\$ 14,840	\$ 15,380	\$ 1,425,390
December 31, 2016	Equipment	Furniture & Fixtures	Leasehold Improvements	Total
Cost	\$ 4,675,842	\$ 115,027	\$ 200,287	\$ 4,991,156
Accumulated Amortization	(3,094,727)	(98,538)	(183,199)	(3,376,464)
Closing Net Book Value	\$ 1,581,115	\$ 16,489	\$ 17,088	\$ 1,614,692
Opening Net Book Value	\$ 1,797,652	\$ 20,611	\$ 21,360	\$ 1,839,623
Additions	234,509	-	-	234,509
Remeasurement of provision ¹	(68,050)	-	-	(68,050)
Amortization	(382,996)	(4,122)	(4,272)	(391,390)
Closing Net Book Value	\$ 1,581,115	\$ 16,489	\$ 17,088	\$ 1,614,692

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

Noront Resources Ltd.
Notes to Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars, unless otherwise noted)
For the three and six months ended June 30, 2017 and June 30, 2016

6. Mineral Properties

	June 30, 2017	December 31, 2016
(i) <u>McFauld's Lake Property - "Ring of Fire", James Bay Lowlands, Northeastern Ontario</u>		
Opening balance	\$ 24,654,708	\$ 26,092,812
Sale of 1% NSR royalty to RCF	-	(1,438,104)
	24,654,708	24,654,708
(ii) <u>Butler and Sanderson Properties - "Ring of Fire", James Bay Lowlands, Northeastern Ontario</u>		
Opening balance	763,357	-
Acquisition of mineral assets	-	750,000
Acquisition costs	-	13,357
	763,357	763,357
	\$ 25,418,065	\$ 25,418,065

(i) Big Daddy, Black Thor, Black Label and Other Properties

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

The Company has granted the following royalties to Franco-Nevada Corporation ("Franco-Nevada"):

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

McFauld's Lake

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

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

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

(ii) Butler and Sanderson Properties

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



Noront Resources Ltd.
Notes to Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars, unless otherwise noted)
For the three and six months ended June 30, 2017 and June 30, 2016

6. Mineral Properties (Continued)

(ii) Butler and Sanderson Properties (Continued)

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

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of:	June 30, 2017	December 31, 2016
Accounts payable	\$ 199,735	\$ 395,735
Accrued liabilities	408,435	598,493
Accrued interest payable 8(a)(ii)	390,120	403,230
	\$ 998,290	\$ 1,397,458

8. Loan Facilities

	June 30, 2017	December 31, 2016
Current portion of loan facilities		
Debt agreement with related party - February 26, 2013 (a)(i)	\$ 17,944,399	\$ 17,174,433
Repayment option (c)	4,207,830	2,144,371
	22,152,229	19,318,804
Long term portion of loan facilities		
Long term loan (b)	30,192,416	28,750,976
	\$ 52,344,645	\$ 48,069,780

a) Loan Facility 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, 2017 owns approximately 19.39% 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 was 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 per share (previously \$0.45 per share) at any time prior to December 31, 2017 (the "Conversion Rights"). An extension fee of 2% of the principal amount of the Convertible Loan was paid to RCF in common shares of the Company with such shares valued using the volume weighted average trading price for the twenty days prior to June 30, 2016 (the "Extension Fee Shares"). All other terms and conditions of the Convertible Loan remain the same.

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



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8. **Loan Facilities (Continued)**

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

Original Loan Facility	June 30, 2017	December 31, 2016
Balance, beginning of period	\$ -	\$ 20,760,001
Foreign exchange gain	-	(1,384,500)
Extinguishment of loan	-	(19,375,501)
Balance, end of period	\$ -	\$ -
Amended loan facility	June 30, 2017	December 31, 2016
Beginning balance	17,174,433	\$ 15,337,322
Foreign exchange (gain) loss	(569,372)	652,340
Accretion of loan facility	1,339,338	1,184,771
Balance, end of period	\$ 17,944,399	\$ 17,174,433

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

On April 10, 2017, the Company satisfied the payment of interest of \$400,230 for the first quarter of 2017 through issuance of 1,682,346 common shares of the Company. The Interest Shares were subject to a four month hold period, which expired on August 11, 2017.

As at June 30, 2017, the Company accrued interest in the amount of \$390,120 for the second quarter of 2017. On July 13, 2017, the Company satisfied the payment of interest of \$390,120 for the second quarter of 2017 through issuance of 1,103,593 common shares of the Company. The Interest Shares are subject to a four month hold period, which will expire on November 14, 2017.

b) **Loan Facility - Due to Franco-Nevada Corporation**

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

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

	June 30, 2017	December 31, 2016
Balance, beginning of period	\$ 28,750,976	\$ 24,842,032
Foreign exchange gain	(1,030,752)	(680,549)
Accrued loan interest	1,322,303	2,494,491
Accretion of loan facility	1,149,889	2,095,002
Balance, end of period	\$ 30,192,416	\$ 28,750,976



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

c) Repayment Option

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

At June 30, 2017, the fair value attributed to the convertible feature was \$4,207,830 (December 31, 2016 - \$2,144,371).

9. Provision for Environmental Obligations

McFauld's Lake and Butler Lake

The Company has established a provision of \$1,465,558 and \$192,549 representing the estimated present value of its future environmental expenditure for the reclamation of the Company's McFauld's Lake Camp and Butler Lake Camp respectively. These costs are not expected to be incurred within the next twelve months.

The provision is based upon the following estimates and assumptions:

- a) Total undiscounted future demobilization cost is \$1,780,483 for McFaulds Lake (December 31, 2016 - \$1,787,655) and \$233,933 for Butler Lake(December 31, 2016 - \$238,346) .
- b) Nominal risk-free pre-tax discount rate of 2.07% (December 31, 2016 - 2.21%)
- c) Inflation rate of 1.58% (December 31, 2016 - 1.77%)
- d) Demobilization cost expected to be incurred in 10 years (December 31, 2016 - 10 years)

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

	June 30, 2017	December 31, 2016
Balance, beginning of period	\$ 1,662,031	\$ 1,491,868
Butler Lake provision addition	-	204,357
Accretion expense for the period	16,899	33,856
Re-measurement of provision	(20,823)	(68,050)
Balance, end of period	\$ 1,658,107	\$ 1,662,031

Noront Resources Ltd.
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10. Capital Stock

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

(b) Issued

	Number of Shares	Value
Balance, January 1, 2016	255,857,623	\$ 176,756,027
Prospectus offering, net of costs	41,213,930	13,026,224
Private placement, net of costs	16,328,833	5,131,832
Flow-through share premium	-	(1,439,203)
Warrant allocation	-	(2,278,625)
Issue of shares	3,798,666	1,245,289
Issue of interest shares	6,351,975	2,063,530
Exercise of options	841,666	253,625
Balance, December 31, 2016	324,392,693	\$ 194,758,699
Issue of interest shares (Note 8(a))	3,318,729	803,460
Exercise of warrants	499,359	171,569
Exercise of options	800,000	230,000
Balance, June 30, 2017	329,010,781	\$ 195,963,728

(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, 2017, share-based compensation of \$119,462 and \$622,600 was charged to net income (for the three and six months ended June 30, 2016 - \$135,579 and \$399,068) .

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

The fair value assigned was estimated using the following assumptions:

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

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

(ii) On April 7, 2017, the Company granted 600,000 incentive stock options to directors of the Company at an exercise price of \$0.23. The share price on April 7, 2017 was \$0.23.

The fair value assigned was estimated using the following assumptions:

Dividend yield	0%
Expected volatility	68.82%
Risk free interest rate	0.76%
Expected life	5 years
Forfeiture rate	3%

The stock options were assigned a value of \$78,000.



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10. Capital Stock (continued)

(c) Stock Options (continued)

- (iii) On June 7, 2017, the Company granted 600,000 incentive stock options to directors of the Company at an exercise price of \$0.35. The share price on June 7, 2017 was \$0.35.

The fair value assigned was estimated using the following assumptions:

Dividend yield	0%
Expected volatility	70.52%
Risk free interest rate	0.71%
Expected life	5 years
Forfeiture rate	3%

The stock options were assigned a value of \$121,200.

The weighted-average remaining contractual life and weighted average exercise price of options outstanding and options exercisable as at June 30, 2017 are as follows:

Number of Stock Options Outstanding	Black-Scholes Value	Exercise Price	Remaining Contractual Life (Years)	Number of Stock Options Exercisable	Expiry Date
1,000,000	328,000	\$ 0.46	0.05	1,000,000	July 2017
300,000	70,200	\$ 0.35	0.29	300,000	Oct 2017
3,716,667	501,750	\$ 0.25	1.03	3,716,667	Jul 2018
3,000,000	450,000	\$ 0.30	1.26	3,000,000	Oct 2018
1,871,667	159,092	\$ 0.17	1.45	1,871,667	Dec 2018
1,225,000	378,525	\$ 0.55	2.76	1,225,000	Mar 2020
1,500,000	367,500	\$ 0.44	2.97	1,500,000	Jun 2020
300,000	59,100	\$ 0.35	3.16	200,000	Aug 2020
2,008,333	391,625	\$ 0.34	3.74	1,516,667	Jul 2017 - Mar 2021
400,000	76,000	\$ 0.33	3.79	266,667	Apr 2021
416,253	74,509	\$ 0.31	4.02	416,253	Jul 2021
4,603,417	653,685	\$ 0.25	4.66	2,826,289	Sep 2017 - Feb 2022
600,000	78,000	\$ 0.23	4.78	200,000	Apr 2022
600,000	121,200	\$ 0.35	4.94	200,000	Jun 2022
21,541,337	\$ 3,709,186	\$ 0.31	2.54	18,239,210	

The following table summarizes the stock option transactions for the six months ended June 30, 2017.

	Number of Options	Weighted-Average Exercise Price
December 31, 2016	16,904,587	\$0.32
Granted	6,203,417	\$0.26
Exercised	(800,000)	\$0.19
Expired	(66,667)	\$0.33
Forfeited	(700,000)	\$0.29
Balance, June 30, 2017	21,541,337	\$0.31



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10. Capital Stock (Continued)

(d) Warrants

The following table lists the Company's warrants as at June 30, 2017. During the three and six months ended June 30, 2017, there were no warrants issued.

	Number of Warrants	Weighted-Average Exercise Price
At December 31, 2016		
Prospectus and Private Placement Warrants	42,877,949	\$ 0.45
Compensation Warrants	2,828,407	\$ 0.38
Balance, December 31, 2016	45,706,356	\$ 0.44
Exercise of Warrants	(499,359)	\$ 0.32
Expiry of Warrants	(840,325)	\$ 0.38
Balance, June 30, 2017	44,366,672	\$ 0.45

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

For the three and six months ended June 30, 2017, share-based compensation of \$59,196 and \$95,990 was charged to net income for PSUs and RSUs (for the three and six months ended June 30, 2016 - \$47,524 and \$99,518).

The following tables list the Company's PSUs and RSUs as at June 30, 2017. During the three and six months ended June 30, 2017, no PSUs or RSUs expired.

	Number of PSUs	Fair Value
Performance Share Units		
At June 30, 2017 and December 31, 2016	3,000,000	\$ 455,095

	Number of RSUs	Fair Value
Restricted Share Units		
At December 31, 2016	335,000	\$ 77,050
Issued February 24, 2017	665,000	166,250
At June 30, 2017	1,000,000	\$ 243,300

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



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11. Loss Per Share

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Loss attributable to common shareholders	\$ (6,282,694)	\$ (6,466,947)	\$ (10,287,457)	\$ (3,816,182)
Weighted average shares outstanding - basic and diluted	327,901,237	280,776,428	326,852,798	270,247,763
Loss per share - basic and diluted	(0.02)	(0.02)	(0.03)	(0.01)

As a result of the net loss for the three and six months ended June 30, 2017, the potential effects of the exercise of stock options and the conversion of the RCF loan facility were anti-dilutive. Thus, basic loss per share and diluted loss per share are equal for this period.

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, 2017, the Company is committed to incurring approximately \$1.5 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 \$257,159 in 2017, \$54,759 in 2018, and \$12,301 thereafter until the end of the mining lease in 2033.
- c) As at June 30, 2017, the Company currently has agreements with several contractors that include provisions where the contractors provide up-front time with the understanding that if the Eagle's Nest Project proceeds into the construction stage, they will be granted a contract for the agreed scope of services. In some cases, the constructor may be reimbursed for the time incurred, or an amount agreed up front, if the Project does not go ahead. As at June 30, 2017, the amount of this contingent liability is approximately \$250,000.



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13. Compensation of Key Management

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Salaries, benefits and directors' fees	\$ 480,398	\$ 284,366	\$ 883,282	\$ 568,241
Share-based compensation	178,715	202,835	705,049	501,890
	\$ 659,113	\$ 487,201	\$ 1,588,331	\$ 1,070,131

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

14. Supplementary Expense Information

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
a) Development and Exploration Expenditures				
Owner's costs	\$ 69,814	\$ 160,234	\$ 152,670	\$ 317,751
Camp operations & exploration expense	936,257	1,269,790	2,834,551	2,593,816
Community engagement & permitting	41,674	54,159	85,035	60,636
Engineering, road geotechnical & other	66,216	4,557	78,999	4,557
	\$ 1,113,961	\$ 1,488,740	\$ 3,151,255	\$ 2,976,760

Included in development and exploration expenditures expenses for the three and six months ended June 30, 2017 is \$509,901 and \$1,224,352 of salaries and benefits (three and six months ended June 30, 2016 - \$581,517 and \$1,185,951) and \$97,005 and \$307,226 of fuel expenses (three and six months ended June 30, 2016 - \$72,212 and \$172,003).

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
b) Office and General:				
Salaries, benefits and directors' fees	\$ 412,739	\$ 282,041	\$ 882,050	\$ 509,534
Employee severance	11,390	-	21,417	-
Administrative and other expenses	202,476	193,639	403,683	388,229
Professional fees	136,234	101,857	262,506	167,373
Communications & travel	121,606	40,387	183,813	110,612
	\$ 884,445	\$ 617,924	\$ 1,753,469	\$ 1,175,748

