



ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2016

LETTER FROM THE PRESIDENT

Fellow shareholders,

Noront had a busy and productive year, highlighted by many accomplishments and some challenges. We furthered our strategy of timely, low cost consolidation in the Ring of Fire by acquiring a 75% controlling interest in the MacDonald Mines properties. In combination with the previous year's Cliffs acquisition, Noront now holds over 80% of all claims in the region, including virtually all the measured and indicated chromite, nickel and copper-zinc resources.

Exploration continued during the year, focusing primarily on massive nickel sulphide discoveries, similar to our Eagle's Nest deposit. We took a systematic approach to surveying the area with the most modern geophysical tools and conducted follow up diamond and rotary air blast drilling programs. While there are still numerous nickel targets, we are going to turn our attention to some very prospective copper-zinc targets for the next wave of exploration.

One of the benefits of Noront's exploration work is our ability to hire and train local workers to support these programs. Over 65% of our exploration workforce comes from local First Nation communities, filling roles such as geophysical surveyor, camp support staff, line-cutter, drill helper and cook/medic. It is important for the Company to work closely with the communities, to demonstrate the tangible benefits and opportunities that can accrue from resource development.

We recently announced a project advancement agreement with Marten Falls First Nation (MFFN) which is a traditional landholder in the area. This agreement compensates the community for work we are currently conducting, and outlines a one-year process to negotiate a pre-development agreement for determining how Noront and Marten Falls will work together to develop the Eagle's Nest mine. It is gratifying to have Marten Falls as a shareholder as this further aligns our mutual interests in developing the Ring of Fire.

Chromite, once again occupied our time as we completed a strategic analysis of our various development options. Soon after Eagle's Nest is put in production, we will begin the development of Blackbird, our first chromite mine. This high-grade underground deposit will benefit from the camp, plant and road infrastructure developed for Eagle's Nest only 500 metres away. Our development vision includes upgrading the chromite ore to ferrochrome. To that end, we have started a process with several northern Ontario communities to select a site for the ferrochrome treatment plant.

The key enabler of all this proposed development and economic activity is the construction of a shared industrial and community usage, all-season access road by the province of Ontario. We have had studies, consultation and funds allocated; we now need the province to show leadership and table a specific, definitive proposal for infrastructure development. The management team continues to work tirelessly to facilitate the de-bottlenecking of this impediment to progress.

I am pleased that, once again this year, we enhanced the quality of the Noront management team and Board of Directors. Ryan Weston joined the Company as Vice President, Exploration and brings diverse commodity experience to the group. We recently announced a structural renewal of the Board of Directors to more closely align the skills of our Board members with our current strategic thrusts: infrastructure development and project advancement in cooperation with governments and First Nations. I am happy to welcome the Honourable Greg Rickford, former federal Minister of Natural Resources and J.P. Gladu, president of the Canadian Council for Aboriginal Business to the Board.

Finally, I'd like to thank you, our shareholders, for your ongoing support and confidence as Noront strives to become a Canadian mining champion based on the tremendous resources we have acquired in the emerging Ring of Fire district. Our goal is to create an inclusive Company that benefits all stakeholders: governments, First Nations, local communities and Noront shareholders.

Sincerely,

A handwritten signature in black ink, appearing to read "Alan Coutts".

Alan Coutts, P. Geo
President & CEO
Noront Resources Ltd.



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MANAGEMENT'S DISCUSSION AND ANALYSIS

(Expressed in Canadian Dollars)

The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and results of operations of Noront Resources Ltd. ("Noront" or the "Company") for the year ended December 31, 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standard ("IAS") 34, Interim Financial Reporting. This discussion should be read in conjunction with the consolidated financial statements and the notes thereto for the same period as noted above (collectively, the "Financial Statements"). Additional Company information, including the Company's most recent Financial Statements, can be accessed through the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com and the Company's website at www.norontresources.com. Information contained on the Company's website is not incorporated herein and does not form part of this MD&A.

All financial measures are expressed in Canadian dollars unless otherwise indicated.

Ryan Weston M.Sc., MBA, P.Geo., Vice-President Exploration of Noront and a Qualified Person as defined by National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101"), has reviewed and is responsible for the technical information contained in this MD&A. For further information on the McFaulds Lake Project, please refer to Noront's technical report titled "Feasibility Study, McFaulds Lake Property, Eagle's Nest Project, James Bay Lowlands, Ontario, Canada" dated October 19, 2012 (effective date September 4, 2012) (the "Feasibility Study"), prepared in accordance with the requirements of NI 43-101 and available on SEDAR and the Company's website. For further information on the Black Thor, Black Label and Big Daddy chromite deposits, please refer to Noront's technical report titled "National Instrument 43-101 Technical Report – Black Thor, Black Label and Big Daddy chromite deposits, McFaulds Lake Area, Ontario, Canada, Porcupine Mining Division, NTS 43D16 Mineral Resource Estimation (the "Acquired Properties Report"), prepared in accordance with the requirements for NI 43-101 and available on SEDAR and the Company's website.

This information is current as of April 10, 2017.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A includes certain "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information is provided as of the information currency date referred to above or, in the case of documents incorporated by reference herein, as of the date of such documents.

Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Examples of such forward-looking information include information regarding financial results and expectations for fiscal year 2016, such as, but not limited to, availability of financing, interpretation of drill results, the geology, grade and continuity of mineral deposits and conclusions of economic evaluations (including those contained in the Feasibility Study), metal prices, demand for metals, currency exchange rates, cash operating margins, expenditures on property, plant and equipment, increases and decreases in exploration activity, changes in project parameters, joint venture operations, mineral resources and anticipated grades and recovery rates, information regarding planned infrastructure for the Ring of Fire Region required for the development of the Eagle's Nest Project (as hereinafter defined) and information regarding government support for such plan, approval of the Company's EA and EIS (as hereinafter defined) application for the Eagle's Nest Project and are, or may be, based on assumptions and/or estimates related to future economic, market and other factors and conditions. All statements, other than statements of historical facts, included in this MD&A that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future business strategy, competitive strengths, goals, expansion and growth of the Company's businesses, operations, plans and other such matters are forward-looking information.

Forward-looking information is based on reasonable assumptions that have been made by the Company as at the date of such information and is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of

activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to: the impact of general business and economic conditions; risks related to government and environmental regulation, actual results of current exploration activities, conclusions of economic evaluations (including those contained in the Feasibility Study) and changes in project parameters as plans continue to be refined; problems inherent to the marketability of base and precious metals; industry conditions, including fluctuations in the price of base and precious metals, fluctuations in interest rates; government entities interpreting existing tax legislation or enacting new tax legislation in a way which adversely affects the Company; stock market volatility; competition; risk factors disclosed under the heading "Risks and Uncertainties"; risk factors disclosed under the heading "Risk Factors" in the Company's most recent Annual Information Form ("AIF") dated April 7, 2017, available electronically on SEDAR; and such other factors described or referred to elsewhere herein, including unanticipated and/or unusual events. Many of such factors are beyond Noront's ability to control or predict.

Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate as actual results and future events could differ materially from those reliant on forward-looking information.

All of the forward-looking information given in this MD&A is qualified by these cautionary statements and readers of this MD&A are cautioned not to put undue reliance on forward-looking information due to its inherent uncertainty. Noront disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise, except as required by law. This forward-looking information should not be relied upon as representing the Company's views as of any date subsequent to the date of this MD&A.

NOTE TO U.S INVESTORS REGARDING MINERAL RESOURCE ESTIMATES

All mineral resource estimates contained in this MD&A have been prepared in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum Classification System in compliance with Canadian securities laws, which differ from the requirements of United States securities laws. Without limiting the foregoing, this report uses the terms "measured mineral resources", "indicated mineral resources" and "inferred mineral resources". Any U.S. Investors are advised that, while such terms are recognized and required by Canadian securities laws, the U.S. Securities and Exchange Commission ("SEC") does not recognize them. Under U.S. standards, mineralization may not be classified as a "mineral reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the mineral reserve determination is made. Any U.S. investors are cautioned not to assume that all or any part of measured or indicated mineral resources will ever be converted into mineral reserves. Mineral resources which are not mineral reserves do not have demonstrated economic viability. Further, inferred mineral resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of the inferred mineral resources will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of an economic analysis, except in rare cases. Any U.S. investors are cautioned not to assume that all or any part of the inferred mineral resources exists, or that they can be mined legally or economically. Information concerning descriptions of mineralization and mineral resources contained in this MD&A has been prepared in accordance with Canadian requirements and may not be comparable to information made public by U.S. companies subject to the reporting and disclosure requirements of the SEC.

COMPANY OVERVIEW

Noront is engaged in the development, exploration and acquisition of properties prospective in base and precious metals, including: nickel, copper, zinc, platinum group elements (“PGE’s”), chromite, iron, titanium, vanadium, gold and silver. The Company is currently focused on the development of its 100% owned Eagle’s Nest deposit, a high grade nickel, copper, platinum and palladium deposit located in the James Bay Lowlands of Ontario (the “Eagle’s Nest Project”), within a geological feature (intrusion) commonly referred to as the “Ring of Fire”. On September 5th, 2012, the Company released the Feasibility Study on the Eagle’s Nest project demonstrating positive economic returns.

The Company has 100% ownership of the most significant chromite resources in the Ring of Fire including the Black Thor chromite deposit and the Blackbird chromite deposit as well as a 100% interest in the Black Label chromite deposit and an 70% interest in the Big Daddy chromite deposit. In addition the Company has an 85% interest in the McFauld’s Lake copper-zinc deposit as well as 100% interest in two nickel-copper-platinum group metal discoveries known as “Eagle Two” and “Blue Jay”; an iron-vanadium-titanium discovery known as “Thunderbird”; a shear-hosted gold occurrence called “Triple J” and other diamond exploration properties.

On August 24, 2016 the Company purchased a 75% interest in MacDonald Mines’ properties in the Ring of Fire comprised of the Butler and Sanderson properties.

Noront now holds interest, mineral, and exploration rights to approximately 117,824 hectares of ground in Ontario and 8,730 hectares in New Brunswick.

In New Brunswick, Noront holds a 49% interest in the Burnt Hill tin-tungsten-molybdenum property and a 100% interest in the Golden Ridge gold property.

OBJECTIVES

The Company’s primary objectives for fiscal 2017 are:

- Sign project advancement agreements with local First Nations in the Ring of Fire Project Area while maximizing training and employment opportunities for their community members;
- Establish a joint vision on infrastructure with the core communities and obtain a specific commitment from government(s) on the permitting, financing and building of the all season access road to the Ring of Fire;
- Advance the Company’s chromite strategy with a focus on selection of a ferrochrome smelter site to upgrade Ring of Fire chromite ore;
- Conduct an ongoing systematic exploration program in the Ring of Fire, funded internally or through partnerships, focused initially on the nickel, copper and platinum group metal potential followed by volcanic massive sulphide and gold exploration;
- Pursue and acquire production / development stage properties and businesses that leverage the skill set of management and are complementary to the Company’s current asset base.

STRATEGY

Ring of Fire Regional Development

The conditions that are required for development of the Ring of Fire to proceed include formal support from the traditional land users in the region. The traditional land users of the mine project area are part of the Mattawa Tribal Council which has been engaged with the Provincial Government of Ontario in the negotiation of benefits which are broadly defined in a Framework Agreement. This agreement was signed between the provincial government and the communities that make up the Mattawa Tribal Council in 2013. The conclusion of these benefit agreements has taken longer than anticipated and as a result has delayed the Company’s ability to enter into support agreements with the traditional land users of the mine project area. The framework negotiation process is still ongoing and as a

result certain core communities have expressed an interest in negotiating project support agreements in parallel to the government process.

The Company has recently started working with two of the primary traditional land users in the mine project area concerning project advancement agreements. The Company anticipates signing an Exploration and Project Advancement Agreement in the first half of 2017 which is expected to trigger a one year period in which to conclude a Pre-Development Agreement (PDA). The PDA will include reference to project advancement milestones and define the scope of the Impact Benefit Agreement (IBA). The Company plans to negotiate the IBA once the access road is committed to by the government and the Company is once again advancing the approval of its environmental assessment.

The most important project advancement milestone, to be included in the PDA, is the industrial component of the access road to the Ring of Fire. As part of advancing the predevelopment agreement, the Company will be working with the core communities to advance a common vision on access infrastructure. The Company believes this is required in order to obtain a specific commitment for the access road from government.

Chromite Projects

The Company has a controlling interest in all of the known Chromite resources in the Ring of Fire that have NI 43-101 measured and indicated resources. The Company's chromite resources are of a sufficient size to support mining in the region over multiple generations. The Company has developed a chromite strategy over this past year incorporating feasibility level work which was acquired from Cliffs as part of the acquisition of the chromite assets in 2015.

The Company plans to initially develop its Blackbird Chromite Deposit which is proximal to the Eagle's Nest nickel, copper, platinum, palladium deposit and can therefore share the same surface infrastructure. The Company is planning on mining between 550 – 750 thousand tonnes of high grade material per annum and direct shipping the ore to a yet to be constructed ferrochrome processing facility built by Noront in Ontario. The Company believes the ore mined will be of a sufficiently high grade to feed it directly into a ferrochrome smelter without needing to upgrade with a concentrator. It is anticipated this process will produce between 200 – 285 thousand tonnes of high grade ferrochrome which is sufficient to supply approximately half of the North American Market. Final rates will be dependent on specific marketing, technical and site selection decisions.

The upgrading of chrome ore to ferrochrome is required to serve the North American market since there are no existing ferrochrome smelters in North America. The Company is evaluating several sites in Ontario for the location of its ferrochrome furnace complex and plans to formally choose a brownfield site this year.

The Company has the ability to increase chromite production by developing its Black Thor chromite project. This expansion would supply the sea borne market primarily China and Europe and would be undertaken if market conditions are favourable.

The market for chrome ore and ferrochrome has strengthened over the past year and prices have increased to a level that the Company believes provides an estimated internal rate of return sufficient to develop its chrome projects.

Exploration

The Company firmly believes in the continued exploration prospectivity of the Ring of Fire and to this end has added considerably to its project portfolio over the past two years with the addition of Cliffs' chromite and VMS properties, and more recently with the addition of the Butler VMS and Sanderson nickel-copper-PGE properties from MacDonald Mines. Through advancing a quality pipeline of multi-commodity projects at various stages of exploration and development the company will be well positioned to remain a leader in the Ring of Fire with a sustainable future of quality development assets. During the year, the company implemented a five-year exploration plan in the Ring of Fire with a focus on three commodity groups i) nickel-copper-PGE; ii) copper-zinc; and iii) gold. Under this plan, exploration programs will be executed from compilation through to target generation through to exploration & discovery and ultimately resource delineation. With this staged approach, targets within each commodity group will be subject to a rigorous review and approval process, ensuring disciplined deployment of exploration funds.

Given our advanced understanding of nickel-copper-PGE mineralization in the Ring of Fire, the company plans to continue with active programs throughout 2017 with the aim of making a significant discovery. Field programs will rely heavily on high-resolution ground geophysical surveys in areas of favorable geology to identify possible drill targets at depth beyond the reach of traditional airborne EM

systems. On our copper-zinc strategy, the company will continue to advance its targeting program throughout 2017 with airborne geophysical data acquisition, core re-logging and geological modelling on the McFaulds Lake VMS property with the aim of identifying drill targets in late 2017.

In regards to our gold strategy, the company recognizes the Ring of Fire possesses many favorable characteristics for significant gold mineralization compared with other Archean greenstone belts in the Superior Province, including the existence of regional-scale faults, an abundance of chemically reactive iron-rich host rocks (ferrogabbros, ultramafics, iron formation), which locally host gold-mineralization (e.g. Triple-J gold zone) which are indicative of a gold mineralizing event associated with regional tectonism. Given the historic success and focus on base-metal exploration in the Ring of Fire, the company believes the gold potential has been largely overlooked. In 2017 the company will begin a gold compilation exercise and consult with industry experts to identify first pass target regions which warrant further analysis.

Five Year Exploration Plan					
	2016	2017	2018	2019	2020
Nickel-Copper-PGE	Exploration & Discovery			Resource Delineation	
Copper-Zinc		Target Generation	Exploration & Discovery		
Gold		Compilation	Target Generation	Exploration & Discovery	

An added benefit of the active exploration program is the ability of the Company to engage and train a local First Nation work force. Over the past year two-thirds of the field program staff was hired from the local communities in the region providing much needed employment and a glimpse of the future benefits and opportunities afforded by the development of the Ring of Fire.

Business Development

The Company's objective is to be an owner, operator of high quality mining projects within and outside of the Ring of Fire. The Company's management team has significant experience successfully building and operating large scale base metal mines which the Company views as a competitive advantage. Management will therefore look for opportunities to acquire high quality advanced development or production assets outside the Ring of Fire that leverage the skill set of management.

SIGNIFICANT EVENTS

On January 14, 2016, the Company improved its working capital position by successfully completing the sale of a 1% net smelter return royalty (NSR) to Resource Capital Fund V (RCF) for US\$2.5 million; US\$2.0 million of the proceeds were used to repay the RCF US\$2.0 million bridge loan facility. RCF owns approximately 18.64% of the Company's common shares and is considered to be a related party.

In March 2016, the Company closed a short-form prospectus financing for gross proceeds of \$6.3 million and a private placement for gross proceeds of \$1.1 million.

In April 2016, the Company settled \$475 thousand in professional fees related to the prior year purchase of the Cliff's Chromite Assets in by issuing 1,403,273 common shares of the Company and raised gross proceeds of \$465 thousand through the issuance of 1,162,500 flow-through shares.

In May 2016, Ryan Weston joined Noront's team as Vice-President Exploration. Ryan has a broad background in base and precious metal exploration and has filled numerous senior roles, most recently as Chief Geologist for Carlisle Goldfields and as Senior Geologist for Cliffs Natural Resources working on the Ring of Fire chromite properties.

On June 30, 2016, the Company extended the term of its US\$15 million convertible debenture (the "Convertible Debenture") with Resource Capital Fund V ("RCF") to December 31, 2017. The amending agreement requires RCF to accept all interest payments in common shares of the Company with interest paid quarterly in arrears with the interest rate remaining the same at 8% per annum. The Convertible Debenture may be converted into common shares of the Company at the option of RCF at a price of \$0.34 cents per share

(previously \$0.45 cents per share) at any time prior to December 31, 2017.

On August 24, 2016 the Company closed its purchase of a 75% interest in the MacDonald Mines Ltd.'s properties in the Ring of Fire. The Company issued \$750,000 of common shares in the Company to MacDonald to earn its 75% interest. MacDonald has a 25% carried interest until the issuance of a NI 43-101 compliant resource on one of the properties, 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, Noront can elect to buy MacDonald's 25% interest for \$3 million (the Buy-back Right), payable in cash or shares at the option of Noront. If neither the Conversion Right nor the Buy-back Rights are exercised, a Joint Venture arrangement will be formed between the parties to develop the properties.

On September 23, 2016 The Company completed a prospectus financing raising gross proceeds of \$7.9 million which includes \$1.5 million of flow-through funding which will be spent on qualifying exploration activity. The Company issued 19,774,350 units at a price of \$0.32 per unit and 3,824,972 flow-through units at a price of \$0.40 per flow-through unit. Each unit consisted of one common share and one common share purchase warrant, each whole warrant entitling the holder to purchase one common share at a price of \$0.40 per share on or before September 23, 2019. Each flow-through unit consisted of one flow-through common share and one-half of one common share purchase warrant, each whole warrant entitling the holder to purchase one common share at a price of \$0.50 per share on or before September 23, 2019. The Company also closed a private placement financing for \$1.0 million through the issuance of 3,000,000 units at the same pricing and composition as the units issued through the prospectus offering referenced above. Proceeds from the financings will be used to fund the Company's exploration program and its Eagle's Nest Development in the Ring of Fire as well as for working capital purposes.

On November 1, 2016, the Company closed a private placement of flow-through shares for \$2.8 million to support the Company's ongoing exploration program.

Pursuant to the loan agreement entered into between Noront and RCF (a major shareholder with a 18.64% ownership position in the Company), dated February 26, 2013, the Company has satisfied the payment of interest for each quarter of calendar 2016 by delivery of the following common shares of the Company (the "Interest Shares"):

- a) 1,240,846 Interest Shares to RCF on January 11, 2016, at an effective price of \$0.3971 per Interest Share.
- b) 29,391 Interest Shares to RCF on January 14, 2016, at an effective price of \$0.3900 per Interest Share. This payment was made to satisfy interest due on the US\$2.0 million RCF Bridge Loan Facility from the period January 1, 2016 to the date the facility was settled in full.
- c) 1,135,708 Interest Shares to RCF on April 11, 2016 at an effective price of \$0.3425 per Interest Share.
- d) 2,614,616 Shares to RCF on July 11, 2016, at an effective price of \$0.2968 per Interest Share in satisfaction of interest in the amount of \$388,050 and an extension fee on the loan amendment of \$388,050.
- e) 1,331,414 Interest Shares to RCF on October 11, 2016, at an effective price of \$0.2962 per Interest Share.
- f) 1,636,383 Interest Shares to RCF on January 13, 2017, at an effective price of \$0.2464 per Interest Share.

Ring of Fire Development

Negotiations over local community benefits continued through the Framework Agreement process between the communities which make up the Mattawa Tribal Council and the Provincial Government of Ontario. In parallel to these discussions the remote communities completed their community road study which was commissioned to SNC Lavalin in X [NTD INSERT DATE].

The Company is working with the core communities in the project mining area to get alignment on the access road and at the same time the Company is urging the province to use the various studies and proposals completed to date to present the infrastructure plan it is willing to endorse to the stakeholders in the region.

The Provincial Government of Ontario has indicated that their plan is still to have shovels in the ground on the transportation corridor by 2018. In order for the provincial government to meet their timeline for the shared transportation corridor, Noront believes that environmental assessment work must start soon. The Company has developed a work plan to advance the shared transportation

corridor to a “shovel ready” stage based on environmental assessment and engineering requirements. It is the Company’s view that the work plan will take between twelve and eighteen months for the proponent of the shared transportation corridor to complete.

Exploration

Throughout 2016 the company continued its exploration for additional nickel-copper-PGE mineralization, with a focus along the main contact of the ultramafic sill hosting the Eagle’s Nest, Blackbird, Big Daddy and Black Thor deposits. Exploration utilized gradient IP (induced polarization) surveys as a first pass filter to screen areas of potential disseminated to massive sulfide mineralization, followed up with UTEM5 ground EM (electromagnetic) surveys to refine possible conductors at depth and to provide definitive targets for drilling. Based on these surveys a deep conductor was identified at the AT5 target which the company drill tested in August and September with a 1,300m deep hole using Cyr International in a joint venture with Webequie First Nation (WFN), employing drillers and drill helpers from the community. Borehole EM surveying identified an off-hole anomaly of low to moderate conductivity possibly indicative of disseminated to stringer-type sulfide mineralization which the company felt did not warrant follow-up wedge drilling given the probable small size, low sulfide abundance and depth of the target.

In November, an exploration strategy session was held to determine the path forward. Outside experts in nickel-copper-PGE and copper-zinc VMS exploration were brought in to provide an independent analysis of the prospectivity of the properties as well as to offer their insight on future targets. Based on the strategy session, an exploration plan was assembled for 2017 involving continued exploration for nickel-copper-PGE with a focus on the footwall environment around the Eagle’s Nest and the Sanderson deposits. A plan was also compiled to improve the company’s understanding of the copper-zinc prospectivity at its recently acquired McFaulds Lake and Butler Lake VMS properties through systematic data interrogation, core re-logging, and acquisition of high-resolution airborne magnetic data.

EAGLE’S NEST

The Company completed a Feasibility Study in accordance with the requirements of NI 43-101, with an effective date of September 4, 2012, by Independent Consultants¹ under the supervision of Micon International. In accordance with NI 43-101 the Company classifies the Eagle’s Nest Deposit as a reserve and resource. The feasibility study entitled “NI 43-101 Technical Report – Feasibility Study – McFaulds Lake Property, Eagle’s Nest Project, James Bay Lowlands, Ontario, Canada” is available on www.sedar.com.

The Feasibility Study is based on annual production of approximately 150,000 tonnes of high grade nickel-copper concentrate containing approximately 34 million pounds (15 thousand tonnes) of nickel, 19 million pounds (8.5 thousand tonnes) of copper, 23 thousand ounces of platinum and 89 thousand ounces of palladium with estimated operating costs (including road access fees) of \$97 per tonne. The mineral reserves support a mine life of 11 years mining one million tonnes of ore per annum. Given the high-grade nature of the Eagle’s Nest deposit and significant by-products of copper, platinum and palladium, the Company anticipates that Eagle’s Nest, once in production, will be one of the lowest cost nickel sulphide mines in the world.

The Company plans to update its Feasibility Study and complete project permitting once the shared transportation corridor to the Ring of Fire is formally committed by the Provincial Government of Ontario and necessary financing is arranged. Management has identified certain opportunities to reduce the capital cost related to the mine and mill project including putting the process plant on surface as opposed to underground and simplifications to the mine design.

Eagle’s Nest has the following royalty obligations:

- a 1% Net Smelter Royalty (NSR) 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 commons shares of the Company; and
- a 1% NSR, half of which may be repurchased by the Company for US\$3.125 million until June 14, 2018.

¹ The feasibility study was completed by Micon International and included technical input from: Tetra Tech WEI, Cementation Canada Ltd., Knight Piesold Ltd., Penguin ASI, SGS Canada Inc., Outotec, Ausenco, Nuna Logistics, and Golder Associates.

CHROMITE PROJECTS

The Company has the following chromite resources²:

Deposit	Classification	Tonnes (Millions)	Cr2O3 %
Blackbird	Measured Resources	9.30	37.44
	Indicated Resources	11.20	34.36
	Meas. + Ind. Resources	20.50	35.76
	Inferred Resources	23.50	33.14
Black Thor	Measured Resources	107.60	32.20
	Indicated Resources	30.20	28.90
	Meas. + Ind. Resources	137.70	31.50
	Inferred Resources	26.80	29.30
Black Label	Measured Resources	---	---
	Indicated Resources	5.40	25.30
	Meas. + Ind. Resources	5.40	25.30
	Inferred Resources	0.90	22.80
Big Daddy	Measured Resources	23.30	32.10
	Indicated Resources	5.80	30.10
	Meas. + Ind. Resources	29.10	31.70
	Inferred Resources	3.40	28.10

A cut-off grade of 20% Cr2O3 was used in the above tables except for the Blackbird Resource which was estimated using a 30% cut-off grade

The Company has a 70% interest in the Big Daddy Chromite deposit with the other 30% held by Canada Chrome Mining Corporation, a wholly owned subsidiary of KWG Resources Inc.

The Blackbird deposit is less than 1 km from the Company's Eagle's Nest project and is conducive to bulk underground mining. The Company anticipates that the Blackbird deposit will be developed once Eagle's Nest is in production and will share the same surface infrastructure. The Company is planning for the mine to produce approximately 550 – 750 thousand tonnes of ore which would produce approximately 200 – 280 thousand tonnes of Ferrochrome which represents approximately 40% - 50% of the North American Market. It is anticipated that a Ferrochrome smelter will be constructed at a yet to be determined brown-fields site in Ontario.

The Black Thor, Black Label and Big Daddy Chromite deposits are 5 to 8 km away from Eagle's Nest. These deposits come to surface and are conducive for bulk mining with chromite lenses averaging between 40 and 80 metres in true width (with maximum widths at Black Thor reaching up to 130 metres).

A larger scale chromite development supported by the Black Thor and Big Daddy Deposits will follow the Blackbird Development with a timeline that is dependent upon the seaborne ferrochrome market. The larger scale project has the potential to produce up to 1.5 million tonnes of concentrate and 600,000 tonnes of ferrochrome.

The Black Thor Chromite deposit has a 3% Gross Smelter Royalty (GSR) and the Blackbird and Black Label Chromite deposits have a 2% GSR. There is no royalty on the Company's interest in the Big Daddy Chromite deposit.

McFAULD'S LAKE VMS DEPOSITS

The two McFauld's deposits are volcanogenic massive sulphide (VMS) type occurrences and are the centerpiece of an 71 claim

² Resource estimates for Blackbird from "National Instrument 43-101 Technical Report Feasibility Study McFaulds Lake Property, Eagle's Nest Project, James Bay Lowlands, Ontario, Canada" dated September 4, 2012, (page 96) completed by Micon International. Resource estimates for Black Thor, Black Label and Big Daddy from "National Instrument 43-101 Technical Report, Black Thor, Black Label and Big Daddy Chromite Deposits, McFaulds Lake Area, Ontario, Canada, Porcupine Mining Division, NTS 43D16, Mineral Resource Estimation Technical Report" dated July 27th, 2015, prepared by Alan Aubut, P.Geol., of the Sibley Basin Group.

property held 85% by the Company and 15% held by KWG Resources. In August 2008, a NI-43-101 report was filed by Spider Resources Inc. and UC Resources Limited, former Joint Venture partners with KWG Resources Inc., with the following resources³:

Deposit	Classification	Tonnes	Grade (% Cu)	Grade (% Zn)
McFaulds 3	Indicated Resource	802,000	3.75	1.1
McFaulds 1	Inferred Resource	279,000	2.13	0.58

Mineral resources were estimated using a cut-off grade of 1.5% Cu

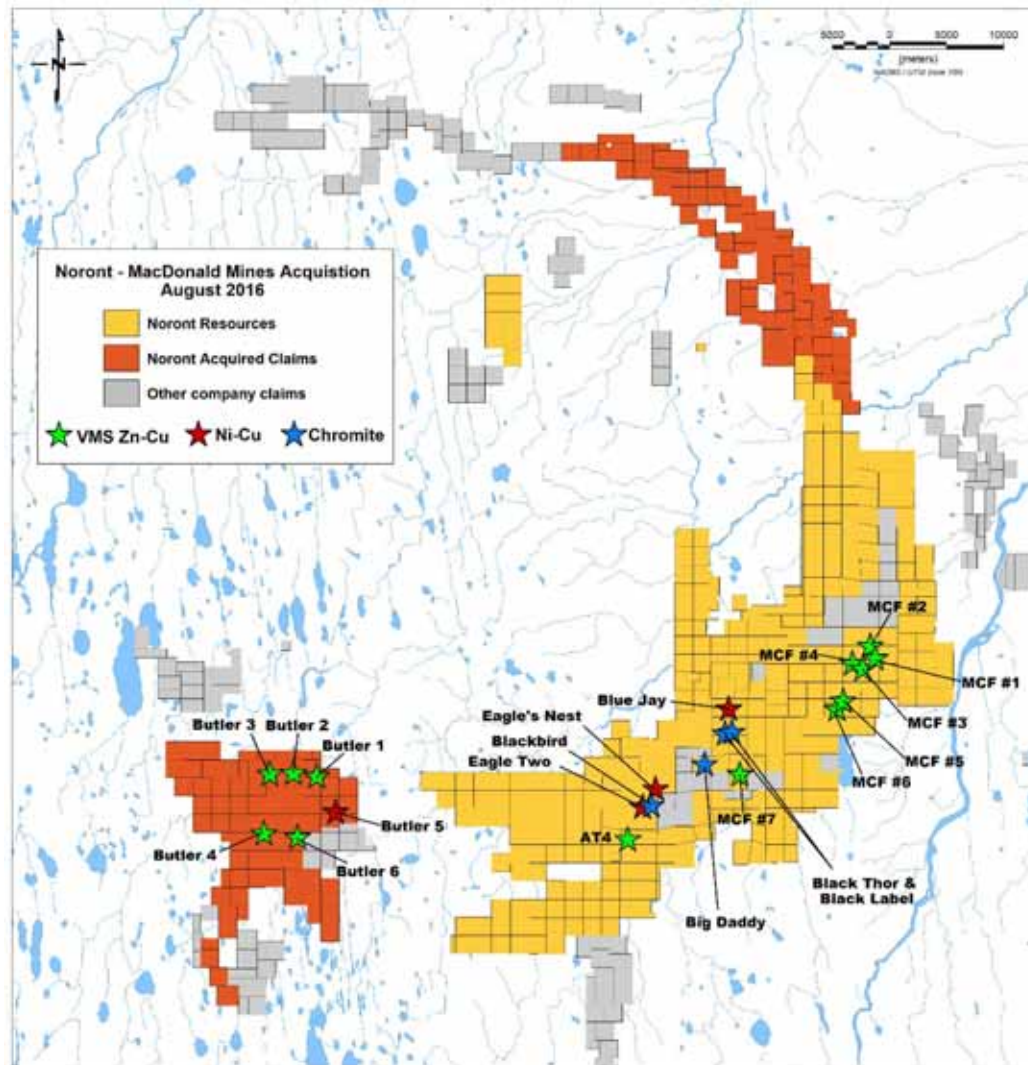
The Company believes there is significant opportunity for discovery of additional VMS mineralization along this favorable 10 km horizon.

RING OF FIRE REGIONAL EXPLORATION

The Company added significant exploration properties in the Ring of Fire with the acquisition of a 75% interest in the Butler and Sanderson Properties from Macdonald Mines during the year. These properties consist of two separate blocks of claims. The Butler Property (77 claim units) covers a very prospective belt of felsic volcanic rocks which hosts four known zinc-copper rich volcanogenic massive sulphide (VMS) occurrences. The Sanderson Property (70 claim units) covers a large ferrogabbro intrusion (the "Big Mac" intrusion) and possible footwall ultramafic intrusion similar in scale to the Black Thor intrusion and which is prospective for nickel-copper as well as chromite deposits.

³ Resource estimates from "Updated Technical Report on the McFaulds Lake Project, Porcupine Mining Division, James Bay Lowland, Ontario, Canada" dated August 30th, 2008, prepared by Deep Search Exploration Technologies Inc.

Figure 1: Noront Claim Map post MacDonald Mines Transaction



Noront believes the Butler mineralization, in conjunction with its McFaulds copper-zinc resources, represents a compelling district-wide exploration opportunity for VMS deposits. Previous work on the Butler property identified four zinc-copper VMS occurrences (Butler No. 1, 2, 3 and 4) along a 12 kilometre trend of felsic volcanic rocks. Some of the more promising drill intersections to date include:

Butler Mineralization Drill Intersections						
Area	Hole	Width (m)	Zinc (%)	Copper (%)	Lead (%)	Silver (g/t)
Butler 1	MN06-20	3.6 m	7.5	0.2		30.7
Butler 1	MN06-21	5.7 m	0.2	1.2		16.2
Butler 2	MN10-102	15.0 m	0.5	1.1		6.7
Butler 3	MN10-104	9.0 m	3.3			
Butler 3	MN10-131	7.0 m	6.2			
Butler 3	BP12-CU14	12.5 m	8.5			6.2
Butler 4	MN07-47	3.0 m	10.6	0.4	3.7	115
Butler 4	BP13-CU22	3.0 m	7.5			

Noront's exploration team has begun compilation and target generation for copper and zinc rich VMS deposits. Noront has a very sizeable land package for VMS deposits. The current McFaulds VMS property plus the newly acquired Butler property have a total of 13 occurrences of VMS copper-zinc, including two deposits with a 43-101 calculated mineral resource estimate (McFaulds 1 and 3). Significant exploration work on the McFaulds property slowed after 2007 when the focus shifted to nickel-copper-platinum-palladium exploration with the discovery of the high-grade Eagles Nest deposit. Work in 2017 will focus primarily on the McFaulds Lake property and will entail systematic re-logging of representative drill core from the known deposits with the goal of refining the geological, alteration and mineralization models ahead of additional ground-based exploration campaigns. This work will be supplemented with the acquisition of high-resolution airborne magnetics (Heli-GT) surveying over the McFaulds block to aid in reconstructing the volcanic setting and primary controls on mineralization.

Exploration for nickel-copper-PGE in 2017 will initially focus on testing discrete magnetic anomalies in the footwall to Eagle's Nest which were identified in the 2014 high resolution Heli-GT airborne magnetic survey. Given the intensity and discrete nature of these anomalies, the company believes they could represent ultramafic conduits similar to that hosting the Eagle's Nest deposit. Initial testing will involve utilizing a track-mounted Rotary-Air-Blast (RAB) drill to penetrate through overburden to depth in bedrock. Those anomalies which are confirmed to be ultramafic in source will be tested for massive sulfide mineralization using the UTEM5 ground EM system which has been proven to be able to detect Eagle's Nest type massive sulfides from distances of >500m.

There is a 2% GSR on any chromite production and a 2% NSR on all other mineral production from the Company's Ring of Fire Regional Exploration properties, excluding the Company's Eagle's Nest deposit, its McFauld's Lake VMS deposit and the newly acquired Butler and Sanderson Properties.

There is a 2% NSR over six claims which comprise part of the Butler Property.

OTHER PROPERTIES

Other Ring of Fire Properties

Eagle Two

Eagle Two is a second nickel, copper sulphide occurrence located 2 kilometres southwest of Eagle's Nest. The mineralization occurs in a series of pyrrhotite – magnetite – chalcopyrite – pentlandite-bearing massive sulphide veins. No resource estimate or technical report has been released on this property;

Blue Jay (AT12)

Blue Jay is a third nickel, copper sulphide occurrence located 9.5 kilometres northeast of Eagle's Nest and is a potential feeder zone to Black Thor. This deposit contains pervasive, low grade nickel and copper occurring as finely disseminated pyrrhotite, chalcopyrite and pentlandite constrained within an ultramafic dike measuring on average 1,400 metres in length by 200 metres in width by 600 metres in breadth and plunging to the south-southwest at 65 to 70 degrees. No resource estimate or technical report has been released on this property;

Triple J Gold Zone

The Triple J Gold Zone is a zone of gold mineralization related to the sheared contact between the talc-altered peridotite hosting the Blackbird and Eagle Two discoveries and the hanging wall granodiorite. Triple J ranges in thickness from several centimetres to tens of metres with a strike length currently defined at 1 kilometre and to a depth of 300 metres. The zone is interpreted as a large, low grade gold occurrence flanking the Blackbird and Eagle Two deposits. No resource estimate or technical report has been released on this property.

Thunderbird

Thunderbird is a potential large tonnage iron-vanadium-titanium deposit, currently classified as an occurrence. The zone is located 12 kilometres northeast of the Eagle's Nest deposit, and 2 kilometres east of the Blue Jay occurrence. It is demarcated by a magnetic high which trends north-south as part of a magnetic anomaly that is 7 kilometres long, and 3 kilometres wide. No resource estimate or

technical report has been released on this property;

Kyle Kimberlite

Kyle Kimberlite is a kimberlitic body that was discovered in 1993 and was acquired by Noront in 2015 through the purchase of Cliffs Natural Resources assets in the Ring of Fire. It is located approximately 70 km east of Eagle's Nest and is a joint venture between Noront (50%) and Debut Diamonds (50%). It has been tested for diamonds and was found to contain promising contents of micro- and macro-diamonds of varying carats. No resource estimate or technical report has been released on this property; and

Other Non-Ring of Fire Properties

MacFadyen Kimberlites

The MacFadyen Kimberlites are four kimberlitic bodies that were discovered between 1995 and 1996 and were acquired by Noront in 2015 through the purchase of Cliffs Natural Resources assets in the Ring of Fire. They are not located within the Ring of Fire itself, rather, they are located approximately 7 km north of the De Beers Victor Diamond Mine, and are a joint venture between Noront (30%) and Debut Diamonds (70%). All kimberlites have been tested for diamonds and were found to contain promising contents of micro- and macro-diamonds of varying carats. No resource estimate or technical report has been released on this property.

Burnt Hill, New Brunswick

The Burnt Hill Tungsten properties straddle the Southwest Miramachi River some 70 km NW of Fredericton, New Brunswick. The properties contain tungsten, molybdenum and tin mineralization mainly in quartz veins that cut argillic sediments on the periphery of granitoid plutons. The Company has a 49% interest in the property with Cadillac Ventures Inc. The Company has no activity planned for these properties for the current fiscal year.

Sungold, Ontario

The Sungold property lies just east of Quetico Provincial Park in northwestern Ontario, approximately 125km west of Thunder Bay, in the Shebandowan Greenstone Belt of the Archean Superior Province. This property was acquired as a result of the transaction with Cliffs Natural Resources and is a 100% owned property that currently consists of 30 claims covering an area of 4,736 hectares. It contains the massive sulphide Wye Lake occurrence and the southeast extension of the Hamlin IOCG (iron oxide-copper-gold-uranium) deposit, currently owned by Glencore. Exploration targets on this property include shear-hosted gold, volcanic-hosted copper-zinc (VMS), and IOCG. The Company has no activity planned for these properties for the current fiscal year.

Bull Lake, Ontario

The Bull Lake property lies within the East Bull Lake Intrusive Suite of northwestern Ontario, approximately 60km west of Sudbury, in the Archean Superior Province. This property was acquired as a result of the transaction with Cliffs Natural Resources and is a 100% owned property that consists of only 3 claims covering an area of 256 hectares. The project has exploration potential to host nickel-copper and PGE deposits. The Company has no activity planned for these properties for the current fiscal year.

Golden Ridge, New Brunswick

The Golden Ridge property is located in York County, western New Brunswick, Canada, approximately 30 kilometres south-southwest of Woodstock and 90 kilometres west of the provincial capital of Fredericton, along the Maine border. This property was acquired as a result of the transaction with Cliffs Natural Resources and the Company has a 40% interest in the property with Rockport Mining Corporation. The Golden Ridge gold deposit occurs on the property, on which a mineral resource estimate has been completed (in 2013). This deposit contains 520,200 ounces of gold at a grade of 0.91g/t, however, the deposit only contains Inferred resources. The cut-off grade is 0.35g/t. Recently, Rockport Mining Corporation and its parent corporation, Tri-Star Resource plc. (London, UK), stopped its Canadian exploration programs and most likely will divest its interest in this project. Noront has no activity planned for these properties for the current fiscal year.

SELECTED FINANCIAL INFORMATION

The following financial data are derived from the Company's financial statements for the years ended December 31, 2016 and December 31, 2015 which have been prepared in accordance with IFRS:

(expressed in \$ thousands except per share amounts)	Year Ended December 31,		
	2016	2015	2014
Development and exploration expenditures	6,133	5,014	6,308
Office and general	2,852	4,128	4,009
Amortization	391	486	479
Share-based compensation	814	920	905
Interest income	35	17	98
Finance expense	(4,257)	(3,317)	(1,379)
Gain on sale of investments	-	142	-
Loss on loan extinguishment	(3,339)	-	-
Re-measurement of Repayment Options	6,952	(1,278)	31
Gain on sale of royalty	2,057	4,149	-
Accretion expense	(3,314)	(2,352)	(472)
Net loss	(9,980)	(19,431)	(14,294)
Net loss per share – basic and diluted	(0.03)	(0.08)	(0.06)
Cash flow used in operations	(7,882)	(7,961)	(10,769)
Cash and cash equivalents	11,480	3,099	4,803
Assets	39,215	31,872	8,816
Non-Current Liabilities	30,413	26,334	1,467
Working Capital ⁽¹⁾	(6,631)	(23,142)	(12,644)

⁽¹⁾ Working capital includes all current assets and current liabilities, excluding non-cash repayment options and flow-through share liability (See Non-IFRS Financial Performance Measures).

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015**Development and Exploration Expenditures**

(expressed in \$ thousands)	Year Ended December 31,	
	2016	2015
Owner's Cost	\$ 654	\$ 1,528
Camp Operations and Exploration Expenditure	5,167	2,584
Permitting and First Nation Engagement	175	500
Engineering /Site & Road Geotechnical & Other	137	402
Total	\$ 6,133	\$ 5,014

Owner's Costs

Owner's costs consist of the Company's project personnel and consultants. In 2016, these costs were significantly lower than the comparable year due to a reduction in personnel and reduction in the use of consultants.

Camp Operations & Exploration Expenditure

During the year ended December 31, 2016, \$2.4 million was spent on camp operations in support of exploration activities and \$2.7 million was spent on direct exploration. This compared to \$1.7 million spent on camp operations and \$0.9 spent on exploration in the prior year.

Permitting and First Nation Engagement

Permitting expenses consists of costs related to environmental base line field work and First Nation community engagement. In the

prior year comparable period costs related to consultation for the Company's provincial environmental assessment and federal environmental impact statement (the "EA"). In 2016, costs were significantly lower than the comparable year as the Company deferred work on the EA until the construction timeline for the access road is agreed on by stakeholders.

Engineering / Site, Road Geotechnical & Other

Engineering expenses in the prior year primarily consist of costs associated with technical work related to mine design alternatives and geotechnical work on the Company's proposed East West Access Road. There were no Engineering/Site and Road Geotechnical costs incurred during the year ended December 31, 2016 due to a deferral of engineering work until the construction timeline of the access road is agreed on by stakeholders. In 2016, the clean-up of the Butler Lake property which was acquired during the year are included in these costs.

Office and General

(expressed in \$ thousands)	Year Ended	
	December 31,	
	2016	2015
General Administration	\$ 2,105	\$ 2,797
Professional fees	467	1,048
Communications and travel	280	283
Total	\$ 2,852	\$ 4,128

General Administration

General administration expenses were lower than the comparable year due to a decrease in salaries and benefits as a result of a reduction in personnel, a suspension in director's fees in the first half of the year and a reduction in donation and sponsorship expenses.

Professional fees

Professional fees include legal and audit costs related to compliance, government relations, personnel and communications consultants as well as other legal costs related to business development initiatives.

Professional fees were significantly lower than the comparable year due to a reduction in the use of general legal services and other consultants. Professional fees related to the prospectus and private placements were capitalized during the year.

Communications and travel

For the year ended December 31, 2016, communications and travel costs were comparable to the prior year.

Finance Expense

Finance expense consists of quarterly interest payments on the Company's loan facilities and other transaction costs. During year ended December 31, 2016, the Company satisfied the payment of interest of \$1.6 million on the RCF convertible loan, the RCF bridge loan and the loan extension fee issuing of 6,351,975 common shares of the Company. Subsequent to year end, the Company satisfied the payment of interest to RCF of \$0.4 million through issuance of 1,636,383 common shares of the Company.

During the year ended December 31, 2015, the Company satisfied the payment of interest of \$1.6 million on the RCF convertible loan and the RCF bridge loan for the last quarter of 2014 and the first three quarters of 2015 by delivery of 4,282,470 common shares of the Company.

Also included in finance expense for the year ended December 31, 2016 are \$0.1 million of transaction costs on the flow-through shares issued as a result of the prospectus offering and private placements that closed during the year.

For the year ended December 31, 2016 the company accrued \$2.5 million in interest for the Long Term Loan to Franco-Nevada in accordance with the loan agreement. Interest on the Franco-Nevada loan is accrued and not payable until the end of the loan term being April 15, 2020.

The Company has also recorded a gain on the re-measurement of the repayment option available under the Convertible Loan of \$7.0 million for year ended December 31, 2016. This gain reflects the reductions in the fair value of the liability for the previous repayment option from \$2.2 million at December 31, 2015 to nil on the date that the Convertible Loan was amended as well as a fair value adjustment to the value established at the date of the loan extension.

SUMMARY OF CASH FLOWS

(expressed in \$ thousands)	Year Ended	
	December 31,	
	2016	2015
Cash used in operating activities	\$ (7,882)	\$ (7,961)
Cash used in investing activities	46	(19,805)
Cash provided by financing activities	16,223	26,044
	\$ 8,387	\$ (1,722)

Operating Activities

For the year ended December 31, 2016, the Company had a cash outflow from operations of \$7.9 million compared to a cash outflow of \$7.9 million in the prior year. In the current year there was a reduction in corporate expenditures and a cash inflow of \$1.4 million related to the sale of the tax benefits of flow-through shares issued which was offset by an increase in exploration activity and settlement of trade payables resulting in a cash outflow from operations which was comparable to the prior year period.

Investing Activities

For the year ended December 31, 2016, the Company had cash inflows of \$0.05 million. This is due to the sale of a 1% Net Smelter Royalty over the Eagle's Net deposit for \$0.62 million offset by a cash outflow of \$0.55 million for the payment of transaction costs related to the Cliff's transaction incurred in the prior year and other costs. For the year ended December 31, 2015, the Company had cash outflows of \$19.8 million due to the acquisition of the Cliff's chromite assets offset by the sale of royalties in connection with the acquisition.

Financing Activities

For the year ended December 31, 2016 proceeds of \$18.1 million, net of transaction costs, was provided by way of a prospectus offering and private placement financing. \$1.4 million of the net financing proceeds is related to the sale of tax benefits associated with the issuance of flow-through shares and is presented in operating activities. Cash was also provided from the exercise of stock options in the amount of \$0.3 million. A cash out-flow of \$0.7 million in the current period was related to the payment of prior transaction costs associated with the Company's loan facilities amounting to \$0.3 million and the settlement of an embedded derivative amounting to \$0.4 million. For the year ended December 31, 2015, cash was provided primarily from the loan facilities with Franco-Nevada and RCF to fund the acquisition of chromite assets and by way of a private placement to fund working capital.

SUMMARY OF QUARTERLY RESULTS AND REVIEW OF THREE MONTHS ENDED DECEMBER 31, 2016

(expressed in \$ thousands except per share amounts)	2016	2016	2016	2016	2015	2015	2015	2015
	Oct-Dec	Jul-Sept	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sept	Apr-Jun	Jan-Mar
Expenses	4,900	4,873	3,929	4,059	4,627	4,323	3,187	4,080
Gain on sale of marketable securities	-	-	-	-	-	-	142	-
Loss on Loan Extinguishment	-	-	(3,339)	-	-	-	-	-
Gain on sale of royalty	-	-	-	2,057	-	-	4,149	-
Re-measurement of repayment options	1,555	3,235	362	1,800	(1,692)	3,419	3,727	(6,732)
Foreign exchange (gain) loss	(2,312)	633	230	2,727	(1,572)	(2,475)	(909)	(1,373)
Net loss	(4,667)	(2,008)	(6,467)	3,162	(7,797)	(3,376)	3,919	(12,177)
Net loss per share – basic	(0.01)	(0.01)	(0.02)	0.01	(0.03)	(0.01)	0.02	(0.05)
Net loss per share – diluted	(0.01)	(0.01)	(0.02)	0.01	(0.03)	(0.01)	0.00	(0.05)
Cash and cash equivalents	11,480	11,275	5,861	3,339	3,099	2,727	4,029	2,648
Working Capital ⁽¹⁾	(6,631)	9,678	3,743	(14,187)	(23,426)	(22,633)	(20,113)	(17,368)
Assets	39,215	39,335	33,102	36,031	31,872	31,578	32,777	7,098
Long-term Liabilities	30,413	48,526	49,177	25,891	26,334	24,422	22,262	1,501

⁽¹⁾ Working capital includes all current assets and current liabilities, excluding non-cash repayment options and flow-through share liability (See Non-IFRS Financial Performance Measures).

The quarterly variation in expenses is mainly attributable to timing of technical studies, exploration drill programs, and stock option expense which is recognized in accordance with the vesting provisions. The working capital is negative due to the presentation of the convertible loan facility (the “Convertible Loan”) with RCF as a current liability. During the second and third quarters of 2016, the RCF loan was classified as a non-current liability when the terms of the Convertible Loan were extended to December 31, 2017.

The Company has also recorded a gain on the re-measurement of the repayment option available under the Convertible Loan of \$7.0 million for year ended December 31, 2016. This gain reflects the reductions in the fair value of the liability for the previous repayment option from \$2.2 million at December 31, 2015 to nil on the date that the Convertible Loan was amended as well as a fair value adjustment to the value established at the date of the loan extension.

LIQUIDITY AND CAPITAL RESOURCES

The Company’s cash position (cash and cash equivalents) at December 31, 2016 was \$11.5 million compared to \$3.1 million as at December 31, 2015.

At December 31, 2016, the Company had not yet achieved profitable operations, had an accumulated deficit of \$245.0 million since inception (December 31, 2015 – \$235.2 million), expects to incur further losses in the development of its business, and has net working capital of deficit of \$6.6 million (December 31, 2015 – negative working capital of \$23.1 million). At December 31, 2016 and December 31, 2015, the Company had negative working capital as a result of the RCF loan being classified as current. On June 30, 2016 the Company entered into an amending agreement with RCF to extend the terms of its existing US\$15.0 million loan. The maturity date of the loan has been extended to December 31, 2017.

During the year ended December 31, 2016, the Company completed prospectus offerings for gross proceeds of \$14.2 million and private placement financings for gross proceeds of \$5.4 million. Proceeds from the prospectus financing and private placements are being used to fund the Company’s exploration program and for working capital purposes.

Noront’s financial instruments consist of cash and cash equivalents, investments, accounts payable, accrued liabilities, repayment options and long-term debt. Noront estimates that the fair value of its’ financial instruments (in the case of long term debt, excluding transaction costs) approximate its carrying values.

The Company will need to raise sufficient capital to further develop its properties and projects and to repay or refinance its long-term debt. The timing and ability to do so will depend on, among others, the state of the financial markets as well as the acceptance of investors to finance resource based junior companies, in addition to the results of the Company’s exploration programs and development activities and the acquisition of additional projects. At this time, the Company will rely on its ability to obtain equity or

debt financing for the foreseeable future. Although the Company has been successful in the past in obtaining financing or restructuring its debt, there is no assurance that it will be able to obtain adequate financing or refinance its debt in the future or that such financing will be on terms advantageous to the Company. See also the discussion under the heading "Risks and Uncertainties" in this MD&A.

These material uncertainties cast significant doubt upon the Company's ability to realize its assets and discharge its liabilities in the normal course of business and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its ongoing corporate overhead expenditures, discharge its liabilities as they come due and advance the development of its projects in the Ring of Fire.

CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

The contractual obligations for the ensuing five-year period can be summarized as follows:

Contractual Obligations

(expressed in \$ thousands)

Contractual Obligations	Total	Less than 1 year	2 -3 years	4 - 5 years	After 5 years
Operating Leases	665	435	58	25	147
Provision for Environmental Expenditure	2,026	-	-	-	2,026
Other Commitments	25	25	-	-	-
Debt Agreements with Related Party	20,141	20,141	-	-	-
Long Term Debt	47,236	-	-	47,236	-
Total Contractual Obligations	70,092	20,601	58	47,261	2,173

Operating lease obligations represent future minimum annual rentals under non-cancellable operating leases for Noront's mining lease, office space, vehicles and equipment.

Contingencies

The Company has an obligation as at December 31, 2016 to spend \$4.2 million on flow-through eligible exploration expenditures by December 31, 2017.

The Company currently has agreements with some contractors that include provisions where the contractors provide up-front work 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 contractor may be reimbursed for the time incurred, or an amount agreed up front, if the Project does not go ahead. As at December 31, 2016, the amount of this contingent liability is approximately \$250,000.

DISCLOSURE CONTROLS AND PROCEDURES

Management has established processes, which are in place to provide them with sufficient knowledge to support management representations that they have exercised reasonable diligence that:

- (i) the interim filings do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, with respect to the periods covered by the interim filings; and
- (ii) the interim financial statements together with the other financial information included in the interim filings of the Company fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the interim filings.

In contrast to the certificate required of non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers'

Annual and Interim Filings (“NI 52-109”), the Company utilizes the Venture Issuer Basic Certificate which does not include representations relating to the establishment and maintenance of disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”), as defined in NI 52-109. In particular, the certifying officers filing the Certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.

The certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer, such as the Company, to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

CRITICAL ACCOUNTING ESTIMATES

Deferred Mining Property Acquisition

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

Future Site Restoration Costs

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

Stock Options and Warrants

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

Repayment Options

The Company’s convertible debt agreement with RCF contains embedded derivatives related to the Company’s prepayment option (expired in February 2014) and the lender’s convertible feature (“Repayment Options”). The fair value assigned to the Repayment Options uses level 2 assumptions with the main inputs to the valuation being credit spreads of the Company, historical prices of the underlying stock, USD discount curve and CAD/USD foreign exchange rates. The most significant assumption is the probability of the loan being repaid prior to reaching the conversion date, which was estimated by obtaining credit spreads for an index of comparable companies residing in the same industry.

RISKS AND UNCERTAINTIES

Noront's business of exploring mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The risk factors include risks summarized below, risk factors referenced at page 1 herein, and risk factors disclosed under the heading "Risk Factors" in the Company's most recent AIF, available electronically on SEDAR at www.sedar.com. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future, and an investment in Noront common shares should be considered speculative. The risks described herein, or in documents incorporated herein by reference, are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently considers immaterial, may also materially and adversely affect its operating results, properties, business and condition (financial or otherwise).

Mineral Exploration

The business of exploration for minerals and mining involves a high degree of risk. A relatively small proportion of properties that are explored are ultimately developed into producing mines. At present, there are no known bodies of commercial ore on any of the mineral properties in which the Company holds interest or intends to acquire an interest and the proposed exploration program is an exploratory search for ore. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs. The Company has limited experience in the development and operation of mines and has relied on and may continue to rely upon consultants and others for exploration and operating expertise. The economics of developing gold, base metal and other mineral properties is affected by many factors including the cost of operations, variation of the grade of ore mined, and fluctuations in the price of any minerals produced.

Additional Funding Requirements and Potential Dilution

Noront has no current or foreseeable prospect of generating significant revenues. Accordingly, the success of the Company is dependent, among other things, on obtaining sufficient funding to enable the Company to explore and develop its properties. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties.

The Company will require new capital to continue to operate its business and to continue with exploration on its mineral properties, and there is no assurance that capital will be available when needed, if at all. It is likely such additional capital will be raised through the issuance of additional equity, which will result in dilution, possibly substantial, to the Company's present and prospective shareholders. The Company cannot predict the size of future issues of common shares or securities convertible into common shares.

As of April 10, 2017, the Company had 327,711,422 common shares outstanding, 21,908,004 stock options outstanding with a weighted average exercise price of \$0.30 expiring between 2017 and 2022, 3,000,000 Performance Share Units with an expected life between 2 and 5 years and 665,000 Restricted Share Units with an expected life of 2 years. In addition, RCF has certain conversion rights under the terms of the Convertible Loan. The issuance of common shares of the Company upon the exercise of options, Performance Share, Restricted Share Units or on conversion of the Convertible Loan will dilute the ownership of the Company's current shareholders. Noront may also issue additional securities convertible into common shares of Noront in the future, the conversion of which would result in further dilution to the shareholders of the Company.

Debt and Liquidity

The Company's ability to make scheduled payments of the principal of, to pay interest on or to refinance its existing indebtedness (including without limitation the Facility) depends on the Company's future performance, which is subject to economic, financial, competitive and other factors many of which are not under the control of the Company. Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due, including, among others, debt repayments, interest payments and contractual commitments.

The Company may not generate cash flow (if any) from operations in the future sufficient to service its existing or future debt and make necessary capital expenditures. If the Company is unable to generate such cash flow, it may be required to adopt one or more

alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. The Company's ability to refinance its indebtedness will depend on the capital markets and its financial condition at such time. The Company may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on its debt obligations.

The terms of the Facility and the terms of the Loan Agreement require the Company to satisfy various affirmative and negative covenants. These covenants limit, among other things, the Company's ability to incur further indebtedness, create certain liens on assets or engage in certain types of transactions. There are no assurances that, in the future, the Company will not, as a result of these covenants, be limited in its ability to respond to changes in its business or competitive activities or be restricted in its ability to engage in mergers, acquisitions or dispositions of assets. Furthermore, a failure to comply with these covenants would result in an event of default that may allow a lender to accelerate the repayment obligations or enforce its security.

Continuation of Operating Losses

The Company does not have a long historical track record of operating upon which investors may rely. Consequently, investors will have to rely on the expertise of the Company's management. Further, the Company's properties are in the exploration stage and are not commercially viable at this time. The Company has not commenced commercial production on any of its mineral projects. There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company does not have a history of earnings or the provision of return on investment, and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future. The Company expects to continue to incur losses unless and until such time as it enters into commercial production and generates sufficient revenues to fund its continuing operations. The development of any of the Company's mineral properties will require the commitment of substantial resources to conduct time-consuming development. There can be no assurance that the Company will generate any revenues or achieve profitability.

Title to Mineral Properties (Ownership Rights)

Although title to the properties has been reviewed by or on behalf of Noront, no assurances can be given that there are no title defects affecting the properties. Title insurance generally is not available for mining claims in Canada and Noront's ability to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be limited. Noront has not conducted surveys of the claims in which it holds direct or indirect interests; therefore, the precise area and location of such claims may be in doubt. It is possible that the properties may be subject to prior unregistered liens, agreements, transfers or claims, including native land claims and title may be affected by, among other things, undetected defects. In addition, Noront may be unable to operate the properties as permitted or to enforce its rights with respect to its properties.

Mineral Resource and Mineral Reserve Estimates

The mineral resources and mineral reserves presented in this document are estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the expected level of recovery will be realized. Such figures have been determined based upon assumed metal prices. Future production, if any, could differ dramatically from estimates due to mineralization or formations different from those predicted by drilling, sampling and similar examinations or declines in the market price of the metals may render the mining of some or all of the mineral resources as uneconomic.

The estimation of mineralization is a subjective process and the accuracy of estimates is a function of quantity and quality of available data, the accuracy of statistical computations, and the assumptions and judgments made in interpreting engineering and geological information. No assurance can be given that any particular level of recovery of gold or other minerals from resources will in fact be realized or that an identified mineral deposit will ever qualify as a commercially mineable (or viable) ore body which can be economically exploited. In particular, the inferred mineral resources included in this AIF are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and, due to the uncertainty that may be attached to inferred mineral resources, it cannot be assumed that all or any part of an inferred mineral resource will be upgraded to an indicated or measured mineral resource as a result of continued exploration.

Adequate Infrastructure

Mining, processing, development and exploration activities depend, to a substantial degree, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants affecting capital and operating costs. Unusual or infrequent

weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the operations, financial condition and results of operations of the Company.

Economic

Factors beyond the control of the Company may affect the marketability of any mineral products discovered or produced. The prices of mineral products have historically fluctuated widely, are sometimes subject to rapid short-term changes and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted, but any one of, or any combination of, these factors may result in the Company not receiving an adequate return on invested capital and a loss of all or part of an investment in securities of the Company may result.

Commodity Price Risk

The ability of the Company to develop its mining properties and the future profitability of the Company is directly related to the market price of base and precious metals. Historically, commodity prices have fluctuated widely and are affected by numerous external factors beyond the Company's control, including industrial and retail demand, central bank lending, sales and purchases of gold, forward sales of gold by producers and speculators, production and cost levels in major producing regions, short-term changes in supply and demand because of speculative hedging activities, confidence in the global monetary system, expectations of the future rate of inflation, the strength of the United States dollar (the currency in which the price of gold is generally quoted), interest rates, terrorism and war, and other global or regional political or economic events. Resource prices have fluctuated widely and are sometimes subject to rapid short-term changes because of speculative activities. The exact effect of these factors cannot be accurately predicted, but any one of, or any combination of, these factors may result in the Company not receiving an adequate return on invested capital and a loss of all or part of an investment in securities of the Company may result.

Competition

The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for the recruitment and retention of qualified employees, contractors and consultants. The ability of the Company to acquire properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable properties or prospects for mineral exploration. There is no assurance that the Company will be able to compete successfully with its competitors in acquiring such properties or prospects.

Environmental

The Company's operations are subject to environmental regulations promulgated by local, provincial and federal government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner, which means stricter standards and enforcement, and fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws. In addition, environmental legislation is evolving in a manner requiring stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

Although variable, depending on location and the governing authority, land rehabilitation requirements are generally imposed on mineral exploration companies, as well as companies with mining operations, in order to minimize long term effects of land disturbance. Rehabilitation may include requirements to control dispersion of potentially deleterious effluents and to reasonably re-establish pre-disturbance land forms and vegetation. In order to carry out rehabilitation obligations imposed on the Company in connection with its mineral exploration, the Company must allocate financial resources that might otherwise be spent on further exploration and/or development programs.

First Nations

Noront is committed to working in partnership with our local communities and First Nations in a manner which fosters active participation and mutual respect. Noront works towards minimizing negative project impacts, encouraging certain joint consultation processes, addressing certain decision making processes and towards maintaining meaningful ongoing dialogue not only for the Company but for all participants in the Ring of Fire region.

Many of Noront's contractors and suppliers live and work in the local communities. The Company regularly consults with communities proximal to the Company's exploration activities to advise them of plans and answer any questions they may have about current and future activities. The objective is to operate to the benefit of the shareholders and the local communities using the resources and the environment today without compromising the long-term capacity to support post exploration and ultimately post mining land uses.

First Nations in Ontario are increasingly making lands and rights claims in respect of existing and prospective resource projects on lands asserted to be First Nation traditional or treaty lands. Should a First Nation make such a claim in respect of the Properties and should such claim be resolved by government or the courts in favour of the First Nation, it could materially adversely affect the business of Noront. . In addition, consultation issues relating to First Nation interests and rights may impact the Company's ability to pursue exploration, development and mining at its projects and could result in costs and delays or materially restrict Noront's activities.

Government Regulations

The Company's mineral exploration and planned development activities are subject to various federal, provincial and local government laws and regulations governing, among other things, acquisition of mining interests, maintenance of claims, tenure, expropriation, prospecting, development, mining, production, price controls, taxes, labour standards, occupational health, waste disposal, toxic substances, water use, land use, treatment of indigenous peoples, environmental protection and remediation, endangered and protected species, mine safety and other matters. Although the Company's exploration and planned development activities are currently believed by the Company to be carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied or amended in a manner that could have a material adverse effect on the business, financial condition and results of operations of Noront, including changes to government mining laws and regulations or changes in taxation rates.

The operations of the Company may require licenses and permits from various local, provincial and federal governmental authorities. The costs and delays associated with obtaining and complying with necessary licences and permits as well as applicable laws and regulations could stop or materially delay or restrict Noront from proceeding with the development of an exploration project. In addition, such licenses and permits are subject to change in regulations and in various operating circumstances. Any failure to comply with applicable laws, regulations or licencing and permitting requirements, even if inadvertent, may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing interruption or closure of exploration, development or mining operations or material fines, penalties or other liabilities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development, or mining operations, at its projects and there is no assurance that the Company will be able to comply with any such necessary license and permit requirements in an economically viable manner.

The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future, and Noront common shares should be considered speculative.

Joint Ventures and Option Agreements

Noront enters into option agreements and joint ventures as a means of gaining property interests and raising funds. Any failure of any partner to meet its obligations to Noront or other third parties, or any disputes with respect to third parties' respective rights and

obligations could have a material adverse effect on such agreements. In addition, Noront may be unable to exert direct influence over strategic decisions made in respect to properties that are subject to the terms of these agreements.

Litigation

The Company is subject to litigation risks. All industries, including the mining industry, are subject to legal claims, with and without merit. Defence and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding to which the Company is or may become subject could have a material effect on its financial position, results of operations or the Company's mining and project development operations.

Legal

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on Noront and cause increases in expenditures or exploration or development costs or reduction in levels of activities on our exploration or development projects, or require abandonment or delays in the development of new exploration or development properties.

Uninsurable Risks

The mining industry is subject to significant risks that could result in damage to, or destruction of, mineral properties, personal injury or death, environmental damage, delays in exploration, and monetary losses and possible legal liability. Where Noront considers it practical to do so, it maintains insurance in amounts believed to be reasonable, including coverage for directors' and officers' liability and fiduciary liability and others.

Such insurance, however, contains exclusions and limitations on coverage. Accordingly, Noront's insurance policies may not provide coverage for all losses related to Noront's activities (and specifically do not cover environmental liabilities and losses). The occurrence of losses, liabilities or damage not covered by such insurance policies could have a material and adverse effect on Noront's results of operations and financial condition. Noront cannot be certain that insurance will be available to the Company, or that appropriate insurance will be available on terms and conditions acceptable to the Company. In some cases, coverage is not available or considered too expensive relative to the perceived risk.

Dependence on Key Employees, Contractors and Management

Noront is dependent on a number of key personnel, including the services of certain key employees and contractors, and certain critical resources such as industry consultants, engineering firms and technical experts. Noront does not maintain key person life insurance. Accordingly, the loss of the services of one or more of such key management personnel could have a material adverse effect on the Company.

The mining industry has been impacted by increased worldwide demand for critical resources including industry consultants, engineering firms and technical experts. These shortages have caused increased costs and delays in planned activities. Noront is also dependent upon a number of key personnel, including the services of certain key employees and contractors. Noront's ability to manage its activities, and hence its success, will depend in large part on the efforts of these individuals. Noront faces intense competition for qualified personnel, and there can be no assurance that Company will be able to attract and retain such personnel. If the Company is unable to attract or retain qualified personnel as required, it may not be able to adequately manage and implement its business plan. As the Company's business grows, it will require additional key financial, administrative, mining, marketing and public relations personnel as well as additional staff for operations.

Labour and Employment

Relations between the Company and its employees may be affected by changes in the scheme of labour relations that may be introduced by the relevant governmental authorities in whose jurisdictions the Company carries on business. Changes in such legislation or in the relationship between the Company and its employees may have a material adverse effect on the Company's business, results of operations and financial condition.

Conflict of Interest

Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest, which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Share Price

The market price of a publicly traded stock is affected by many variables not directly related to the success of the Company. In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be exploration or development stage companies, has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that such fluctuations will not affect the price of the Company's securities, which may result in losses to investors. In addition, there can be no assurance that an active market for the Company's securities will be sustained.

Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Current Global Financial Conditions

Current global financial conditions have been subject to increased volatility, and access to public financing, particularly for junior resource companies, has been negatively impacted. These factors may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, such financing may not be on terms favourable to the Company. If increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the value and price of the Company's securities could be adversely affected.

No Guarantee of Positive Return on Investment

There is no guarantee that an investment in the securities of Noront will earn any positive return in the short term or long term. The mineral exploration business is subject to numerous inherent risks and uncertainties, and any investment in the securities of Noront should be considered a speculative investment. Past successful performance provides no assurance of any future success. The purchase of securities of Noront involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. An investment in the securities of Noront is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

Cyber Security

The Company and its operations rely heavily on various operating financial systems and data. A breach of the Company's information or operational technology systems may result in disruption of business activities, loss of confidential or proprietary data, failure of internal controls over financial reporting failure to meet obligations and reputational damage. Such a breach may also expose the Company to legal and regulatory action. Policies and procedures are maintained to ensure the security of its information technology systems, and data and system security controls are regularly tested and audited. The Company also relies on third-party service providers for the storage and processing of various data. There can be no assurance, however that the Company will not suffer a business disruption or loss or corruption of proprietary data, whether inadvertent or otherwise.

Growth Strategy

We evaluate growth opportunities and continue to consider the acquisition and disposition of exploration and development properties and mineral assets to achieve our strategy. We, from time to time, engage in discussions in respect of both acquisitions and dispositions, and other business opportunities, but there can be no assurance that any such discussions will result in a successfully completed transaction.

NON-IFRS FINANCIAL PERFORMANCE MEASURES

This MD&A contains references to “Working Capital” which is a non-IFRS financial performance measure. The Working Capital is calculated as the value of total current assets less the value of total current liabilities, excluding repayment options and flow-through share liability. The term Working Capital does not have any standardized meaning according to IFRS and therefore many not be comparable to similar measures presented by other companies. The Company believes that this measure of Working Capital provides information useful to its shareholders in the understanding the Company’s performance and may assist in the evaluation of the Company’s business relative to that of its peers.

OUTSTANDING SHARE INFORMATION

As at Apr 10, 2017

Authorized	Unlimited
Issued and outstanding shares	327,711,422
Options outstanding	21,908,004
Warrants	45,706,356
Performance Share Units outstanding	3,000,000
Restricted Share Units outstanding	1,000,000
Convertible Debt	59,236,765
Fully diluted	458,227,547

ADDITIONAL INFORMATION

Additional information relating to Noront is available on the Internet at the SEDAR website www.sedar.com, and is available on the Company’s website located at www.norontresources.com.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

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



April 10, 2017

Independent Auditor's Report

To the Shareholders of Noront Resources Ltd.

We have audited the accompanying consolidated financial statements of Noront Resources Ltd. and its subsidiaries, which comprise the consolidated financial position as at December 31, 2016 and December 31, 2015 and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficit and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Noront Resources Ltd. and its subsidiaries as at December 31, 2016 and December 31, 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

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

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

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

	Note	As at December 31, 2016	As at December 31, 2015
Assets			
Current Assets			
Cash and cash equivalents	7	\$ 11,480,077	\$ 3,099,297
Taxes and other receivables		129,760	275,162
Supplies inventory		226,878	135,885
Prepaid expenses		104,634	188,438
Total Current Assets		\$ 11,941,349	\$ 3,698,782
Non-Current Assets			
Equipment	8	1,614,692	1,839,623
Mineral properties	9	25,418,065	26,092,812
Investments		240,600	240,600
Total Non-Current Assets		\$ 27,273,357	\$ 28,173,035
Total Assets		\$ 39,214,706	\$ 31,871,817
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities	10	\$ 1,397,458	\$ 3,038,492
Loan Facilities - due to Resource Capital Funds V L.P.	11a	17,174,433	23,528,001
Repayment option	11c	2,144,371	2,162,256
Embedded derivative	12	-	274,748
Flow-through share liability	14b	813,267	283,355
Total Current Liabilities		21,529,529	29,286,852
Non-Current Liabilities			
Provision for environmental obligations	13	1,662,031	1,491,868
Loan Facilities - due to Franco-Nevada Corporation	11b	28,750,976	24,842,032
Total Non-Current Liabilities		\$ 30,413,007	\$ 26,333,900
Total Liabilities		\$ 51,942,536	\$ 55,620,752
Shareholders' Deficit			
Capital stock	14b	\$ 194,758,699	\$ 176,756,027
Warrants	14d	2,334,489	62,859
Contributed surplus		35,343,243	34,616,275
Deficit		(245,164,261)	(235,184,096)
Total Shareholders' Deficit		\$ (12,727,830)	\$ (23,748,935)
Total Shareholders' Deficit and Liabilities		\$ 39,214,706	\$ 31,871,817

Nature of Business and Going Concern (Note 1)
Commitments and Contingencies (Note 17)

Approved on behalf of the Board of Directors:

(Signed) "Paul Parisotto"
Director

(Signed) "Darren Blasutti"
Director



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

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

	Note	Year Ended	
		December 31, 2016	December 31, 2015
Expenses			
Development and exploration expenditures	19a	\$ 6,133,340	\$ 5,014,244
Office and general	19b	2,851,688	4,127,891
Amortization		391,388	485,848
Share-based compensation	14c, e	813,510	919,633
Loss before finance items and other gains			
		\$ (10,189,926)	\$ (10,547,616)
Interest income		34,983	17,105
Finance expense		(4,257,152)	(3,316,542)
Flow-through share premium		909,291	85,040
Gain on sale of investments		-	141,680
Loss on loan extinguishment	11a(i)	(3,339,422)	-
Gain on sale of royalty	11a(ii)	2,057,046	4,149,462
Accretion expense		(3,313,630)	(2,352,043)
Re-measurement of repayment option	11c	6,952,319	(1,278,462)
Re-measurement of embedded derivative	12	(133,972)	-
Foreign exchange gain (loss)		1,277,798	(6,329,415)
Other		22,500	-
Net loss and comprehensive loss		\$ (9,980,165)	\$ (19,430,791)
Loss per share - basic and diluted		\$ (0.03)	\$ (0.08)



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

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

	Common Shares	Capital Stock	Warrants	Contributed Surplus	Deficit	Total
Balance, December 31, 2014	239,271,809	\$ 170,711,698	\$ -	\$ 33,770,609	\$ (215,753,305)	\$ (11,270,998)
Issue of shares	11,763,345	4,578,528	-	-	-	4,578,528
Exercise of options	539,999	207,433	-	(73,967)	-	133,466
Issuance of interest shares	4,282,470	1,626,763	-	-	-	1,626,763
Issue of warrants	-	-	62,859	-	-	62,859
Flow-through share premium	-	(368,395)	-	-	-	(368,395)
Share-based compensation	-	-	-	919,633	-	919,633
Net loss for the year	-	-	-	-	(19,430,791)	(19,430,791)
Balance, December 31, 2015	255,857,623	\$ 176,756,027	\$ 62,859	\$ 34,616,275	\$ (235,184,096)	\$ (23,748,935)
	Common Shares	Capital Stock	Warrants	Contributed Surplus	Deficit	Total
Balance, December 31, 2015	255,857,623	\$ 176,756,027	\$ 62,859	\$ 34,616,275	\$ (235,184,096)	\$ (23,748,935)
Issue of shares (Note 14b)	61,341,429	17,124,720	-	-	-	17,124,720
Flow-through share premium	-	(1,439,203)	-	-	-	(1,439,203)
Exercise of options	841,666	253,625	-	(86,542)	-	167,083
Issue of Warrants	-	-	2,271,630	-	-	2,271,630
Issuance of interest shares (Note 11,14b)	6,351,975	2,063,530	-	-	-	2,063,530
Share-based compensation (Note 14c,e)	-	-	-	813,510	-	813,510
Net loss for the year	-	-	-	-	(9,980,165)	(9,980,165)
Balance, December 31, 2016	324,392,693	\$ 194,758,699	\$ 2,334,489	\$ 35,343,243	\$ (245,164,261)	\$ (12,727,830)



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

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

	Note	Year Ended	
		December 31, 2016	December 31, 2015
Operating activities			
Net loss for the year		\$ (9,980,165)	\$ (19,430,791)
Amortization		391,388	485,848
Share-based compensation	14c,e	813,510	919,633
Accretion expense		3,313,630	2,352,043
Flow-Through share premium		(909,291)	(85,040)
Issuance of interest and extension fees shares		2,126,717	1,646,763
Re-measurement of repayment option		(6,952,319)	1,278,462
Settlement of embedded derivative		133,972	-
Accrued interest on long term debt	11b	2,494,491	1,574,621
Loss on loan extinguishment		2,919,571	-
Write off Cliff's remediation		(22,500)	-
Gain on sale of Investments		-	(141,680)
Gain on sale of royalty	11a(ii)	(2,057,046)	(4,149,462)
Unrealized foreign exchange (gain)/loss		(1,279,305)	6,629,663
Net change in non-cash working capital:			
Taxes and other receivables		145,402	(211,182)
Supplies inventory		(90,993)	(79,264)
Prepaid expenses		83,804	(19,615)
Accounts payable and accrued liabilities		(451,711)	901,075
Flow-Through proceeds on sale of tax benefits		1,439,203	368,395
Net cash used in operating activities		\$ (7,881,642)	\$ (7,960,531)
Investing activities			
Acquisition of mineral properties including transaction costs		(545,175)	(33,244,936)
Acquisition of Investments		-	(454,350)
Acquisition of equipment		(30,151)	(44,972)
Proceeds on sale of royalties, net of costs		621,099	13,583,284
Proceeds on disposal of securities		-	355,430
Net cash provided by (used in) investing activities		\$ 45,773	\$ (19,805,544)
Financing activities			
Proceeds from exercise of options		167,083	133,466
Loan facility, net of costs	11a(ii)	(254,518)	2,428,226
Long term loan, net of costs		(22,778)	20,097,453
Prospectus equity issuance, net of costs and sale of tax benefits		12,280,568	-
Private placement, net of costs and sale of tax benefits		4,463,505	3,409,001
Settlement of embedded derivative		(408,720)	-
Finance lease		(1,990)	(24,404)
Net cash provided by financing activities		\$ 16,223,150	\$ 26,043,742
Change in cash and cash equivalents		\$ 8,387,281	\$ (1,722,333)
Effect of foreign exchange rates on cash and cash equivalents		(6,501)	18,385
Cash and cash equivalents, beginning of period		3,099,297	4,803,245
Cash and cash equivalents, end of period		\$ 11,480,077	\$ 3,099,297



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

Noront Resources Ltd.
 Notes to Consolidated Financial Statements
 (Expressed in Canadian dollars, unless otherwise noted)
 For the years ended December 31, 2016 and December 31, 2015

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 consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board on a going concern basis, which assumes the Company will be able to meet its obligations and continue its operations for the next twelve months from December 31, 2016. At December 31, 2016, the Company had not yet achieved profitable operations, had an accumulated deficit of \$245.2 million since inception (December 31, 2015, – \$235.2 million) and expects to incur further losses in the development of its business, and had a net working capital deficit of \$(6.6) million as a result of the \$17.2 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 \$2.1 million and the flow-through share liability of \$0.8 million. The Company also has a flow-through commitment to spend \$4.2 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 it does not have the cash nor cash flow to repay the facility.

The Company's ability to continue as a going concern is dependent upon its ability to repay or refinance its long term debt facilities, obtain the necessary financing to meet its ongoing corporate overhead expenditures as well as advance the exploration of its claims and development of its projects in the Ring of Fire. During the year ended December 31, 2016 the Company completed equity offerings with gross proceeds of \$14.2 million and private placements with gross proceeds of \$5.4 million to fund exploration, development and working capital. 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 consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. Basis of Preparation

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

These consolidated financial statements have been prepared on a going concern basis, under historical cost convention, except for certain financial instruments that have been measured at fair value. The principal accounting policies and critical estimate and judgments, used when compiling these consolidated financial statements are set out below. These consolidated financial statements were approved by the Board of Directors on April 10, 2017.



Noront Resources Ltd.
 Notes to Consolidated Financial Statements
 (Expressed in Canadian dollars, unless otherwise noted)
 For the years ended December 31, 2016 and December 31, 2015

3. Significant Accounting Policies

a) Principles of Consolidation

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

b) Functional and Presentation Currency

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

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

c) Cash and Cash Equivalents

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

d) Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, investments, embedded derivatives, accounts payable and accrued liabilities, loan facilities and 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 consolidated financial statements of financial position at fair value. Fair value is based on the market values of comparable companies, if such information is readily available, or by reference to recent transactions involving assets held by a comparable Company with adjustments for differences in mineral resources for the assets.

The three levels of fair value hierarchy are:

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

The repayment option and the embedded derivative are measured at fair value and classified as Level 2 (Note 11c and Note 12.)

Investments are classified as Level 3.



Noront Resources Ltd.
 Notes to Consolidated Financial Statements
 (Expressed in Canadian dollars, unless otherwise noted)
 For the years ended December 31, 2016 and December 31, 2015

3. Significant Accounting Policies (Continued)

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

e) Taxes and Other Receivables

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

f) Supplies Inventory

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

g) Intangible Assets

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

h) Equipment

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

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

i) Mineral Properties, Development and Exploration Expenditures

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

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

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

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



Noront Resources Ltd.
 Notes to Consolidated Financial Statements
 (Expressed in Canadian dollars, unless otherwise noted)
 For the years ended December 31, 2016 and December 31, 2015

3. Significant Accounting Policies (Continued)

j) Sale of Royalties on a Mineral Property

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

k) Leases

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

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

l) Provision for Environmental Obligations

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

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

m) Joint Ventures

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

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

n) Loss per Common Share

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



Noront Resources Ltd.
 Notes to Consolidated Financial Statements
 (Expressed in Canadian dollars, unless otherwise noted)
 For the years ended December 31, 2016 and December 31, 2015

3. Significant Accounting Policies (Continued)

o) Share-based Compensation

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

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

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

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

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

p) Income Taxes

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

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

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

q) Flow-through Shares

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

r) Segment Disclosure

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



Noront Resources Ltd.
 Notes to Consolidated Financial Statements
 (Expressed in Canadian dollars, unless otherwise noted)
 For the years ended December 31, 2016 and December 31, 2015

3. Significant Accounting Policies (Continued)

s) New Accounting Standards Issued But Not Yet Applied

IFRS 9 Financial Instruments

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement.

While the Company has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-for-sale (AFS) financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

The other financial assets held by the Company include:

- equity investments currently measured at fair value through profit or loss (FVPL) which would likely continue to be measured on the same basis under IFRS 9, and
- debt instruments currently classified as held-to-maturity and measured at amortized cost which appear to meet the conditions for classification at amortized cost under IFRS 9.

Accordingly, the Company does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in their own credit risk in other comprehensive income rather than profit or loss.

The new hedge accounting rules (released in December 2013) align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at FVOCI, lease receivables, loan commitments and certain financial guarantee contracts. While the Company has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The standard must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.

The Company does not intend to adopt IFRS 9 before its mandatory date.



Noront Resources Ltd.
 Notes to Consolidated Financial Statements
 (Expressed in Canadian dollars, unless otherwise noted)
 For the years ended December 31, 2016 and December 31, 2015

3. Significant Accounting Policies (Continued)

s) New Accounting Standards Issued But Not Yet Applied (Continued)

IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Company's operating leases. The Company's non-cancellable operating lease commitments as at reporting date are disclosed in Note 17. The Company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Company's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Company does not intend to adopt the standard before its effective date.

Disclosure Initiative – Amendments to IAS 7 Statement of cash flows

In January 2016, the International Accounting Standards Board (IASB) issued an introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved

Going forward, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealized exchange differences.

Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities.

Entities may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities.

The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated.

The standard is mandatory for financial years commencing on or after 1 January 2017. At this stage, the Company has not yet adopted the standard. When the Company first applies the amendment, it will not be required to provide comparative information in respect of preceding periods.



Noront Resources Ltd.
 Notes to Consolidated Financial Statements
 (Expressed in Canadian dollars, unless otherwise noted)
 For the years ended December 31, 2016 and December 31, 2015

3. Significant Accounting Policies (Continued)

t) Critical Accounting Estimates and Judgments

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

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

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

Mineral Properties

Noront capitalizes mining property acquisition costs which are to be amortized when production is attained or the balance thereof written off should the property be disproven through exploration or abandoned. On an ongoing basis, the Company evaluates deferred expenditures relating to each property to assess whether there has been impairment in value. The Company recognizes write-downs for impairment where the carrying value of the mining property exceeds its estimated long term net recoverable value. Recoverable value is estimated based upon the Company's assessment of the future probability of positive cash flows from the property, current exploration results for properties without a defined resource or estimated proceeds from a potential sale of the property.

Provision for Environmental Obligations

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

Stock Options, Warrants and Embedded Derivatives

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

Repayment 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 Repayment Option uses level 2 assumptions with the main inputs to the valuation being credit spread of the Company, historical prices of the underlying stock, USD discount curve and CAD/USD foreign exchange rates. The most significant assumption regarding the lender's convertible feature is the probability of the loan being repaid prior to reaching the conversion date. This was estimated by obtaining credit spreads for an index of comparable companies residing in the same industry, which has an impact on the probability that the bridge loan will be repaid at maturity. Refer to Note 11c for further information on the Repayment Option.



Noront Resources Ltd.
 Notes to Consolidated Financial Statements
 (Expressed in Canadian dollars, unless otherwise noted)
 For the years ended December 31, 2016 and December 31, 2015

3. Significant Accounting Policies (Continued)

t) Critical Accounting Estimates and Judgments (Continued)

Loan Facility and Royalty Interests

The Company granted royalty interests on the mineral claims it acquired through the acquisition of certain subsidiary companies of Cliffs Natural Resources (the "Royalty Interests"). These Royalty Interests are over potential future projects which have not yet been defined. As a result, the Company has determined the fair value of the Royalty Interests by estimating the fair value of the consideration received. The Company received what management considers to be a below market loan as consideration for the royalty interests. Management estimated the fair value of the Royalty Interests by calculating the difference between the present value of the future payment stream using management's estimate of a market interest rate of approximately 15% and the face value of the loan being USD\$25 million and the stated interest rate of the loan (7%). The loan was also initially recorded at its fair value as determined by the above fair value calculation. See note 11(b).

Asset Acquisition

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

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

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

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

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



Noront Resources Ltd.
 Notes to Consolidated Financial Statements
 (Expressed in Canadian dollars, unless otherwise noted)
 For the years ended December 31, 2016 and December 31, 2015

4. Capital Management

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

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

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2016. The Company is not subject to externally imposed capital requirements.

5. Property and Financial Risk Factors

a) Property Risk

The Company's major mineral property is the McFauld's Lake Property in the "Ring of Fire" (Note 9). Unless the Company acquires or develops additional material properties, the Company will be mainly dependent upon its existing property. Any adverse development affecting the Company's major mineral property would have a materially adverse effect on the Company's financial condition and results of operations.

b) Financial Risk

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

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

Credit Risk

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

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2016, the Company had cash and cash equivalents and taxes receivable balances of \$11,609,837 (December 31, 2015 - \$3,374,459) to settle current liabilities of \$21,529,529 (December 31, 2015 - \$29,286,852) which includes a loan facility of \$17,174,433 and a repayment option of \$2,144,371. The loan is convertible into equity with a conversion price of \$0.34 per share at the option of RCF any time prior to December 31, 2017. All of the Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company remains dependent upon financing from capital markets, RCF converting its loan facility to equity or the Company's ability to repay or refinance the convertible loan (see Note 1).



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5. Property and Financial Risk Factors (Continued)

b) Financial Risk

Market Risk

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

i) Interest Rate Risk

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

ii) Foreign Currency Risk

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

At December 31, 2016, the Company had monetary assets and liabilities denominated in U.S. dollars as follows:

	December 31, 2016	December 31, 2015
Cash	US \$ 79,001	\$ 82,096
Loan Facilities	US \$ (36,873,749)	(42,000,000)
	US \$ (36,794,748)	\$ (41,917,904)

iii) Price Risk

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

Sensitivity Analysis

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

- i) The Company has cash balances and a loan facility in foreign currencies that give rise to exposure to foreign exchange risk. Sensitivity to a 1% change in the foreign currency exchange rate would have affected the net loss by approximately \$0.4 million for the year ended December 31, 2016 (December 31, 2015 - \$0.5 million).
- ii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability from mineral exploration depends upon the world market price of valuable minerals. Commodity prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of minerals may be produced in the future, a profitable market will exist for them. As of December 31, 2016, the Company is not a producer of valuable minerals. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.



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6. Acquisition of Chromite Assets

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

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

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

The purchase price was allocated as follows:

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

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

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

7. Cash and Cash Equivalents

Cash and cash equivalents consist of:	December 31, 2016	December 31, 2015
Cash deposits	\$ 11,376,173	\$ 2,996,410
Guaranteed investment certificate	103,904	102,887
	\$ 11,480,077	\$ 3,099,297



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8. Equipment

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 ¹	234,509	-	-	234,509
Re-measurement of provision ²	(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
December 31, 2015	Equipment	Furniture & Fixtures	Leasehold Improvements	Total
Cost	\$ 4,509,385	\$ 115,027	\$ 200,287	\$ 4,824,699
Accumulated Amortization	(2,711,733)	(94,416)	(178,927)	(2,985,076)
Closing Net Book Value	\$ 1,797,652	\$ 20,611	\$ 21,360	\$ 1,839,623
Opening Net Book Value	\$ 2,232,945	\$ 25,764	\$ 26,700	\$ 2,285,409
Additions	44,972	-	-	44,972
Remeasurement of provision ²	(4,911)	-	-	(4,911)
Amortization	(475,354)	(5,153)	(5,340)	(485,847)
Closing Net Book Value	\$ 1,797,652	\$ 20,611	\$ 21,360	\$ 1,839,623

¹ Included in additions for the year ended December 31, 2016 is \$204,357 relating to the Butler Lake asset retirement obligation that was acquired during the third quarter.

² A re-measurement of the McFauld's Lake property asset retirement obligation was recognized due to a change in the discount rate used to calculate the obligation as further described in Note 13.



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9. Mineral Properties

	December 31, 2016	December 31, 2015
(i) <u>McFauld's Lake Property - "Ring of Fire", James Bay Lowlands, Northeastern Ontario</u>		
Opening balance	\$ 26,092,812	\$ 1,438,104
Acquisition of chromite assets	-	32,879,762
Transaction costs - acquisition of chromite assets	-	989,207
Royalty on chromite assets	-	(9,379,977)
Transaction costs - royalty on chromite assets	-	165,716
Sale of 1% NSR royalty to RCF	(1,438,104)	-
	24,654,708	26,092,812
(ii) <u>Butler and Sanderson Properties - "Ring of Fire", James Bay Lowlands, Northeastern Ontario</u>		
Opening balance	-	-
Acquisition of mineral assets	750,000	-
Acquisition costs	13,357	-
Sale of 1% NSR royalty to RCF	763,357	-
	\$ 25,418,065	\$ 26,092,812

McFauld's Lake

Eagle's Nest, Nickel, Copper, PGM Deposit

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

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

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, 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 MacDonald's 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.



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9. Mineral Properties (Continued)

Other Properties

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

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

10. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of:	December 31, 2016	December 31, 2015
Accounts payable	\$ 395,735	\$ 1,747,772
Accrued liabilities	598,493	797,980
Accrued interest payable	11(a)(iii) 403,230	492,740
	\$ 1,397,458	\$ 3,038,492

11. Loan Facilities

	December 31, 2016	December 31, 2015
Current portion of loan facilities		
Debt agreement with related party - February 26, 2013 (a)(i)	\$ 17,174,433	\$ 20,760,001
Repayment option (c)	2,144,371	2,162,256
Debt agreement with related party - June 30, 2015 (a)(ii)	-	2,768,000
	19,318,804	25,690,257
Long term portion of loan facilities		
Long term loan (b)	28,750,976	24,842,032
	\$ 48,069,780	\$ 50,532,289

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

- (i) On February 26, 2013, the Company entered into a loan facility with Resource Capital Funds V L.P. ("RCF" or "the Lender"), which as of December 31, 2016 owns approximately 18.64% 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 Convertible Loan. The Convertible Loan has been extended to December 31, 2017. The Convertible Loan may be converted into common shares of the Company at the option of RCF at a price of \$0.34 cents per share (previously \$0.45 cents per share) at any time subsequent to the Convertible Loan maturity date and prior to December 31, 2017 (the "Conversion Rights"). An extension fee of 2% of the principal amount of the Convertible Loan was paid to RCF in common shares of the Company with such shares valued using the volume weighted average trading price for the twenty days prior to June 30, 2016 (the "Extension Fee Shares"). All other terms and conditions of the Convertible Loan remain the same.

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



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11. **Loan Facilities (Continued)**

Loan Facilities	December 31, 2016	December 31, 2015
Balance, beginning of period	\$ 20,760,001	\$ 16,761,797
Foreign exchange (gain) loss	(1,384,500)	3,281,329
Accretion of loan facility	-	716,875
Extinguishment of Loan	(19,375,501)	-
Balance, end of period	\$ -	\$ 20,760,001
Amended loan facility (at inception)	15,337,322	\$ -
Foreign exchange (gain) loss	652,340	-
Accretion of loan facility	1,184,771	-
Balance, end of period	\$ 17,174,433	\$ -

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

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

On January 14, 2016 the Company closed a Royalty Purchase Agreement and Loan Set-off and Satisfaction Agreement with RCF. The Royalty Purchase Agreement included the terms for the sale of a 1% Net Smelter Royalty (NSR) on the Eagle's Nest deposit for US\$2.5 million. US\$2.0 million of the proceeds were used to satisfy the Facility based on the terms of the Loan Set-off and Satisfaction Agreement. See Note 10 - Mineral Property.

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



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11. Loan Facilities (Continued)

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

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

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

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

On July 11, 2016, the Company satisfied the payment of interest of \$388,050 for the second quarter of 2016 and the payment of the loan extension fee of \$388,050 through issuance of 2,614,616 common shares of the Company. The Interest Shares and extension fee shares were subject to a four month hold period, which expired on November 12, 2016.

On October 11, 2016, the Company satisfied the payment of interest of \$394,380 through issuance of 1,331,414 common shares of the Company. The Interest Shares are subject to a four month hold period, which expired on February 12, 2017.

As at December 31, 2016, the Company accrued interest in the amount of \$403,230 for the fourth quarter of 2016. On January 13, 2017, the Company satisfied the payment of interest of \$403,230 through issuance of 1,636,383 common shares of the Company. The Interest Shares are subject to a four month hold period, which expires on May 14, 2017.

b) Loan Facilities - Due to Franco-Nevada Corporation

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

In connection with the Long Term Loan, the Company granted Franco-Nevada certain royalties over the mineral properties acquired through the Cliffs Transaction (see Note 9 - Mineral Properties).

	December 31, 2016	December 31, 2015
Balance, beginning of period	\$ 24,842,032	\$ -
Long Term Loan	-	20,695,023
Transaction costs	-	(1,700,847)
Foreign exchange (gain) loss	(680,549)	2,999,832
Accrued loan interest	2,494,491	1,574,621
Accretion of loan facility	2,095,002	1,273,403
Balance, end of period	\$ 28,750,976	\$ 24,842,032



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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.

The fair value of the convertible feature under the terms of the Company's convertible debt agreement prior to amendment declined to \$NIL as at June 30, 2016 when the convertible feature was due to expire. This resulted in a gain on the re-measurement of the convertible feature of \$2.2 million which was recognized in the statement of loss. Upon extinguishment of the liability for the pre-amendment convertible debt agreement and recognition of a new liability under the terms of the amended convertible debt agreement, the Company extinguished the pre-amendment conversion feature with a carrying value of \$NIL.

At December 31, 2016, the fair value attributed to the convertible feature was \$2,144,371 (December 31, 2015 - \$2,162,256). The extinguishment of the loan during the year resulted in a loss of \$3,339,422 for the year ended December 31, 2016 being recognized in the consolidated statement of loss.

12. **Embedded Derivative**

On December 30, 2015, the Company settled an advisory fee liability by issuing 2,446,552 shares at a deemed issue price of \$0.46 per share. The agreement with the advisor included an embedded put option in favour of the advisor and a call option in favour of the Company (the "Options") on the Company's share price. The fair value assigned to these embedded derivatives were valued with the main inputs to the valuation being the historical prices of the Company's underlying stock in order to calculate the volatility and term of the options. In 2016, the Company agreed to settle the embedded derivative for a cash payment of \$0.4 million which was paid in September 2016. The embedded derivative was classified within Level 2 of the fair value hierarchy.

13. **Provision for Environmental Obligations**

McFauld's Lake and Butler Lake

The Company has established a provision of \$1,468,388 and \$193,643 representing the estimated present value of its future environmental expenditure for McFauld's Lake and Butler Lake respectively. These costs are not expected to be incurred within the next twelve months.

The provision is based upon the following estimates and assumptions:

- Total undiscounted future demobilization cost is \$1,787,655 for McFaulds Lake (December 31, 2015 - \$1,787,655) and \$238,346 for Butler Lake.
- Nominal risk-free pre-tax discount rate of 2.21% (December 31, 2015 - 2.03%)
- Demobilization cost expected to be incurred in 10 years (December 31, 2015 - 10 years)

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

	December 31, 2016	December 31, 2015
Balance, beginning of period	\$ 1,491,868	\$ 1,467,096
Butler Lake provision addition	204,357	-
Accretion expense for the period	33,856	29,683
Re-measurement of provision	(68,050)	(4,911)
Balance, December 31, 2016	\$ 1,662,031	\$ 1,491,868



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14. Capital Stock

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

(b) Issued

	Number of Shares	Value
Balance, January 1, 2015	239,271,809	\$ 170,711,698
Flow-through private placement, net of costs	6,359,218	2,831,989
Flow-through private placement, net of costs	2,907,575	945,655
Flow-through share premium	-	(368,395)
Issue of shares	2,496,552	870,666
Warrant allocation	-	(69,782)
Issue of interest shares	4,282,470	1,626,763
Exercise of options	539,999	207,433
Balance, December 31, 2015	255,857,623	\$ 176,756,027
Prospectus Offering, net of costs (i) & (vi)	41,213,930	13,026,224
Private placement, net of costs (ii), (iv) & (vii)	16,328,833	5,131,832
Flow through share premium	-	(1,439,203)
Warrant allocation	-	(2,278,625)
Issue of shares (iii) & (v)	3,798,666	1,245,289
Issue of interest shares (Note 11(a))	6,351,975	2,063,530
Exercise of options	841,666	253,625
Balance, December 31, 2016	324,392,693	\$ 194,758,699

- (i) On March 17, 2016, the Company closed a short-form prospectus offering raising gross proceeds of \$6.3 million (net proceeds after transaction costs - \$5.8 million) through the issuance of the maximum number of units ("Units") and flow-through units ("Flow-Through Units") under the base deal, as well as the exercise of the over-allotment option, by the Agent. Noront raised gross proceeds of \$4.3 million from the sale of 12,301,492 Units at a price of \$0.35 per Unit, with each such Unit consisting of one common share and one common share purchase warrant, each whole warrant entitling the holder to purchase one common share at a price of \$0.50 per share on or before March 16, 2019. The Company also raised gross proceeds of \$2.0 million from the sale of 4,505,000 Flow-Through Units at a price of \$0.45 per Flow-Through Unit, with each such Flow-Through Unit consisting of one flow-through common share ("FT Share") and one-half of one common share purchase warrant, each whole warrant entitling the holder to purchase one common share at a price of \$0.55 per share on or before March 16, 2019. The FT Shares will be "flow-through" shares pursuant to the Income Tax Act (Canada). The Company also issued compensation units equal to 2% of units purchased under the offering ("Compensation Units") and compensation warrants equal to 5% of the total number of units purchased under the offering ("Compensation Warrants") to the agents. Each Compensation Unit consists of one common share and one common share purchase warrant which is exercisable into a common share at a price of \$0.50 per share. Each Compensation Warrant issued pursuant to the unit offering entitles the holder to purchase one common share at a price of \$0.35 per share and each Compensation Warrant issued pursuant to the flow-through offering entitles the holder to purchase one common share at a price of \$0.45 per share on or before March 16, 2017.
- (ii) On March 30, 2016, the Company closed a private placement financing raising total gross proceeds of \$1.1 million (net proceeds after transaction costs - \$1.1 million). The financing consisted of 1,500,000 units at a price of \$0.35 per unit for gross proceeds of \$0.5 million with each unit comprised of one common share and one common share purchase warrant (each warrant entitling the holder to purchase one common share at a price of \$0.50 per share on or before March 29, 2019) and 1,366,667 flow-through units at a price of \$0.45 per flow-through unit for gross proceeds of \$0.6 million with each flow-through unit comprised of one flow-through share and one-half of one common share purchase warrant (each whole warrant entitling the holder to purchase one common share at a price of \$0.55 per share on or before March 29, 2019).



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14. Capital Stock (continued)

- (iii) On April 13, 2016, the Company issued 1,403,273 common shares at a deemed issue price of \$0.34 per share in satisfaction of legal advisory fees amounting to \$0.5 million which were incurred in connection with the financing of the purchase of the Cliffs Chromite Assets which closed on April 28, 2015. The issued shares are subject to a four month hold period which expired on August 14, 2016.
- (iv) On May 12, 2016 the Company announced the closing of a private placement of 1,162,500 flow-through shares at a price of \$0.40 per flow-through share for gross proceeds of \$0.5 million. The Company intends to use the proceeds for its exploration program in the Ring of Fire. The flow-through shares will be "flow-through" shares pursuant to the Income Tax Act (Canada). The flow-through shares are subject to a statutory hold period of four months plus one day which will expire on September 13, 2016. In connection with the offering, the agents received a cash finder's fee equal to 5% of the gross proceeds of the Offering.
- (v) On August 24, 2016 the Company announced the closing of the Mac Donald Mines property acquisition. The Company issued 2,318,393 common shares to MacDonald to earn a 75% interest in the property. This share-based payment transaction was measured at the fair value of the common shares issued (\$750,000).
- (vi) On September 23, 2016 the Company closed a short-form prospectus offering raising gross proceeds of \$7.9 million. (net proceeds after transaction costs - \$7.2 million) through the issuance of units ("Units") and flow-through units ("Flow-Through units"). Noront raised gross proceeds of \$6.3 million from the sale of 19,774,350 Units at a price of \$0.32 per Unit, with each such unit consisting of one common share and one common share purchase warrant, each whole warrant entitling the holder to purchase one common share at a price of \$0.40 per share on or before September 23, 2019. The Company also raised gross proceeds of \$1.5 million from the sale of 3,824,972 Flow-Through Units at a price of \$0.40 per Flow-Through Unit, with each such Flow-Through Unit consisting of one flow-through common share ("FT Share") and one-half of one common share purchase warrant, each whole warrant entitling the holder to purchase one common share at a price of \$0.50 per share on or before September 23, 2019. The FT Shares will be "flow-through" shares pursuant to the Income Tax Act (Canada). The Company also issued compensation units equal to 2% of units purchased under the offering ("Compensation Units") and agent warrants equal to 5% of the total number of units purchased under the offering ("Agent Warrants") to the agents. Each Compensation Unit consists of one common share and one common share purchase warrant which is exercisable into a common share at a price of \$0.40 per share on or before September 23, 2019. Each Agent Warrant issued pursuant to the unit offering entitles the holder to acquire one common share at an exercise price equal to the unit offering price and the flow-through unit offering price per share on or before September 23, 2017.
- (vii) On September 29, 2016 the Company announced the closing of a private placement of 3,000,000 units at a price of \$0.32 per unit ("Units") for gross proceeds of \$1.0 million. Each unit is comprised of one common share and one common share purchase warrant. each whole warrant entitling the holder to purchase one common share at a price of \$0.40 per share on or before September 29, 2019. The common shares are subject to a statutory hold period of four months and one day which expired on January 29, 2017.
- (viii) On November 1, 2016, the Company announced the closing of a private placement of 9,299,666 flow-through shares at a price of \$0.30 per flow-through share for gross proceeds of \$2,789,900. The flow-through shares are subject to a statutory hold period of four months plus one day which expired on March 1, 2017.



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14. Capital Stock (continued)

(c) Stock Options

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

For the year ended December 31, 2016, share-based compensation \$668,809 was charged to net income (December 31, 2015 - \$748,915) .

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

The fair value assigned was estimated using the following assumptions:

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

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

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

The fair value assigned was estimated using the following assumptions:

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

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

- (iii) On July 5, 2016, the Company granted 416,253 incentive stock options to senior management of the Company at an exercise price of \$0.31. The share price on July 5, 2016 was \$0.31.

The fair value assigned was estimated using the following assumptions:

Dividend yield	0%
Expected volatility	70.70%
Risk free interest rate	0.49%
Expected life	5 years
Forfeiture rate	3%

The stock options were assigned a value of \$74,509.



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14. Capital Stock (Continued)

(c) Stock Options

The weighted-average remaining contractual life and weighted average exercise price of options outstanding and options exercisable as at December 31, 2016 are as follows:

Number of Stock Options Outstanding	Black-Scholes Value	Exercise Price	Remaining Contractual Life (Years)	Number of Stock Options Exercisable	Expiry Date
1,000,000	328,000	\$ 0.46	0.55	1,000,000	July 2017
300,000	70,200	\$ 0.35	0.78	300,000	October 2017
3,916,667	528,750	\$ 0.25	1.52	3,916,667	July 2018
3,000,000	450,000	\$ 0.30	1.75	3,000,000	October 2018
2,471,667	210,092	\$ 0.17	1.95	2,471,667	December 2018
1,225,000	378,525	\$ 0.55	3.25	816,667	March 2020
1,500,000	367,500	\$ 0.44	3.47	1,000,000	June 2020
300,000	59,100	\$ 0.35	3.65	200,000	August 2020
2,275,000	443,625	\$ 0.34	4.23	758,333	March 2021
500,000	95,000	\$ 0.33	4.29	166,667	April 2021
416,253	74,509	\$ 0.31	4.52	416,253	July 2021
16,904,587	\$ 3,005,301	\$ 0.32	2.41	14,046,254	

The following table summarizes the stock option transactions for the year ended December 31, 2016.

	Number of Options	Weighted-Average Exercise Price
January 1, 2015	16,895,000	\$0.37
Granted	3,300,000	\$0.48
Exercised	(539,999)	\$0.26
Expired	(150,000)	\$1.25
Forfeited	(925,000)	\$0.27
December 31, 2015	18,580,001	\$0.40
Granted	3,191,253	\$0.33
Exercised	(841,667)	\$0.20
Expired	(3,775,000)	\$0.71
Forfeited	(250,000)	\$0.54
Balance, December 31, 2016	16,904,587	\$0.32



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14. Capital Stock (Continued)

(d) Warrants

The following table lists the Company's warrants as at December 31, 2016. During the year ended December 31, 2016, no warrants expired.

	Number of Warrants	Weighted-Average Exercise Price
At December 31, 2015	1,453,787	\$ 0.47
Prospectus and Private Placement Warrants	41,424,162	\$ 0.51
Compensation Warrants	2,828,407	\$ 0.41
Balance, December 31, 2016	45,706,356	\$ 0.50

On March 17, 2016, 15,730,446 warrants were issued as a result of the prospectus and 2,183,334 warrants were issued as a result of the private placement including compensation warrants. (See Note 14(b)(i) & (ii)). On September 23, 2016, 23,338,789 warrants were issued as a result of the prospectus and 3,000,000 warrants were issued as a result of the private placement including compensation warrants. (See Note 14(b)(vi) & (vii)).

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

<u>Warrants issued under March prospectus</u>		
Expected volatility	40%	
Risk free interest rate	0.58%	
Expected life		3 Years
<u>Warrants issued to agents</u>		
Expected volatility	40%	
Risk free interest rate	0.58%	
Expected life		1 Years
<u>Warrants issued under March private placement</u>		
Expected volatility	40%	
Risk free interest rate	0.56%	
Expected life		3 Years
<u>Warrants issued under September prospectus</u>		
Expected volatility	50%	
Risk free interest rate	0.52%	
Expected life		3 Years
<u>Warrants issued to agents</u>		
Expected volatility	50%	
Risk free interest rate	0.52%	
Expected life		1 Years
<u>Warrants issued under September private placement</u>		
Expected volatility	50%	
Risk free interest rate	0.51%	
Expected life		3 Years



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14. Capital Stock (Continued)

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

For the year ended December 31, 2016, share-based compensation of \$144,701 was charged to net income for PSUs and RSUs (year ended December 31, 2015 - \$170,718) .

The following tables list the Company's PSUs and RSUs as at December 31, 2016. During the year ended December 31, 2016, no PSUs or RSUs expired.

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

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

15. Income Taxes

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

	December 31, 2016	December 31, 2015
Statutory tax rate	26.50 %	26.50 %
Loss before recovery of income taxes	\$ (9,980,165)	\$ (19,430,791)
Expected income tax recovery	(2,644,744)	(5,149,160)
Permanent differences	456,542	221,167
True-ups and other	523,749	(108,393)
ITC's	350,997	(377,310)
Renounced expenditures	1,350,191	247,745
Share issuance costs booked through equity	(394,368)	-
Benefits of tax attributes not recognized	357,633	5,165,951
Total tax recovery	\$ -	\$ -



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15. Income Taxes (Continued)

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

The deductible temporary differences disclosed below for the comparative December 31, 2015 year end have been adjusted to reflect deductible temporary differences for tax losses and pools acquired in the acquisition of the Chromite Assets from the Cliffs Natural Resources Inc. in 2015 that were not previously disclosed. The tax benefit of the following unused tax losses and deductible temporary differences have not been recognized in the consolidated financial statements due to the unpredictability of future earnings.

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Deductible Temporary Differences		
Mineral properties and capital assets	\$ 272,652,856	\$ 273,373,580
Provision for environmental expenditure	1,662,031	1,467,096
Capital losses	4,370,298	11,298
Loss-carryforwards	73,211,659	68,481,266
Share issue costs	1,958,891	192,536
Loan facility and unaccreted amounts	10,187,993	12,081,304
ITC's	25,417,902	25,948,385
	<u>\$ 389,461,630</u>	<u>\$ 381,555,465</u>

At December 31, 2016, the Company had unclaimed non-capital income tax losses that expire as follows:

2021	\$ 395,894
2022	1,003,520
2023	1,105,611
2024	1,352,175
2025	5,817,488
2026	3,634,907
2027	1,179,805
2028	7,160,174
2029	9,157,409
2030	6,804,658
2031	8,385,059
2032	7,238,483
2033	6,248,292
2034	5,524,743
2035	2,295,957
2036	5,907,484
	<u>\$ 73,211,659</u>



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16. Loss Per Share

	December 31, 2016	December 31, 2015
Loss attributable to common shareholders	\$ (9,980,165)	\$ (19,430,791)
Weighted average shares outstanding - basic and diluted	287,147,586	243,989,460
Loss per share - basic and diluted	\$ (0.03)	\$ (0.08)

As a result of the net loss for the year ended December 31, 2016 and for the year ended December 31, 2015, 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 these periods.

17. 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 December 31, 2016, the Company is committed to incurring approximately \$4.2 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 \$459,992 in 2017, \$45,559 in 2018, and \$12,301 thereafter until the end of the mining lease in 2033.
- c) As at December 31, 2016, 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 December 31, 2016, the amount of this contingent liability is approximately \$250,000.

18. Compensation of Key Management

	December 31, 2016	December 31, 2015
Salaries, benefits and directors' fees	\$ 1,452,651	\$ 1,935,510
Share-based compensation	782,650	835,748
	\$ 2,235,301	\$ 2,771,258

Key management includes the 7 directors and 6 members of the executive management team (year ended December 31, 2015 - 7 directors and 6 members of the executive management team). Three members of key management are allocated to Development and Exploration Expenditures under Owner's Costs and three members of key management and the directors are included in Office and General. Director's fees were suspended in Q1 2016 and for two months of Q2 2016.



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19. Supplementary Expense Information

	December 31, 2016	December 31, 2015
a) Development and Exploration Expenditures		
Owner's costs	\$ 653,586	\$ 1,528,173
Camp operations & Exploration expense	5,166,933	2,583,509
Permitting	175,661	500,048
Engineering/Site, Road Geotechnical & other	137,160	402,514
	\$ 6,133,340	\$ 5,014,244

Included in development and exploration expenditures expenses for the year ended December 31, 2016 is \$2,678,796 of salaries and benefits (year ended December 31, 2015 - \$2,151,256) and \$434,866 of fuel expenses (year ended December 31, 2015 - \$277,755).

	December 31, 2016	December 31, 2015
b) Office and General:		
Salaries, benefits and directors' fees	\$ 1,342,361	\$ 1,772,426
Employee severance	-	42,821
Donations & sponsorships	40,202	159,682
Administrative and other expenses	721,625	821,523
Professional fees	467,351	1,048,228
Communications & travel	280,149	283,211
	\$ 2,851,688	\$ 4,127,891

