



FINANCIAL STATEMENTS

December 31, 2023 and 2022

Independent Auditors' Report

To: The Shareholders of **49 North Resources Inc.**

Opinion

We have audited the financial statements of 49 North Resources Inc. (the "Corporation"), which comprise the statements of financial position as at December 31, 2023 and 2022 and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements which indicates that at December 31, 2023 the Corporation had accumulated losses totaling \$74,749,000. This condition, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Key Audit Matters

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

In addition to the matter described in the Material Uncertainty Related to Going Concern section of our report, we have determined the matter described below to be the key audit matter to be communicated in our auditors' report.

Evaluation of the fair value of the convertible debenture receivable

Description of the matter:

As reported in the statement of financial position, on December 31, 2023 the Corporation had a convertible debenture receivable with a carrying amount of \$9,579,000. As indicated in Notes 3 and 6, the Corporation values the convertible debenture receivable at fair value. The determination of fair value requires the Corporation to make certain estimates including the interest rate considered appropriate for the risk profile of the debtor and volatility of the shares of the debtor.

Why the matter is a key audit matter:

We determined that auditing the evaluation of fair value of the convertible debenture receivable is a key audit matter due to the relative significance of the amount and the estimates and judgements involved in determining the fair value.

Independent Auditors' Report (continued)

How the matter was addressed in the audit:

Our audit procedures included but were not limited to reviewing management's calculations and inputs as well as information supporting the collectability of the debenture.

Valuation of the private company investments

Description of the matter:

As reported in the statement of financial position, on December 31, 2023 the Corporation had private company investments of \$1,731,000. As indicated in Notes 3 and 15, the assessment of the fair value of the private company investments may include the value at which a recent equity financing was completed by the investee, significant changes in general market conditions and company specific information.

Why the matter is a key audit matter:

We determined that this is a key audit matter due to the relative significance of the amount and the judgement involved in determining the fair value of private company investments.

How the matter was addressed in the audit:

Our audit procedures included but were not limited to reviewing information about recent equity financing, current status and outlook for the private company.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged With Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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


Independent Auditors' Report (continued)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this Independent Auditors' report is Roland A. Bishop, CPA, CA.



Chartered Professional Accountants

April 29, 2024
Calgary, Alberta

49 North Resources Inc.
Statements of Financial Position
(in thousands of Canadian dollars)

As at,	December 31, 2023	December 31, 2022
ASSETS		
Current assets		
Cash	\$ 64	\$ 45
Equity investments, at fair value (Note 4)	6,224	8,700
Accounts receivable and prepaid expenses (Note 5)	55	38
Loans and advances receivable (Note 5)	850	717
	7,193	9,500
Non-current assets		
Convertible debenture receivable (Note 6)	9,579	9,517
Property and equipment (Note 7)	12	16
Right of use asset (Note 8)	45	95
Total assets	\$ 16,829	\$ 19,128
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	\$ 2,602	\$ 2,022
Lease liability (Note 8)	65	72
Convertible debentures (Note 10)	4,561	4,561
Subordinate debentures (Note 11)	880	880
	8,108	7,535
Non-current liabilities		
Lease liability (Note 8)	-	54
Debt portion of preferred shares (Note 13)	696	696
Total liabilities	8,804	8,285
EQUITY		
Common shares (Note 13)	71,912	71,912
Preferred shares (Note 13)	2,642	2,642
Contributed surplus (Note 13)	8,220	8,220
Deficit	(74,749)	(71,931)
Total equity	8,025	10,843
Total liabilities and equity	\$ 16,829	\$ 19,128

Nature of business and going concern (Note 1)

Approved on behalf of the Board

“Tom MacNeill”
Director

“Andrew Cook”
Director

The accompanying notes are an integral part of these financial statements

49 North Resources Inc.**Statements of Loss and Comprehensive Loss**

(in thousands of Canadian dollars, except securities and per share amounts)

For the years ended December 31,	2023	2022
Revenues		
Interest and dividend income	\$ 854	\$ 804
Realized losses on equity investments	(89)	(35)
Unrealized losses on equity investments	(2,203)	(7,184)
Unrealized gain on convertible debenture receivable (Note 6)	(406)	(485)
	(1,844)	(6,900)
Expenses		
Accretion (Note 8)	15	23
Amortization (Note 7 and 8)	53	54
Business and investor relations	62	72
Finance	91	91
General and administration	189	212
Management fees (Note 9)	459	534
Professional fees	59	61
Share-based compensation (Note 13)	-	297
Transaction costs	2	2
Wages and benefits	44	44
	974	1,390
Recovery (writedown) - advances owing from related parties (Note 9)	-	98
Loss and comprehensive loss for the year	\$ (2,818)	\$ (8,192)
Basic loss per share (Note 13)	\$ (0.02)	\$ (0.05)
Diluted loss per share (Note 13)	\$ (0.02)	\$ (0.05)
Weighted average number of common shares outstanding - basic	166,271,110	166,269,251
Weighted average number of common shares outstanding - diluted	166,271,110	166,269,251

The accompanying notes are an integral part of these financial statements

49 North Resources Inc.
Statements of Changes in Equity
(in thousands of Canadian dollars)

	Common Share Capital	Preferred Share Capital	Contributed Surplus	Deficit	Total Equity
Balance, January 1, 2022	\$ 71,895	\$ 2,654	\$ 7,923	\$ (63,739)	\$ 18,733
Share based compensation	-	-	297	-	297
Convertible debenture and preferred share conversions (Notes 10 and 13)	17	(12)	-	-	5
Loss	-	-	-	(8,192)	(8,192)
Balance, December 31, 2022	\$ 71,912	\$ 2,642	\$ 8,220	\$ (71,931)	\$ 10,843

	Common Share Capital	Preferred Share Capital	Contributed Surplus	Deficit	Total Equity
Balance, January 1, 2023	\$ 71,912	\$ 2,642	\$ 8,220	\$ (71,931)	\$ 10,843
Loss	-	-	-	(2,818)	(2,818)
Balance, December 31, 2023	\$ 71,912	\$ 2,642	\$ 8,220	\$ (74,749)	\$ 8,025

The accompanying notes are an integral part of these financial statements

49 North Resources Inc.
Statements of Cash Flows
(in thousands of Canadian dollars)

For the years ended December 31,	2023	2022
Cash flows from Operating Activities		
Net loss and comprehensive loss	\$ (2,818)	\$ (8,192)
Items not affecting cash		
Realized losses on equity investments	89	35
Amortization	53	54
Accretion of lease liability	15	23
Accrued dividends	83	84
Accrued interest income	(854)	(704)
Share-based compensation	-	297
Writedown (recovery) - loans and advances receivable	-	(98)
Unrealized loss (gain) on equity investments	2,203	7,184
Unrealized loss (gain) on convertible debenture receivable	406	485
Purchase of equity investments	(8)	(564)
Proceeds from disposal of equity investments	192	551
Net changes in non-cash working capital items related to operations (Note 16)	480	542
	(159)	(303)
Cash flows from Investing Activities		
Lease payments	(76)	(72)
Convertible debenture receivable	-	-
Loans and advances receivable, net	254	87
	178	15
Cash flows from Financing Activities		
Rights offering - units	-	-
Share issue costs	-	-
	-	-
Net change in cash during the year	19	(288)
Cash, beginning of year	45	333
Cash, end of year	\$ 64	\$ 45

The accompanying notes are an integral part of these financial statements

49 North Resources Inc.

Notes to the Financial Statements

(in thousands of Canadian dollars, except securities and per share amounts)

For the years ended December 31, 2023 and 2022

1. Nature of business and Going Concern

Nature of business

49 North Resources Inc. (the “Corporation”) is a resource investment, financial, and managerial advisory company which, as its principal business, invests in a diversified portfolio of common shares and other securities of resource issuers including, without limitation, resource issuers engaged in mineral or oil and gas exploration and development, with a view to achieving capital appreciation of the portfolio. On January 1, 2016 the Corporation completed a change of business to an “investment issuer”.

The Corporation is domiciled in the Province of Saskatchewan, Canada and its office address is at Suite 602 – 224 4th Avenue South, Saskatoon, Saskatchewan, Canada, S7K 5M5.

Going concern

These financial statements have been prepared on a going concern basis, which assumes the Corporation will be able to realize its assets and discharge its liabilities in the ordinary course of business. To date, the Corporation has incurred accumulated losses totaling \$74,749 (December 31, 2022 - \$71,931). The Corporation recognized net loss of \$2,818 in the current year (2022 – \$8,192). The Corporation relies on cash flow from actively trading in its investment portfolio to fund corporate operations. The Corporation's continuance as a going concern is dependent upon its ability to generate cash flow from its portfolio of investments. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on its financial condition or results of operations. These conditions create a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. These financial statements do not reflect any adjustments or other changes that may be required should the Corporation be unable to continue as a going concern.

2. Basis of presentation

Statement of compliance

These financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The financial statements of the Corporation for the year ended December 31, 2023 were authorized for issuance by the Corporation's board of directors on April 29, 2024.

Basis of measurement and presentation

These financial statements have been prepared on a historical cost basis except for financial instruments classified as at fair value through profit or loss which are stated at their fair value.

Foreign currency translation

Foreign currency transactions are translated into the Corporation's functional currency (the Canadian dollar) at exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of loss and comprehensive loss.

49 North Resources Inc.

Notes to the Financial Statements

(in thousands of Canadian dollars, except securities and per share amounts)

For the years ended December 31, 2023 and 2022

2. Basis of presentation - continued

Significant accounting judgments, estimates and assumptions

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period.

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The information about significant areas of estimation uncertainty considered by management in preparing these financial statements are:

- fair value of investments in securities not quoted in an active market or private Corporation investments;
- the determination of useful lives and residual values of property and equipment;
- the fair value of share-based compensation determined using the Black-Scholes option pricing model using estimates for expected forfeitures, expected lives and stock volatility;
- the provision for expected credit losses based on knowledge of the financial conditions of debtors, historical experience and general economic conditions;
- the provision for deferred income taxes based on estimated tax bases using substantively enacted tax rates expected to apply to taxable income during the years in which the differences are expected to be recovered or settled; and
- the fair value of the convertible debenture receivable is determined using a discounted cash flow technique which includes inputs that are not based on observable market data and inputs that are derived from observable market data. Where available, the Corporation seeks comparable interest rates and if unavailable, it uses those considered appropriate for the risk profile of a corporation in the industry.

In the process of applying the Corporation's Material accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

- determination of deferred income tax assets or liabilities, which involves subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards; and
- valuation techniques for fair value determination of the convertible debenture receivable and investments in private entities.

49 North Resources Inc.

Notes to the Financial Statements

(in thousands of Canadian dollars, except securities and per share amounts)

For the years ended December 31, 2023 and 2022

3. Material accounting policies

The material accounting policies used in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

Financial instruments

Under IFRS 9, on initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at amortized cost, fair value through other comprehensive income (“FVOCI”), or fair value through profit or loss (“FVTPL”). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to initial recognition and how changes in value are recorded. The following accounting policies apply to the subsequent measurement of financial assets.

- a) Financial assets at FVTPL - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
- b) Financial assets at amortized cost - These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
- c) Financial assets at FVOCI - These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Gains or losses recognized on the sale of the equity investment are recognized in other comprehensive income and are never reclassified to profit or loss.

Financial liabilities are designated as either fair value through profit or loss, or at amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Other financial liabilities are carried on the statement of financial position at amortized cost.

The Corporation classifies its financial instruments as follows:

Cash and cash equivalents	FVTPL
Equity investments	FVTPL
Accounts receivable	Amortized cost
Loans and advances receivable	Amortized cost
Convertible debenture receivable	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Convertible debentures	Amortized cost
Subordinate debentures	Amortized cost
Debt portion of preferred shares	Amortized cost

49 North Resources Inc.

Notes to the Financial Statements

(in thousands of Canadian dollars, except securities and per share amounts)

For the years ended December 31, 2023 and 2022

3. Material accounting policies - continued

Impairment of financial assets

The Corporation recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For accounts receivable, loans and advances receivable the Corporation applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less, and which are subject to an insignificant risk of change in value. Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Convertible debentures receivable

Convertible debentures receivable are hybrid financial assets that consist of a note receivable component and a separate equity conversion component. Derivatives embedded in contracts for financial assets are never separated, and instead the debenture receivable is disclosed as single financial instrument.

Interest income on the notes receivable is based on the annualized effective rate of interest taking into account all income expected to be earned on maturity and is recognized through profit and loss as interest income.

Convertible debentures payable

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Property and equipment ("P&E")

Property and equipment include the costs for corporate (office) assets. P&E is recorded at cost less accumulated depletion and amortization and accumulated impairment losses, net of recovered impairment losses.

Other assets

Other capital assets are recorded at cost and are amortized using the declining balance method. On acquisitions during the year, amortization is calculated at one-half the annual rate. Annual amortization rates are as follows:

Computers	30% and 35%
Computer software	100%
Furniture and equipment	30%
Leasehold improvements	20%

49 North Resources Inc.

Notes to the Financial Statements

(in thousands of Canadian dollars, except securities and per share amounts)

For the years ended December 31, 2023 and 2022

3. Material accounting policies - continued

Impairment of non-financial assets

The carrying amounts of the Corporation's non-financial assets are reviewed at each reporting date for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment, if any. The recoverable amount of an asset is evaluated at the Cash Generating Unit ("CGU") level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use. Fair value less cost to sell is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized in earnings for the period to the extent that the carrying amount of the asset (or CGU) exceeds the recoverable amount.

Impairment losses recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset (or CGU) does not exceed the carrying amount that would have been determined, net of depletion and amortization, had no impairment loss been recognized for the asset (or CGU).

A reversal of an impairment loss is recognized immediately in profit or loss.

Income taxes

Income tax expense is comprised of current and deferred income taxes. Current income tax and deferred income tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or equity investments.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

49 North Resources Inc.

Notes to the Financial Statements

(in thousands of Canadian dollars, except securities and per share amounts)

For the years ended December 31, 2023 and 2022

3. Material accounting policies - continued

Share capital

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a reduction of equity, net of any tax effects.

The Corporation has adopted a relative fair value method with respect to the measurement of shares and warrants issued as private placement units. The relative fair value method allocates value to each component on a pro-rata basis, based on the fair value of the components calculated independently of one another. The Corporation considers the market value of the common shares issued as fair value, and measures the fair value of the warrant component of the unit using the Black-Scholes option pricing model. The unit value is then allocated, pro-rata, between the two components, with the fair value attributed to the warrants being recorded to warrant reserve.

Preferred shares

The Corporation's preferred shares contain a contractual obligation whereby the Corporation is required to pay a cumulative annual mandatory dividend. Accordingly, part of their value has been classified as a financial liability.

The liability component of the preferred shares is accounted for using the effective interest rate method, using an interest rate of 12%.

Share-based payments

The Corporation has a stock option plan that provides for the granting of options to Officers, Directors, related Corporation employees and consultants to acquire shares of the Corporation. The fair value of the options is recognized as an expense with a corresponding increase in contributed surplus as the options vest.

Options granted to employees and others providing similar services are measured at grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The fair value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

On vesting, share-based payments are recorded as an operating expense and as contributed surplus. When options are exercised the consideration received is recorded as share capital. In addition, the related share-based payments originally recorded as contributed surplus are transferred to share capital.

Earnings (loss) per share ("EPS")

Basic EPS amounts are calculated by dividing net income (loss) attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted EPS amounts are calculated with consideration given to convertible preferred shares, stock options and warrants, and assumes that deemed proceeds from the exercise of options or warrants would be used to purchase common shares at the average market price during the period. Diluted EPS amounts also include exchangeable shares using the "if-converted" method to determine the dilutive effect of convertible and subordinate debentures, whereby it is assumed the conversion of the exchangeable shares occurs at the beginning of the reporting period (or at the time of issuance, if later) where applicable. The weighted average number of common shares outstanding is then adjusted by the net change.

49 North Resources Inc.

Notes to the Financial Statements

(in thousands of Canadian dollars, except securities and per share amounts)

For the years ended December 31, 2023 and 2022

3. Material accounting policies - continued

Segment reporting

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that related to transactions with any of the Corporation's other segments.

To be classified as a segment, discrete financial information must be available and operating results must be regularly reviewed by the Corporation's Chief Executive Officer.

Revenue recognition

Security transactions are recorded on a trade basis. Realized gains and losses on the disposal of investments and unrealized gains and losses in the value of investments are reflected in the statement of loss and comprehensive loss. Cost is calculated on an average cost basis. Upon disposal of an investment, previously recognized unrealized gains or losses are reversed, so as to recognize the full realized gain or loss in the period of disposition. All transaction costs are expensed as incurred.

- Other consulting revenue is recognized as the services are provided to the client.
- Interest, rental and dividend income are recognized on an accrual basis.

Leases

Under IFRS 16, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly, and the liability accretes to its face value.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease or an entity's incremental borrowing rate if the implicit rate cannot be readily determined. Lessees are permitted to make an election for leases with a term of 12 months or less, or where the underlying asset is of low value and not recognize lease assets and lease liabilities.

The Corporation's right of use assets are amortized over the term of the lease.

New accounting standards adopted

IAS 1 – Presentation of Financial Statements - In January 2020, the IASB issued amendments to deal with the classification of liabilities. Clarifications were added that if an entity does not have a right to defer settlement of a liability for at least twelve months after the reporting period they meet the definition of a current liability. The Corporation adopted this amendment on January 1, 2023. The adoption of this standard has no material effect on the financial statements.

49 North Resources Inc.**Notes to the Financial Statements**

(in thousands of Canadian dollars, except securities and per share amounts)

For the years ended December 31, 2023 and 2022

4. Equity investments

As at December 31, 2023 and 2022, the Corporation's investments consist of equity interests in companies in the following segments:

	December 31, 2023		December 31, 2022	
	Cost	FMV	Cost	FMV
Publicly listed companies	\$ 15,855	\$ 4,493	\$ 16,128	\$ 6,669
Private companies	8,187	1,731	8,187	2,031
	\$ 24,042	\$ 6,224	\$ 24,315	\$ 8,700

As at December 31, 2023 and 2022, the Corporation's investments consist of equity interests in companies in the following industries:

	December 31, 2023		December 31, 2022	
	Cost	FMV	Cost	FMV
Base and Precious Metals	\$ 10,437	\$ 3,763	\$ 10,565	\$ 5,659
Coal	281	-	281	-
Diamonds	971	309	1,024	311
Oil & Gas	10,758	452	10,850	730
Other	1,595	1,700	1,595	2,000
	\$ 24,042	\$ 6,224	\$ 24,315	\$ 8,700

The equity investments consist of investments in common shares of corporations of which 67.23% (December 31, 2022 – 72.02%) are listed on the TSX-V, 27.81% (December 31, 2022 – 23.35%) are private, 4.96% (December 31, 2022 – 3.57%) are listed on the TSX and 0.00% (December 31, 2022 – 1.06%) are listed on the Canadian Securities Exchange (“CSE”) as of December 31, 2023.

49 North Resources Inc.**Notes to the Financial Statements**

(in thousands of Canadian dollars, except securities and per share amounts)

For the years ended December 31, 2023 and 2022

5. Loans, advances, accounts receivable and prepaid expensesAccounts receivable and prepaid expenses

	December 31, 2023	December 31, 2022
Trade accounts receivable	\$ 51	\$ 34
Prepaid expenses	4	4
	\$ 55	\$ 38

The aging of accounts receivables at the reporting date was:

	December 31, 2023	December 31, 2022
Not past due	\$ 4	\$ 4
Past due 0 - 30 days	3	-
Past due 31+ days	44	30
	\$ 51	\$ 34

Loans and advances receivable

	December 31, 2023	December 31, 2022
<u>Current</u>		
Unrelated corporations	\$ 699	\$ 671
Related corporation (Note 9)	151	46
	\$ 850	\$ 717

Substantially all of the balance of the loans to unrelated corporations bears interest at 5% and is due December 31, 2024. The loans to related corporations are non-interest bearing and are due on demand.

49 North Resources Inc.**Notes to the Financial Statements**

(in thousands of Canadian dollars, except securities and per share amounts)

For the years ended December 31, 2023 and 2022

6. Convertible debentures receivable

The Corporation has a convertible debenture receivable from Omineca Mining and Metals Ltd. ("OMM"), a related party. The face value of the debenture is \$5,400 and the debenture bears interest at 8% per annum, is secured by current and future property rights, and may be converted into common shares of OMM at a conversion price of \$0.75 per common share. Under provisions of the debenture, as commercial production had not been achieved by OMM for an aggregate period of 24 months prior to October 1, 2021, the debenture automatically renewed for an additional term of 5 years and matures October 1, 2026.

Convertible Debenture Receivable	Face Value and Accrued Interest	Carrying Value
Balance, January 1, 2022	\$ 9,330	\$ 9,330
Interest income accrued	774	774
Payments received	(100)	(100)
Fair value adjustments	-	(487)
Balance, December 31, 2022	\$ 10,004	\$ 9,517
Interest income accrued	823	823
Payments received	(355)	(355)
Fair value adjustments	-	(406)
Balance, December 31, 2023	\$ 10,472	\$ 9,579

7. Property and equipment

	Computers, Furniture and leasehold improvements
Cost:	
Balance at January 1, 2022	\$ 417
Additions	-
Balance at December 31, 2022	417
Additions	-
Balance at December 31, 2023	\$ 417
Accumulated amortization:	
Balance at January 1, 2022	\$ 396
Amortization expense	5
Balance at December 31, 2022	401
Amortization expense	4
Balance at December 31, 2023	\$ 405
Total balance at December 31, 2022	\$ 16
Total balance at December 31, 2023	\$ 12

49 North Resources Inc.**Notes to the Financial Statements**

(in thousands of Canadian dollars, except securities and per share amounts)

For the years ended December 31, 2023 and 2022

8. Right of use asset

The Corporation has a lease agreement for the headquarter office space in Saskatoon, Saskatchewan.

The continuity of the of the right of use asset (“ROU”) and lease liability for the years ended December 31, 2023 and 2022 is as follows:

Right of use asset	
Value of ROU as at January 1, 2022	\$ 145
Amortization	(50)
Value of ROU as at December 31, 2022	95
Amortization	(50)
Value of ROU as at December 31, 2023	\$ 45
Lease liability	
Lease liability as at January 1, 2022	\$ 176
Lease payments	(72)
Lease accretion	22
Lease liability as at December 31, 2022	126
Lease payments	(76)
Lease accretion	15
Lease liability as of December 31, 2023	\$ 65
Current portion	\$ 65
Long-term portion	-
	\$ 65

9. Related party transactionsCompensation of key executive personnel

	December 31,	December 31,
	2023	2022
Management fees to officers	\$ 459	\$ 534
Directors' fees	24	24
Share-based compensation to directors and officers	-	154
	\$ 483	\$ 712

TMM Portfolio Management Inc. (“TMM”) is responsible for the management of the Corporation’s investment portfolio in accordance with the terms of a portfolio management agreement made January 1, 2008 (the “Management Agreement”) and is to be reimbursed by the Corporation for all expenses reasonably and properly incurred in conducting the Corporation’s business and in performing its duties and obligations under the Management Agreement. Additionally, pursuant to the Management Agreement, TMM: (a) is entitled to a quarterly management fee equal to 0.5% of the net asset value of the Corporation calculated as of the last business day of the relevant fiscal quarter; and (b) an annual performance bonus, calculated as of the last business day of the applicable fiscal year, in an amount in respect of each common share that is outstanding as of such day, equal to 20% of the amount, if any, by which the sum of the net asset value per common share as of that date, plus all dividends per common share during that fiscal year, exceeds the greater of \$16.34 and the net asset value per common share as of the last business day of the preceding fiscal year.

49 North Resources Inc.

Notes to the Financial Statements

(in thousands of Canadian dollars, except securities and per share amounts)

For the years ended December 31, 2023 and 2022

9. Related party transactions - continued

Effective June 1, 2015, the Corporation and Jaelky Holdings Inc. (“Jaelky”) entered into a consulting agreement. Mr. Andrew Davidson, the Chief Financial Officer of the Corporation, was and continues to be the sole director and sole voting shareholder of Jaelky. Jaelky is entitled to be paid a consulting fee of \$20 (December 31, 2022 - \$20) plus GST on a monthly basis.

Related party balances

During the year ended December 31, 2023, the Corporation advanced \$6 (December 31, 2022 – recovered \$98) to Westcore Energy Ltd., a company with common management and certain directors. As at December 31, 2023, \$6 is receivable (December 31, 2022 – \$nil receivable) and is included in loans and advances receivable. The balance is non interest bearing and due on demand.

During the year ended December 31, 2023, the Corporation advanced \$50 (December 31, 2022 – \$26), to Norse Gold Corp, a company with common management and certain directors. As at December 31, 2023, \$96 is receivable (December 31, 2021 – \$46 receivable) and is included in loans and advances receivable. The balance is non interest bearing and due on demand.

During the year ended December 31, 2023, the Corporation advanced \$60 (December 31, 2022 –\$26 repayment), to OMM, a company with common management and certain directors. As at December 31, 2023, \$22 is receivable (December 31, 2022 – \$38 payable) and is included in loans and advances receivable. The balance is non interest bearing and due on demand.

During the year ended December 31, 2023, the Corporation advanced \$50 (December 31, 2022 –\$55 repayment), from Royal Helium Ltd, a company with common executive and director. As at December 31, 2023, \$27 is receivable (December 31, 2022 – \$23 payable) and is included in loans and advances receivable. The balance is non interest bearing and due on demand.

As at December 31, 2023, \$604 is payable (December 31, 2022 – \$457 payable) to TMM, which has been included in accounts payable and accrued liabilities.

As of December 31, 2023, \$437 is payable (December 31, 2022 - \$235) to Jaelky, which has been included in accounts payable and accrued liabilities.

10. Convertible debentures

- a) On May 26, 2015 the Corporation received debenture holder approval to restructure the terms of the debentures originally issued on June 29, 2011 and July 11, 2011 and restructured on June 6, 2013. Pursuant to the terms of the restructure, the Corporation extinguished the original debentures and issued 18,622,722 common shares, a new \$3,104 senior secured convertible debenture (the “Series I debentures”) and 3,103,795 preferred shares (Series I), with a cumulative annual dividend rate of 2.5%.

The Series I debentures had a 5 year term, matured June 29, 2020, and bore interest from the date of issuance at 2.5% per annum which was paid on June 29 of each of 2016, 2017, 2018, 2019 and 2020.

The Series I debentures are convertible, at the option of the respective holders, into fully paid, non-assessable common shares of the Corporation at a conversion price of \$0.50 per common share.

The Corporation received notification that it was in default of the Trust indenture as it had not repaid the principal portion of the convertible senior secured debentures that matured on June 29, 2020.

49 North Resources Inc.

Notes to the Financial Statements

(in thousands of Canadian dollars, except securities and per share amounts)

For the years ended December 31, 2023 and 2022

10. Convertible debentures - continued

- b) On December 18, 2015 the Corporation received debenture holder approval to restructure the terms of the debentures originally issued on September 23, 2010 and October 13, 2010 and restructured on June 6, 2013. Pursuant to the terms of the restructure, the Corporation extinguished the original debentures and issued 4,605,979 common shares, a new \$1,896 senior secured convertible debenture (the "Series II debentures"), \$880 in subordinated debentures (Note 11) and 767,663 preferred shares (Series II).

The Series II debentures had a 5 year term, matured December 18, 2020, and bore interest from the date of issuance at 2.5% per annum which was paid on December 18 of each of 2016, 2017, 2018, 2019 and 2020.

The Corporation received notification that it was in default of the Trust indenture agreement as it had not repaid the principal portion of the Series II debentures that matured on December 18, 2020.

Since the maturity dates of the Series I and II debentures, the Corporation has sought, but has been unable to obtain, approval from the debenture holders to restructure the debentures. Negotiations are on-going.

The continuity of the liability and equity components for the years ended December 31, 2023 and 2022 is as follows:

	Liability Component		Equity Component
	Face Value	Carrying Value	Carrying Value
Balance, January 1, 2022	4,569	4,569	-
Conversions	(8)	(8)	-
Balance, December 31, 2022 and 2023	\$ 4,561	\$ 4,561	\$ -

11. Subordinate debentures

On December 18, 2015 as part of the debenture restructure as described in Note 10(b), \$880 in subordinated debentures were issued.

The subordinated debentures had a 5 year term, matured December 18, 2020, and bore interest from the date of issuance at 2.5% per annum which was paid on December 18 of each of 2016, 2017, 2018, 2019 and 2020.

The debentures are convertible, at the option of the respective holders into fully paid, non-assessable common shares of the Corporation at a conversion price of \$0.50 per common share.

The Corporation is in breach of the terms of the subordinate debentures as it has not repaid the principal portion of the subordinate debentures that matured on December 18, 2020.

Since the maturity date, the Corporation has sought, but has been unable to obtain, approval from the debenture holders to restructure the subordinate debentures. Negotiations are on-going.

49 North Resources Inc.**Notes to the Financial Statements**

(in thousands of Canadian dollars, except securities and per share amounts)

For the years ended December 31, 2023 and 2022

11. Subordinate debentures - continued

The continuity of the liability and equity components of the subordinate debentures for the years ended December 31, 2023 and 2022 is as follows:

	Liability Component		Equity Component
	Face Value	Carrying Value	Carrying Value
Balance, January 1, 2022	880	880	-
Accretion	-	-	-
Balance, December 31, 2022 and 2023	\$ 880	\$ 880	\$ -

12. Deferred income taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Corporation's deferred tax assets and liabilities are as follows:

	December 31, 2023	December 31, 2022
Non-capital and capital loss carryforwards	\$ 4,664	\$ 4,584
Share issue costs	6	10
Exploration and evaluation assets	233	233
Convertible debentures receivable	241	131
Equity investments	1,318	1,019
Unrecognized deferred tax assets	(6,462)	(5,977)
Deferred income tax assets	\$ -	\$ -

The provision for income tax, both current and deferred, differs from the amount calculated by applying the combined expected federal and provincial rate of 27% (December 31, 2022 – 27%) to profit before taxes. The reasons for these differences are as follows:

	December 31, 2023	December 31, 2022
Income (loss) for the year before income taxes	\$ (2,818)	\$ (8,192)
Expected income tax expense (recovery)	(761)	(2,212)
Non-deductible expenditures	1	86
Non-taxable portion of unrealized losses	310	970
Other	(35)	84
Change in unrecognized deferred income tax	485	1,072
	\$ -	\$ -

As of December 31, 2023, the Corporation has approximately the following tax pools available as a deduction from future income at the prescribed tax rates. These tax pools are subject to confirmation by income tax authorities: As of December 31, 2023, the Corporation has non-capital losses of \$13,005 (December 31, 2022 - \$12,770) available to carry forward to reduce future years' taxable income with expiration ranging from 2033 to 2043.

49 North Resources Inc.**Notes to the Financial Statements**

(in thousands of Canadian dollars, except securities and per share amounts)

For the years ended December 31, 2023 and 2022

12. Deferred income taxes - continued

Tax attributes are subject to review, and potential adjustment, by tax authorities.

	December 31, 2023	December 31, 2022
Non-capital losses carried forward	\$ 13,005	\$ 12,770
Capital losses carried forward	4,246	4,206
Share issue costs	22	38
Investments	-	-
Cumulative Canadian exploration and development expenses	861	861
	\$ 18,134	\$ 17,875

13. Common shares, preferred shares and contributed surplusAuthorized:

An unlimited number of voting common shares without par value, an unlimited number of non-voting first preferred shares (Series I) with a redemption value of \$1, and an unlimited number of non-voting first preferred shares (Series II) with a redemption value of \$1. All shares are fully paid.

Issued and outstanding

	Common shares	
	Quantity	Amount
Balance at January 1, 2022	166,238,310	\$ 71,895
Preferred share conversions	32,800	17
Balance at December 31, 2022 and 2023	166,271,110	\$ 71,912

The first preferred shares are convertible at the option of the holder into common shares at a conversion price of \$0.50 per common share and were valued at issuance at \$1.00 per preferred share. The preferred shares bear a cash dividend at the rate of 2.5% payable annually in arrears. The following table summarizes the components.

	Preferred shares		
	Liability Component	Equity Component	
		Quantity	Amount
Balance at January 1, 2022	\$ 699	3,353,328	\$ 2,654
Preferred share conversions		(3)	(12)
Balance at December 31, 2022 and 2023	\$ 696	3,337,092	\$ 2,642

49 North Resources Inc.**Notes to the Financial Statements**

(in thousands of Canadian dollars, except securities and per share amounts)

For the years ended December 31, 2023 and 2022

13. Common shares, preferred shares and contributed surplus – continued**Stock option plan**

The directors of the Corporation have adopted, and the shareholders have approved a stock option plan (the “2008 Option Plan”), pursuant to which the directors may from time to time grant options for up to 10% of its issued and outstanding shares, all options vest immediately upon issuance. The purpose of the 2008 Option Plan is to attract, retain and motivate directors, employees and consultants of the Corporation and its subsidiaries and to advance the interests of the Corporation by providing such persons with the opportunity, through stock options, to acquire an equity interest in the Corporation.

A summary of the status of the outstanding and exercisable stock options during the year is presented below:

	December 31, 2023		December 31, 2022	
	Options	Price	Options	Price
Beginning of period	14,250,000	\$ 0.08	7,500,000	\$ 0.10
Options granted	-	-	6,750,000	0.05
Options expired	(825,000)	0.30	-	-
End of period	13,425,000	\$ 0.06	14,250,000	\$ 0.08

As at December 31, 2023, the weighted average remaining life of stock options is 6.01 years (December 31, 2022 – 6.64 years).

On January 13, 2022, the board of directors of the Corporation approved the grant of 6,750,000 stock options pursuant to the 2008 Option Plan. 3,500,000 of the options were granted to directors and executive officers with the balance granted to employees and consultants. The options are exercisable at \$0.05 per share, vest immediately and, if not exercised, expire January 13, 2032, subject to earlier expiration in accordance with the 2008 Option Plan and applicable policies of the TSX-V.

The value of options issued on January 13, 2022, using the Black-Scholes option pricing model, was \$297 (\$0.04 per option) which was allocated to the share-based compensation expense with a corresponding increase in contributed surplus. Assumptions used in the pricing model for the calculation is as follows: risk-free interest rate of 1.69%, expected life of 10 years, annualized volatility 152.29% and dividend rate of nil.

49 North Resources Inc.

Notes to the Financial Statements

(in thousands of Canadian dollars, except securities and per share amounts)

For the years ended December 31, 2023 and 2022

13. Common shares, preferred shares and contributed surplus - continued

Warrants

A summary of the outstanding and exercisable warrants during the year is presented below:

	December 31, 2023		December 31, 2022	
	Warrants	Price	Warrants	Price
Beginning of year	83,119,155	\$ 0.07	83,119,155	\$ 0.07
Warrants expired	(83,119,155)	-	-	-
End of year	-	\$ -	83,119,155	\$ 0.07

As at December 31, 2022, the weighted average remaining life of warrants was 0.88 years.

EPS and diluted EPS

All out-of-the-money stock options, warrants and preferred shares were excluded from the diluted weighted average number of shares calculation for the years ended December 31, 2022 and 2023 as their effect would have been anti-dilutive.

Shareholder rights plan

The directors of the Corporation have approved a shareholder rights plan ("Rights Plan"). In the event a bid to acquire control of the Corporation is made, the Rights Plan is designed to give the directors of the Corporation time to consider alternatives to allow shareholders to receive full and fair value for their shares. In the event that a bid, other than a permitted bid, is made, shareholders become entitled to exercise rights to acquire common shares of the Corporation at a significant discount to the market price.

14. Capital management

The Corporation defines capital as shareholders' equity.

The Corporation's objectives when managing capital are:

- to allow the Corporation to respond to changes in economic and/or marketplace conditions by maintaining the Corporation's ability to purchase new investments;
- to provide sustained growth and value by increasing equity; and,
- to maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Corporation maintains or adjusts its capital level to enable it to meet its objectives by:

- realizing proceeds from the disposition of its investments;
- utilizing leverage in the form of margin (due from brokers);
- raising capital through equity financings; and
- borrowing funds in the form of advances from related parties.

The Corporation is not subject to any capital requirements imposed by a regulator. There were no changes in the Corporation's approach to capital management during the year. The Corporation's management is responsible for the management of capital and monitors the Corporation's use of various forms of leverage on a daily basis.

49 North Resources Inc.

Notes to the Financial Statements

(in thousands of Canadian dollars, except securities and per share amounts)

For the years ended December 31, 2023 and 2022

15. Financial instruments and risk management

The investment operations of the Corporation's business involve the purchase and sale of securities and, accordingly, a significant portion of the Corporation's assets are currently comprised of financial instruments. The use of financial instruments can expose the Corporation to several risks, including market, credit, interest rate, commodity price and liquidity risks. A discussion of the Corporation's use of financial instruments and their associated risks is provided below.

a) Liquidity risk:

Liquidity risk is the risk that the Corporation will have insufficient cash resources to meet its financial obligations as they come due. The Corporation's liquidity and operating results may be adversely affected if the Corporation's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions, generally or related to matters specific to the Corporation, or if the value of the Corporation's investments decline, resulting in losses upon disposition.

The Corporation generates cash flow primarily from its financing activities and proceeds from the disposition of its investments, in addition to interest and dividend income earned on its investments.

The Corporation may use financial leverage (or "margin") when purchasing investments. Trading on margin allows the Corporation to borrow part of the purchase price of the investments (using marginable investments as collateral), rather than pay for them in full. Buying on margin allows the Corporation to increase its portfolio size by increasing the number and amount of investments through leverage. However, if the market moves against the Corporation's positions and the Corporation's investments decline in value, the Corporation may be required to provide additional funds to its brokers.

Given the nature of the Corporation's business, the Corporation may not have sufficient cash on hand to meet margin calls and may be required to liquidate investments prematurely and/or at a loss, in order to generate funds needed to satisfy the Corporation's obligations.

The Corporation has at times borrowed funds from other sources to meet its obligations, but there can be no assurances that such funds will be available in the future, or available on reasonable terms, and the absence of available funding and/or the sale of the Corporation's investments in order to meet margin calls could have a materially adverse impact on the Corporation's operating results. The Corporation manages liquidity risk by reviewing the amount of margin available and managing its cash flow. The Corporation holds investments which can be readily converted into cash when required.

The following table summarizes the contractual maturities of the Corporation's financial liabilities at December 31, 2023:

	Contractual cash flows	Less than one year	Greater than one year
Trade payables and accrued liabilities	\$ 2,602	\$ 2,602	\$ -
Lease liabilities	68	68	-
Convertible debentures	4,561	4,561	-
Subordinate debentures	880	880	-
	\$ 8,111	\$ 8,111	\$ -

49 North Resources Inc.

Notes to the Financial Statements

(in thousands of Canadian dollars, except securities and per share amounts)

For the years ended December 31, 2023 and 2022

15. Financial instruments and risk management – continued

a) Market risk:

Market risk is the risk that the fair value of, or future cash flows from, the Corporation's financial instruments will significantly fluctuate because of changes in market prices. The value of the financial instruments can be affected by changes in interest rates, equity and commodity prices. The Corporation is exposed to market risk in trading its investments and unfavorable market conditions could result in dispositions of investments at less than favorable prices.

b) Concentration risk:

Of the Corporation's equity investments and convertible debenture receivable \$12,303 – 73.1% (2022 \$13,830 – 72.3%) are invested in OMM. The Corporation's investment activities are currently concentrated primarily across several sectors in the natural resource industry, including potash, oil and gas, coal, precious metals, base metals, uranium, diamonds and other commodities.

c) Interest rate risk:

Interest rate risk is the impact that changes in interest rates could have on the Corporation's earnings and liabilities. As at December 31, 2023 and 2022, the Corporation had no liabilities payable that bear interest at rates fluctuating with the prime rate.

d) Credit risk:

Credit risk is the risk associated with the inability of a third party to fulfill its payment obligations. The Corporation is exposed to the risk that third parties that owe it money or securities (in connection with its loans receivable, for example) will not perform their underlying obligations.

The Corporation's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Corporation's customer base, including the default risk of the industry in which the customers operate, as these factors may have an influence on credit risk, particularly in the current economic circumstances.

At December 31, 2022 the Corporation had loans and advances receivable, and accounts receivable and prepaid expenses from companies, totaling \$905 (December 31, 2022 - \$755) which represents approximately 5.4% (December 31, 2022 – 3.9%) of the Corporation's total assets. The Corporation's credit provisions are represented by its loss allowance based on lifetime expected credit losses as at December 31, 2023 of \$nil (December 31, 2022 – \$nil). The amount of the loss allowance was calculated based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

e) Commodity price risk:

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. The Corporation is susceptible to commodity price risk associated with investments in the natural resource industry.

49 North Resources Inc.

Notes to the Financial Statements

(in thousands of Canadian dollars, except securities and per share amounts)

For the years ended December 31, 2023 and 2022

15. Financial instruments and risk management – continued

f) Fair value:

The fair value of the Corporation's financial assets and liabilities approximate their carrying values unless otherwise disclosed.

Fair value hierarchy and determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Corporation uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The fair value of the financial instruments is included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described, as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis at fair value, the Corporation determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest-level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Corporation assets that are recognized at fair value on a recurring basis are the equity investments and investment in convertible debentures.

49 North Resources Inc.**Notes to the Financial Statements**

(in thousands of Canadian dollars, except securities and per share amounts)

For the years ended December 31, 2023 and 2022

15. Financial instruments and risk management – continued

The following is a summary of the fair value of financial assets segregated based on the various levels of inputs, as discussed in Note 2:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity investments, at fair value	\$ 4,493	\$ -	\$ 1,731	\$ 6,224
Convertible debenture receivable	-	-	9,579	9,579
	<u>\$ 4,493</u>	<u>\$ -</u>	<u>\$ 11,310</u>	<u>\$ 15,803</u>

For the year ended December 31, 2023, a reconciliation of financial assets measured at fair value using unobservable inputs (Level 3) is presented as follows:

Beginning balance as at December 31, 2022	\$ 11,548
Repayment	(355)
Interest accrued	822
Fair value adjustments	(705)
Balance at December 31, 2023	<u>\$ 11,310</u>

Within Level 3, the Corporation includes the convertible debenture receivable and private company investments. The key assumptions driving the valuation of the private company investments include, but are not limited to, the value at which a recent financing was completed by the investee, significant changes in general market conditions and company specific information. For those investments valued based on general market condition and company specific information, these inputs can be highly judgmental. A +/- 25% change in the fair value of these investments will result in a corresponding +/- \$433 (2022 - \$507) change to the total fair value of the investments. While this illustrates the overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different circumstances.

The fair value of the convertible note receivable, which is not traded in an active market, is determined by discounting the stream of future interest and principal repayments at the rate of interest prevailing at the statement of financial position date for instruments of similar term and risk, and adding this value to the value of the convertibility feature which is estimated using a Black-Scholes model based on assumptions including risk free interest rate, expected dividend yield, expected volatility and expected remaining life of the convertible note receivable.

Management estimates that the market interest rate on similar borrowing without the conversion feature was approximately 12% and has used an implied volatility of 128% in valuing the convertibility feature. Holding all other variables constant, a fluctuation in interest rates of 1% would have impacted the valuation by approximately \$367 while a fluctuation in the implied volatility use of 25% would have impacted the valuation by approximately \$348.

The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions and its results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of these investments. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Corporation's view of expected future changes in the fair value of these investments. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

49 North Resources Inc.**Notes to the Financial Statements**

(in thousands of Canadian dollars, except securities and per share amounts)

For the years ended December 31, 2023 and 2022

16. Supplemental cash flow information

The following table summarizes the net changes in non-cash working capital items related to operating activities:

	December 31, 2023	December 31, 2022
Accounts receivable and prepaid expenses	\$ (16)	\$ 16
Accounts payable and accrued liabilities	496	526
	\$ 480	\$ 542

Non-cash transactions:	December 31, 2023	December 31, 2022
Convertible debentures converted to common shares	\$ -	\$ -
Preferred shares converted to common shares	\$ 17	\$ 17
Rights offering - unit bifurcation	\$ -	\$ -