



**ANNUAL REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2018**



## LETTER FROM THE PRESIDENT

Fellow shareholders,

The past year saw the election of a new provincial government, advancement of the all-season access road permitting, continued exploration success at McFaulds Lake and the narrowing down of the potential sites for our planned Ferrochrome Production Facility (FPF).

The Company has been working with the new provincial government since the election in mid- 2018. Typically, it takes a long time for new administrations to get staff in place and get up to speed on the various files. Noront was fortunate that former federal Minister of Natural Resources and former Noront Board Member, Greg Rickford, was appointed as Minister of Energy, Northern Development and Mines and Minister of Indigenous Affairs. Noront Board member J.P. Gladu and I were also appointed to the Minister's Mining Working Group, which is a collection of high-profile mining, finance and First Nations leaders who have been tasked to provide input regarding the reduction of red tape and the attraction of major new investments.

We have been supporting the permitting process for the all-season access road with the communities of Marten Falls and Webequie First Nation along with the province. In late 2018, both communities hired environmental/engineering firms to lead their permitting work and early this year, filed their notice of commencement of the provincial terms of reference for their road projects under the requirements of the Environmental Assessment (EA) process. We expect the permitting process to conclude with an approved EA review by the end of next year.

We continued to get positive drill results as the exploration team chased the McFaulds #8 copper-zinc discovery down dip. Drill hole number 18-98 intersected 26.4 metres of massive sulphide ore grading 2.1% Cu, 3.4% Zn and 5.5 gpt Ag. This is the thickest intersection of this mineralized body to date and we are excited to continue our work as we attempt to outline a significant resource.

Again, this year, 60% 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.

On the Chromite front, we narrowed down the selection process for the site of the Ferrochrome Production Facility (FPF) to two northern Ontario cities; Sault Ste. Marie and Timmins. Both cities have excellent proposals in front of Noront and we will be targeting a decision on this file by mid-year. Important selection criteria include a high level of community support, a skilled workforce, and adequate power infrastructure along with attractive capital and operating costs.

We were saddened to note the recent passing of Richard (Dick) Nemis, founder of Noront Resources. Dick was the CEO of Noront when the Company discovered the Eagle's Nest deposit and the rest is history. Many long-time shareholders will remember his passion for exploration and his love of the junior mining sector.

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. The past year saw tangible progress and exciting outcomes that we intend to build upon in the upcoming year.

Sincerely,

Alan Coutts, P. Geo  
President & CEO  
Noront Resources





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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, 2018, 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](http://www.sedar.com) and the Company's website at [www.norontresources.com](http://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, 2019.*

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

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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 2018, 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 8, 2019, 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**

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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

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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 a 70% interest in the Big Daddy chromite deposit. The Company has extensive copper-zinc holdings including an 85% interest in the McFauld’s Lake copper-zinc deposits/occurrences and a 100% interest in the Butler properties copper-zinc occurrences. As well the company has a 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”, the very prospective Sanderson nickel properties and other diamond exploration properties.

Noront now holds interest, mineral, and exploration rights to approximately 157,941 hectares of ground in Ontario and 4,149 hectares in New Brunswick.

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

## OBJECTIVES

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The Company’s primary objectives for fiscal 2019 are:

- Support the First Nation proponents of the north-south all-season access road to the Ring of Fire project and obtain public commitments to infrastructure funding from the provincial and federal governments;
- Finalize the Ferrochrome Production Facility (FPF) site selection and initiate a preliminary economic assessment (PEA) on the first chromite project;
- Continue to advance discussions with the primary First Nation communities in the Company’s project area to conclude and sign a pre-development agreement in support of the Eagle’s Nest Project while maximizing training and employment opportunities for their community members;
- Conduct an ongoing systematic exploration program in the Ring of Fire, funded internally or through partnerships, focused on the copper / zinc, nickel and gold potential in the Ring of Fire;
- 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

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### Ring of Fire Regional Development

The critical enabler of the development of the Ring of Fire is the construction of an all-season access road to the region and the provincial government has indicated its willingness to fund this road construction to support the development of this emerging mining district and to provide access to the local First Nation communities. In mid-2017, the Company and the provincial government agreed that Noront would not advance the permitting of the 300km access road under its existing terms of reference for the environmental assessment of the Eagle’s Nest project. Instead, the communities of Marten Falls (MFFN) and Webequie First Nation (WFN) would act as project proponents for this development. The rationale for this decision lays in the fact that the First Nation communities that would be impacted by the project and that had the traditional land use in the area wanted to have enhanced participation in the environmental assessment process and contribute traditional knowledge of the region to the assessment. The government approached

the First Nation communities who indicated their willingness to act as proponents of the road development subject to the financing of the process and the provision of technical support from the government. Noront indicated its willingness to support the First Nation proponents by providing access to its body of environmental and engineering studies that had been completed along the road corridor thus shortening the timeframes for the study and reducing the cost of the effort. The two First Nation-led infrastructure proposals to provide industrial access to the Ring of Fire, as well as road access to their communities were originally approved for funding by the province of Ontario on August 21, 2017 and have entered the Environmental Assessment (EA) stage of approval.

### **Ring of Fire Nickel and Chromite Projects**

The Company's first planned project is its 100% owned Eagle's Nest nickel, copper, platinum and palladium deposit. A three thousand tonne per day underground operation is planned that will produce a mineral concentrate to be processed in a smelter in Sudbury, Ontario. In order to advance this project to a construction ready state, the Company will need to update its 2012 Feasibility study and reinitiate the EA process. Management anticipates, once started, this pre-construction permitting, and technical evaluation will take approximately two years. Once the EA is initiated on all sections of the all-season access road, the Company plans to carry out its pre-development work.

The Company has a controlling interest in 96% of the known Chromite resources in the Ring of Fire that have NI 43-101 measured and indicated resources. The Company's believes its chromite resources are of sufficient size to support mining in the region over multiple generations. The Company's chromite strategy is to initially develop its Blackbird chromite deposit which is proximal to the Eagle's Nest deposit and can therefore share the same surface infrastructure thus reducing the capital cost of this development.

The Company is planning on mining high grade chrome ore and direct shipping the material to a yet to be constructed Ferrochrome Production Facility (FPF) built by Noront in northern Ontario. The upgrading of chrome ore to ferrochrome is required to serve the North American market since there are no existing ferrochrome producers in North America. The Ferrochrome smelter is planned to be constructed at a brown-fields site in either Sault Ste. Marie or Timmins, Ontario. Management is currently finalizing its site selection with the objective of making a final decision, starting preliminary site layout work and community engagement in mid-2019.

### **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 three years with the addition of Cliffs' chromite and VMS properties, MacDonald Mines' Butler VMS and Sanderson nickel-copper-PGE properties, and most recently through staking of an additional 150 claims covering geological structures believed to be prospective for gold. 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.

Given the success of our VMS programs in 2018, exploration efforts in 2019 will focus heavily on the VMS potential at the McFaulds Lake property, where the company believes there is excellent potential to expand the McFaulds No. 8 deposit and for discovery of additional copper-zinc rich sulfide bodies. At McFaulds Lake, exploration programs will focus on following up recent drill intersections on the McFaulds No.8, No. 9 and No. 10 discoveries as well as testing targets generated through the recently completed ground gravity survey at McFaulds.

The Company remains committed to advancing our nickel-copper-PGE targets and will complete a thorough compilation of existing and new targets with a view to ranking and prioritizing planned nickel-copper-PGE work programs.

The Company continues to view the gold potential in the Ring of Fire to be exceptional and remains committed to searching for the right partner to help advance the recently staked gold targets through a three-year strategic alliance, with the goal being discovery of one or more multi-million-ounce high-grade gold deposits. Potential gold partners must be well financed, technically strong in gold exploration, and have an appreciation of Noront's long standing relationships with the surrounding First Nation communities in the Ring of Fire.

An added benefit of our exploration programs is the ability of the Company to engage and train a local First Nation work force in advance of development of the Eagle's Nest project. Throughout 2018, 60% 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 and smelters, 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 and complement the existing Noront properties.

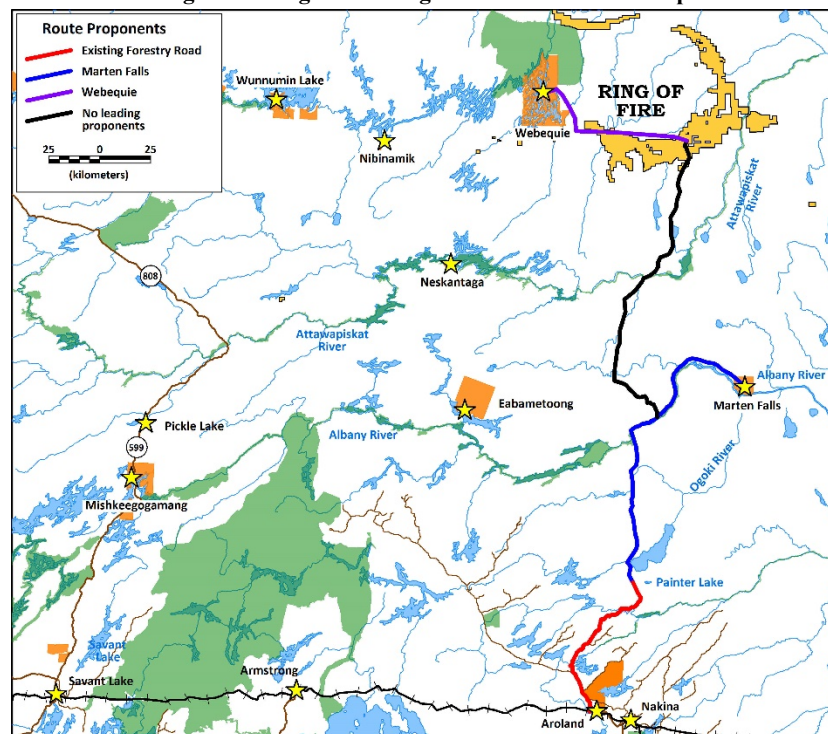
## SIGNIFICANT EVENTS

### Ring of Fire Development

On May 3, 2018, Marten Falls First Nation and Webequie First Nation signed voluntary agreements with the Ontario Minister of Environment and Climate Change to act as proponents for proposed roads in the Ring of Fire area. The Marten Falls First Nation (MFFN) road project has been split between two phases. Phase one is planned to extend from an existing forestry road, which starts from the provincial highway network at Nakina, Ontario and ends at Painter Lake, Ontario, north to the community of MFFN (see figure below). Phase two of the road project would extend north from the community of MFFN to the Ring of Fire. The Webequie First Nation (WFN) supply road is planned to extend from the Ring of Fire to the community of Webequie First Nation. The intent of the WFN road project is for community members to have access to the Ring of Fire and an all season highway network once phase two of the MFFN road running north-south connects to the Ring of Fire.

Two First Nation communities are acting as proponents on the North-South road network: MFFN for the section of road from the existing provincial road at Painter Lake across the Albany River and into their community; and WFN from the Ring of Fire to their community. Currently the section of road from the community of MFFN to the Ring of Fire does not have an established proponent, however, in anticipation of the proponent being established, MFFN has included baseline EA work on this section of the road within their EA process.

Figure 1: Ring of Fire Regional Infrastructure Map



Both WFN and MFFN are in discussions with the province of Ontario to establish the proponent of the proposed section of road north of the Albany River to the Ring of Fire. The Company anticipates that the proponent for this critical section of the road will be established in the second quarter of 2019.

During 2018, the forestry road which runs from Nakina, Ontario to Painter Lake, Ontario, which is intended to serve as the southern section of the North-South road to the Ring of Fire and Marten Falls First Nation, was upgraded as part of Ontario's Northern Highway's program.

Marten Falls First Nation announced in a press release dated November 22, 2018 that they have selected Aecom to complete their section of the Environmental Assessment and Webequie First Nation hired SNC Lavalin to lead their permitting work. The Company was pleased to see progress on Marten Falls First Nation and Webequie First Nations' road projects.

Subsequent to the year-end both WFN and MFFN filed their respective notice of commencement of the terms of reference for their road projects in accordance with Ontario requirements under the Environmental Assessment (EA) process. The terms of reference are a work plan that outlines how the environmental assessment will be completed including studies and consultation plans.

Noront Management is supporting both proponents by providing input and access to existing EA and engineering work that was previously completed by Noront or acquired in the Cliffs transaction of 2015. Noront estimates the completion of the EA process to be in late 2020 at which time construction activities could commence.

The Company is also advancing a pre-development agreement (the "PDA") with MFFN. The PDA will include reference to project advancement approaches and milestones and define the scope of the Impact Benefit Agreement (IBA). The Company plans to negotiate the IBA once road construction commences.

### **Ferrochrome Production Site**

In 2017, the Company invited certain Northern Ontario Communities to participate in a process to select the site of the Company's planned Ferrochrome Production Site. The Ferrochrome Production Site will upgrade chromite from the Company's chromite deposits in the Ring of Fire to sell initially into the North American Market. The Company envisions that the site will be expandable to allow for increased production to expand into the seaborne market once it has established itself in the North American Market.

On February 2, 2018 the Company received site proposals from Sault Ste. Marie, Sudbury, Thunder Bay and Timmins. The Company engaged Hatch, a Mississauga, Ontario-based engineering and consulting company to assist in adjudicating the bids.

On July 13, 2018 the Company reduced the choice of prospective locations for its proposed ferrochrome production facility to two Northern Ontario cities: Timmins and Sault Ste. Marie. Four communities participated in the bidding process which began in February 2018. The submissions were evaluated based on a comprehensive set of criteria determined by Noront and the engineering firm Hatch. Critical factors included environmental and site suitability, capital costs, operating costs and an assessment of community acceptance of hosting the facility.

The Company has met with the owners of both sites to begin discussions on the commercial terms of use. The Company has also further refined its evaluation and anticipates making a final decision in 2019.

### **Exploration**

#### ***McFaulds Property***

Throughout 2018 the Company continued its exploration focus on the McFaulds VMS property, completing nine diamond drill holes totaling 4,167m, 52 line-km of ground EM surveys and 30 line-km of ground gravity surveys (figure 2). Drilling focused on testing the up and down-dip continuity of the McFaulds No.8 deposit and testing the McFaulds No.9 and No.10 targets.

The most significant results of this work was a **26.4m intersection of massive sulfide grading 2.1% Cu, 3.4 % Zn, 5.5 g/t Ag and 0.2 g/t Au** from 707.3m depth downhole in hole MCF-18-98. The estimated true width of this intersection is approximately 20m and is located approximately 120m down-dip from the nearest intersection in MCF-18-96 which returned 8.5m of massive sulfide grading 1.9% Cu, 2.0% Zn, 6.2g/t Ag, 0.3g/t Au. The intersection in MCF-18-98 remains open at depth and represents the thickest accumulation of massive sulfides to date at McFaulds No.8, which has been intersected by six drill holes over a dip extent of 370m (figure 2). A summary of recent drill intersections is presented in Table 1.

Figure 2: McFaulds 2018 Work Areas

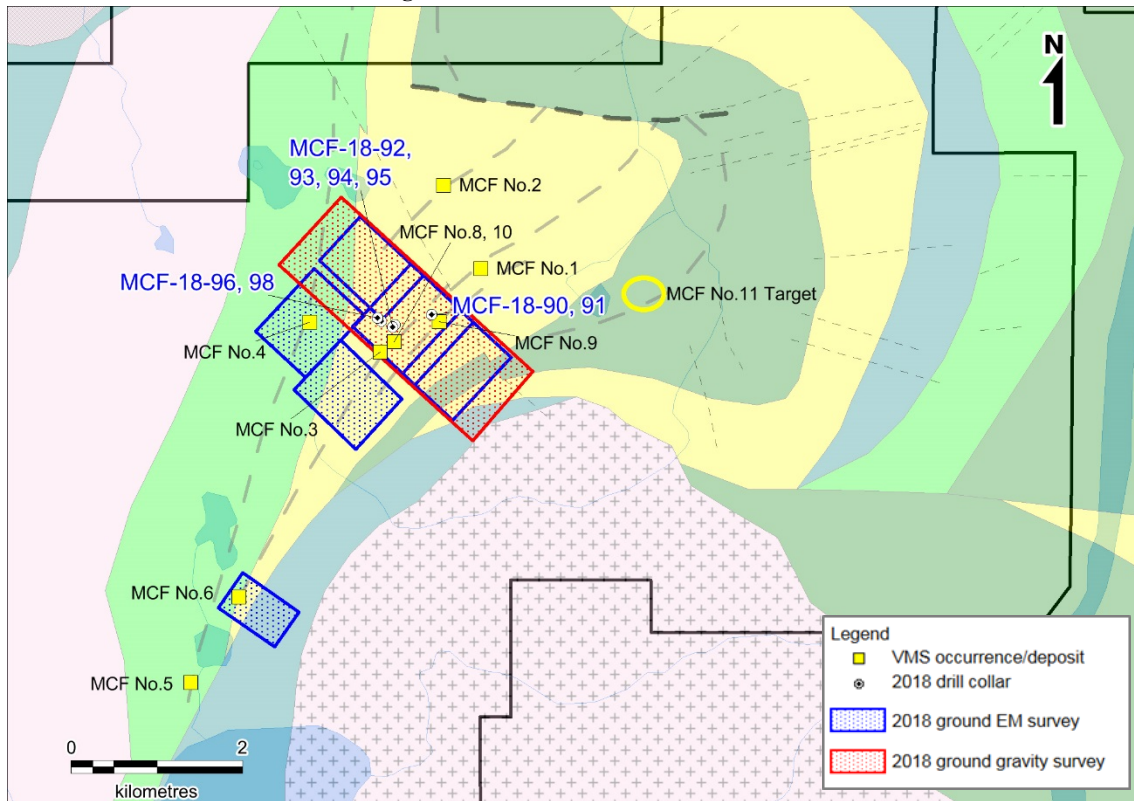


Table 1: Recent Drilling Highlights - McFaulds Property

Discovery	Hole	From (m)	To (m)	Width (m)	Cu (%)	Zn (%)	Ag (g/t)	Au (g/t)
MCF No.8	MCF-17-88	557.3	566.3	9.0	2.0	3.6	7.8	
	MCF-17-89	486.3	497.2	10.9	1.1	1.7	10.9	0.4
	MCF-18-92	447.9	454.6	6.7	1.3	5.9	10.3	0.5
	MCF-18-95	388.1	391.1	3.0	0.2	5.3	1.7	-
	MCF-18-96	614.0	622.5	8.5	1.9	2.0	6.2	0.3
	<b>MCF-18-98</b>	<b>707.3</b>	<b>733.8</b>	<b>26.4</b>	<b>2.1</b>	<b>3.4</b>	<b>5.5</b>	<b>0.2</b>
MCF No.9	MCF-18-90	267.6	276.0	8.4	0.2	0.1	2.0	nsv
	MCF-18-91	253.0	259.0	6.0	0.3	0.5	3.1	0.1
MCF No.10	MCF-18-92	401.0	401.5	0.5	nsv	25.7	3.0	-
	MCF-18-93	349.0	362.4	13.4	-	2.1	6.6	-
	MCF-18-94	387.0	409.0	22.0	-	1.6	8.1	-

The significant results of MCF-18-98, drilling on the McFaulds property in 2018 resulted in discovery of two additional VMS occurrences, McFaulds No. 9 and No.10.

McFaulds No. 9 was initially identified as a VTEM anomaly which was drilled by previous operators but failed to intersect the conductor. Borehole EM surveying of this hole by Noront in 2017 identified a significant off-hole conductor which was drilled in early 2018 with two shallow holes (MCF-18-90, 91). Both holes intersected narrow zones of pyrrhotite-rich massive to stringer sulfide mineralization with low grade copper-zinc values within intensely chlorite altered intermediate volcanic tuffs. While mineralization intersected to date at McFaulds No.9 is sub-economic, the presence of another VMS occurrence between McFaulds No.3 and No.1 attests to the fertility of this VMS horizon and warrants further work.

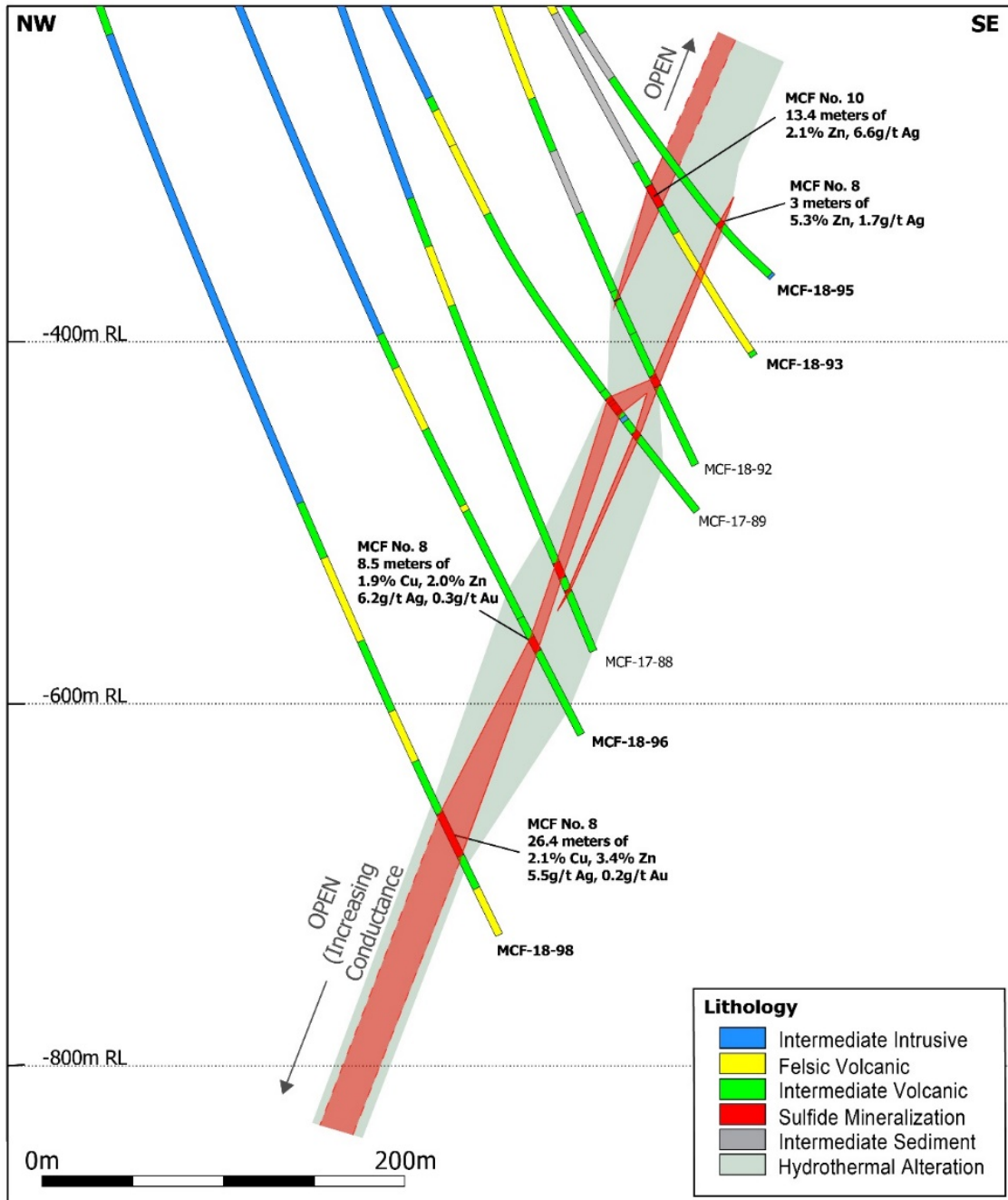
The McFaulds No.10 occurrence was discovered serendipitously while drilling the McFaulds No.8 deposit. Mineralization at McFaulds No.10 lies 50m stratigraphically above along the northeast edge of McFaulds No.8. Three holes to date have intersected wide zones of low grade zinc-silver mineralization within a broad package of chlorite-garnet altered intermediate to felsic volcanic tuffs. Highlights include 22.0m grading 1.6% Zn and 8.1 g/t Ag from 387m downhole in MCF-18-94. The zone consists of disseminations and thin bands of massive sphalerite. Copper mineralization is noticeably absent in these zones suggesting this is a more distal VMS signature relative to mineralization at McFaulds No. 8. Future exploration at McFaulds No. 10 will attempt to vector towards the heat source, and copper-rich portion of the hydrothermal system.

Ground EM surveying on the property in 2018 totaled 52 line-km covering the McFaulds No. 4, 3-south, 6, 8, and 9 VMS occurrences. The purpose of the surveys was to test for deep (>200m depth) sulfide mineralization along trend and in the footwall to known VMS mineralization which would be blind to past airborne EM surveys. Results of this work include a significant new conductor in the McFaulds No.4 grid measuring 125m wide x 300m deep with a conductance of 1,200 siemens which remains to be drill tested and a shallower weak (220 siemens) conductor measuring 100m x 100m identified in the footwall to McFaulds No.6. The ground EM surveys detected McFaulds No. 9, however, the McFaulds No. 8 deposit produced only a weak EM signal due to the vertical depth to its top (~350m) and the overwhelming signal of the nearby McFaulds No. 3 deposit which lies at surface and sits 175m in the hanging wall to McFaulds No.8.

Due to the challenges of defining McFaulds No.8 with surface EM, a ground gravity survey was performed in December 2018. The survey, spaced at 100m lines, covered 30 line-km over the McFaulds No. 8, 9 and 10 occurrences as well as over a large airborne gravity anomaly defined in the regional government survey. Preliminary results are encouraging and outline the McFaulds No. 3, 8 and 9 occurrences as well as numerous other gravity anomalies which remain to be tested.

Prioritization of these and other targets on the property is ongoing.

Figure 3: Cross-section of McFaulds No.8 &amp; No.10 VMS discoveries (looking northeast)



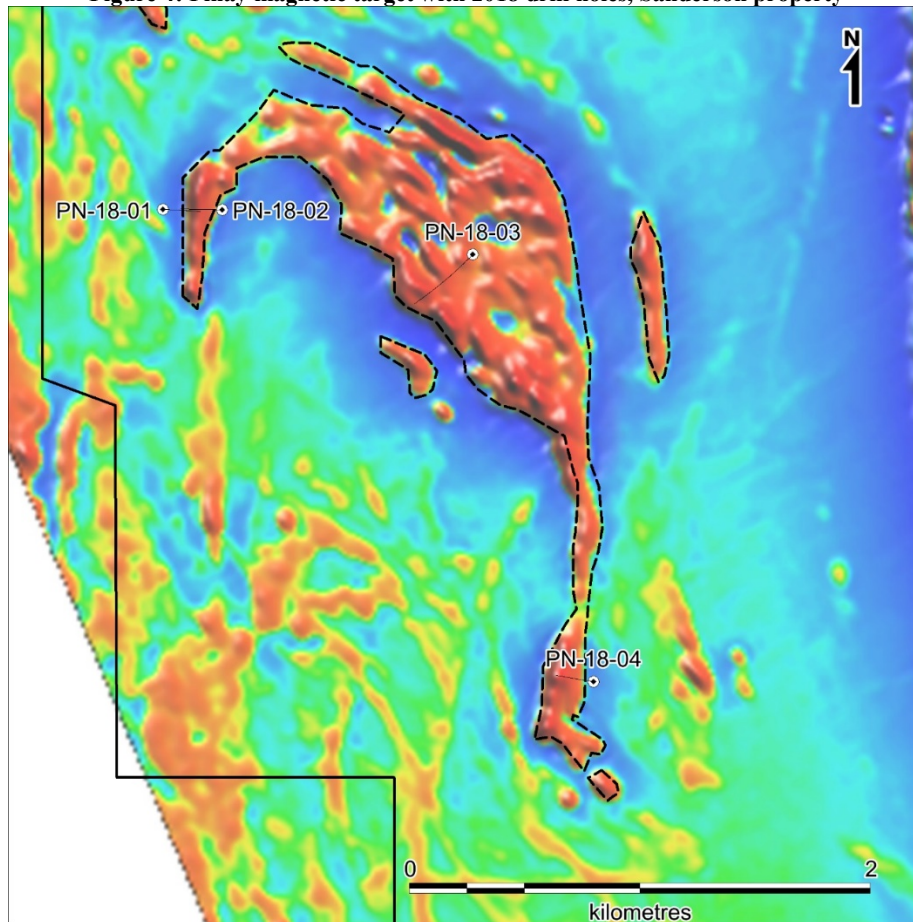
### **Sanderson Property**

The company executed a four-hole (1,351m) drill program on the Sanderson property over the Pinay Ni-Cu-PGE target in fall 2018. The objective of the program was to test the 4.5km long by 800m wide Pinay magnetic anomaly (figure 4) for the presence of ultramafic rocks which could host nickel-copper-PGE mineralization as at Eagle's Nest and the Black Thor Intrusive Complex. Drilling targeted the northern and southern limbs of the magnetic anomaly, believed to be possible feeder dykes, as well as the main body of the target. All four holes intersected intervals of strongly magnetic ferrogabbro to gabbro and locally pyroxenite, cut by numerous granitic dykes. Little to no sulfides were observed within ferrogabbroic rocks despite evidence of fractionation pulses in the main body. Iron-rich sulfides (pyrite-pyrrhotite) were observed in hole PN-18-03 within highly metamorphosed volcanic units at the base of the hole near the contact with the main intrusion but did not return any significant nickel-copper-PGE values. The magnetic signature of the Pinay target is explained as a layered ferrogabbroic body lacking in any significant primitive ultramafic rocks (i.e. dunite and peridotite)



as at Eagles Nest and Black Thor, and as such the Company has downgraded the nickel-copper prospectivity with no further work planned on the Pinay target.

**Figure 4: Pinay magnetic target with 2018 drill holes, Sanderson property**



#### ***Ring of Fire Regional Exploration***

In addition to the recent exploration success on the McFaulds VMS property and drilling of the Pinay target on the Sanderson property, Noront continues to advance its other properties in the RoF.

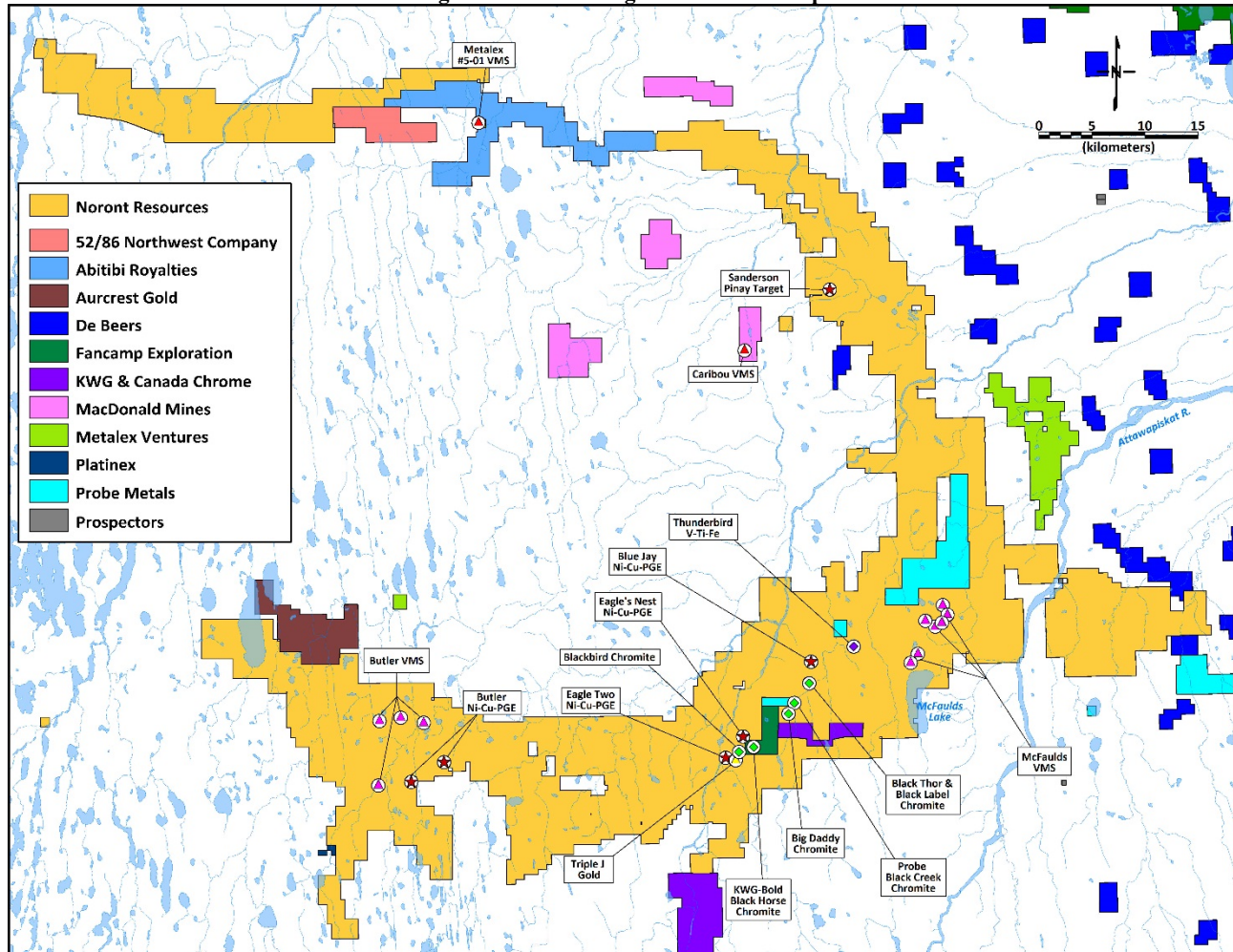
Ground work on the Butler property was initiated in summer 2018 to follow-up on the promising MMI soil sampling results of fall 2017. During the year one week was spent re-logging key drill holes throughout the property to better understand the volcanic stratigraphy, alteration and associated mineralization of the many VMS occurrences throughout the property followed up by one week of field mapping resulting in one-hundred and twenty-three documented outcrops on the property. Collectively, this data will be synthesized to update and improve our base geological map and understanding of the controls and styles of VMS mineralization on the property to better refine targets for future ground geophysical surveys and drilling. 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-kilometer trend of felsic volcanic rocks. Some of the more promising drill intersections to date include:

**Table 2: 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			

In the fall of 2017, the Company added significantly to its stable of exploration properties through staking of 150 claims (equivalent to 2,119 claim cells) bringing Noront's Ring of Fire land holdings to 8,332 claim cells totaling 155,764 hectares (figure 5). These properties cover geological structures in three principle target zones believed to be highly prospective for gold mineralization. Target Zone 1 covers a significant portion of the Webequie fault, a major shear zone which transects and dextrally displaces the northern margin of the Butler property and which shows early signs of gold endowment in lake sediment samples. Target Zone 2 covers a significant portion of the South Kenyan fault zone, a regional shear zone with significant displacement and attenuation of mixed sedimentary and volcanic lithologies, akin to major structural breaks observed in the Abitibi gold camp. Target Zone 4, which covers a younger sedimentary basin, the Tappan geological assemblage, which is presumed to lie in unconformable contact with older volcanic units of the Attawapiskat assemblage. The Tappan sedimentary assemblage displays evidence of tight folding of banded iron formation as interpreted by the Ontario Geological Survey in the airborne magnetic map of the area. The Company has outlined a staged regional exploration program to advance all three target zones for gold exploration and is actively searching for the right partner to advance these properties. To date, several interested parties have signed confidentiality agreements and made site visits to review data pertaining to Noront's gold targets.

Figure 5: Noront Ring of Fire Claim Map



There is a 2% GSR on any chromite production, except on the Black Thor deposit for which there is a 3% GSR 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 Significant Events

On April 9, 2018, the Company announced the closing of a private placement of 10,000,000 flow-through common shares at a price of \$0.42 per flow-through share for gross proceeds of \$4.2 million.

On November 23, 2018, the Company announced the closing of the final tranche of a private placement for combined gross proceeds of \$4.15 million. The offering was made up of 5,349,288 units at a price of \$0.295 per unit, for gross proceeds of \$1,578,040 and 7,688,433 flow-through common shares at a price of \$0.335 per flow-through common share for gross proceeds of \$2,575,625. Each unit was comprised of one common share in the capital of the Company and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one common share at a price of \$0.35 per share on or before November 5, 2020.

The proceeds from the flow-through offerings are being used to advance the Company's exploration program in the Ring of Fire.



Pursuant to the loan agreement entered into between Noront and RCF (a major shareholder and related party with a 20.5% ownership position in the Company), dated February 26, 2013, the Company has satisfied the payment of interest for each quarter of calendar 2018 by delivery of the following common shares of the Company (the "Interest Shares"):

- a) 1,214,981 Interest Shares to RCF on January 22, 2018, at an effective price of \$0.3104 per Interest Share.
- b) 1,022,457 Interest Shares to RCF on April 9, 2018 at an effective price of \$0.3785 per Interest Share.
- c) 1,071,207 Interest Shares to RCF on July 13, 2018, at an effective price of \$0.3678 per Interest Share.
- d) 1,250,775 Interest Shares to RCF on October 13, 2018, at an effective price of \$0.3096 per Interest Share.

## EAGLE'S NEST

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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 Consultants<sup>1</sup> 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](http://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 environmental assessment for the shared transportation corridor to the Ring of Fire formally commences with an approved terms of reference from 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 common shares of the Company; and
- a 1% NSR.

<sup>1</sup> 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 resources<sup>2</sup>:

Deposit	Classification	Tonnes (Millions)	Cr2O3 %
<b>Blackbird</b>	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
<b>Black Thor</b>	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
<b>Black Label</b>	Measured Resources	---	---
	Indicated Resources	5.40	25.30
	Meas. + Ind. Resources	5.40	25.30
	Inferred Resources	0.90	22.80
<b>Big Daddy</b>	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

**Notes:**

- (i) 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.
- (ii) 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.

The upgrading of chrome ore to ferrochrome is required to serve the North American market since there are no existing ferrochrome producers in North America. The Ferrochrome smelter is planned to be constructed at a brown-fields site in either Sault Ste. Marie or Timmins, Ontario. Management is currently finalizing its site selection with the objective of making a final decision, starting preliminary site layout work and community engagement in 2019.

The Company can increase chromite production by developing its Black Thor chromite project. This expansion would supply the sea borne market primarily in China and Europe and would be undertaken if market conditions are favourable. An analysis to expand the existing FPF would be completed at this time.

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.

<sup>2</sup> 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. Geo., of the Sibley Basin Group.

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

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The two McFauld's deposits are volcanogenic massive sulphide (VMS) type occurrences and are the centerpiece of a 71 claim 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 resources<sup>3</sup>:

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

**Notes:**

(i) 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.

## OTHER PROPERTIES

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### 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

<sup>3</sup> 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.

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 signed an amended option agreement with Cadillac Ventures Inc. during the year. Cadillac now has a 58% earned interest in the property.

### SELECTED FINANCIAL INFORMATION

The following financial data are derived from the Company's financial statements for the years ended December 31, 2018, December 31, 2017 and December 31, 2016 which have been prepared in accordance with IFRS:

(expressed in \$ thousands except per share amounts)	Year Ended		
	December 31,		
	2018	2017	2016
Development and exploration expenditures	7,123	6,802	6,133
Office and general	3,195	3,285	2,852
Amortization	300	337	391
Share-based compensation	1,153	1,002	814
Interest income	50	48	35
Finance expense	(4,432)	(4,199)	(4,257)
Gain on sale of mineral property	150	100	-
Gain on loan modification	3,648	-	-
Loss on loan extinguishment	-	-	(3,339)
Re-measurement of Repayment Options	1,621	98	6,952
Gain on sale of royalty	-	-	2,057
Accretion expense	(5,595)	(4,674)	(3,314)
Net loss	(19,886)	(15,722)	(9,980)
Cash and cash equivalents	5,569	6,722	11,480
Assets	32,967	34,108	39,215
Non-Current Liabilities	41,939	33,474	30,413
Working Capital <sup>(1)</sup>	(13,269)	(12,372)	(6,631)

<sup>(1)</sup> 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, 2018 Compared to Year Ended December 31, 2017**  
**Development and Exploration Expenditures**

(expressed in \$ thousands)	Year Ended	
	December 31,	
	2018	2017
Owner's cost	\$ 300	\$ 352
Camp operations and exploration expense	6,288	5,756
Community engagement & permitting	313	233
Engineering, staking & other	222	461
<b>Total</b>	<b>\$ 7,123</b>	<b>\$ 6,802</b>

***Owner's Costs***

Owner's costs consist of the Company's project personnel and consultants. In 2018, these costs were in line with the prior comparable year.

***Camp Operations & Exploration Expenditure***

During the year ended December 31, 2018, \$2.7 million was spent on camp operations in support of exploration activities and \$3.6 million was spent on direct exploration. This compared to \$2.4 million spent on camp operations and \$3.4 spent on exploration in the prior year. The Company's spending on direct exploration fluctuates based on the availability of flow-through financing during the year. The higher camp costs in the current year compared to the prior year reflect greater level of exploration activity and higher fuel costs.

***Permitting and Community Engagement***

Permitting expenses consists of costs related to environmental base line field work and First Nation community engagement. In 2018, costs were higher than the comparable year as the Company incurred costs for pre-development negotiations with our First Nation Partners and increased community engagement activities.

***Engineering, Staking & Other***

Engineering expenses in 2018 primarily consisted of costs associated with technical engineering, environmental baseline field work and gold staking activities. Engineering work was predominantly related to the Company's process to select a site for its ferrochrome processing facility.

***Office and General***

(expressed in \$ thousands)	Year Ended	
	December 31,	
	2018	2017
General administration	\$ 2,315	\$ 2,531
Professional fees	503	456
Communications and travel	377	298
<b>Total</b>	<b>\$ 3,195</b>	<b>\$ 3,285</b>

***General Administration***

General administration expenses were lower than the prior year due to lower rent, insurance and contractor 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.

For the year ended December 31, 2018, professional fees were higher due to increased services related to business development initiatives.

***Communications and travel***

For the year ended December 31, 2018, communications and travel costs were higher than the prior year due to increased business development activities.

***Finance Expense***

Finance expense consists of quarterly interest payments on the Company's loan facilities and other transaction costs. During year ended December 31, 2018, the Company satisfied the payment of interest of \$1.5 million on the RCF convertible loan by issuing 4,559,420 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 1,760,499 common shares of the Company.

During year ended December 31, 2017, 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 by issuing of 5,583,228 common shares of the Company.

For the year ended December 31, 2018 the company accrued \$3.0 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.

**Flow-Through Share Premium**

The flow-through share premium represents the premium on the flow-through shares paid by the investor which is recorded as income as the flow-through funds are spent. The change in the flow-through share premium for the year ended December 31, 2018 compared to the prior year is consistent with the exploration spend in the respective periods.

**Accretion Expense**

Accretion expense includes accretion of loan facilities and the provision for environmental obligations. For the year ended December 31, 2018, accretion expense consists primarily of accretion for the amended RCF loan of \$3.0 million and the Franco-Nevada loan of \$2.6 million.

**Share-Based Compensation**

For the year ended December 31, 2018, the Company incurred share-based compensation expense of \$1.2 million compared to \$1 million in the prior year. The increase in share-based compensation expense during the year is due to stock options granted to directors and employees which had a higher valuation than the prior year as a result of a higher company share price.

**Repayment Options**

During the year ended December 31, 2018, the increase in the re-measurement of the repayment options of the Convertible Loan was \$1.6 million, compared to an increase of \$0.1 million in the prior year. The value assigned to the Repayment Options fluctuates based on the Company's share price at the end of the year, the Company's underlying stock price volatility and the term to maturity of the underlying convertible debenture.

**Foreign Exchange Loss/Gain**

During the year ended December 31, 2018, the Company recorded an unrealized foreign exchange loss of \$4.5 million compared to a \$3.2 million unrealized foreign exchange gain in the prior year. The unrealized foreign exchange gain relates to the translation of the Company's loan facilities from a US dollar denominated currency to the Company's functional currency, the Canadian dollar. During the fourth quarter of 2018, the Canadian dollar weakened against the US dollar, resulting in the unrealized foreign exchange loss.

**SUMMARY OF CASH FLOWS**

(expressed in \$ thousands)	Year Ended	
	December 31,	
	2018	2017
Cash used in operating activities	\$ (9,426)	\$ (9,467)
Cash provided by (used in) investing activities	(11)	50
Cash provided by financing activities	8,274	4,660
	\$ (1,162)	\$ (4,757)

**Operating Activities**

For the year ended December 31, 2018, the Company had a cash outflow from operations of \$9.4 million compared to a cash outflow of \$9.5 million in the prior year.

**Investing Activities**

For the year ended December 31, 2018, the Company had cash outflows of \$0.01 million resulting from proceeds from the sale of mineral properties related to the Burnt Hill Project. The Company entered into an amended option agreement with Cadillac Ventures Inc. which included staged property payments to earn their interest. This was offset by a cash outflow for the purchase of camp equipment. For the year ended December 31, 2017, the Company had cash inflows of \$0.05 million due to the proceeds from the sale of mineral properties related to the Burnt Hill Project Amended Option Agreement with Cadillac Ventures Inc.

**Financing Activities**

For the year ended December 31, 2018, cash was provided by the issuance of flow-through shares and a private placement offering in the amount of \$8.4 million, net of transaction costs. \$0.9 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 and warrants in the amount of \$1.4 million.

For the year ended December 31, 2017, cash was provided by the issuance of flow-through shares and a private placement offering in the amount of \$4.8 million, net of transaction costs. \$0.7 million of the net financing proceeds was related to the sale of tax benefits associated with the issuance of flow-through shares and was presented in operating activities. Cash was also provided from the exercise of stock options in the amount of \$0.6 million.

**SUMMARY OF QUARTERLY RESULTS AND REVIEW OF THREE MONTHS ENDED DECEMBER 31, 2018**

(expressed in \$ thousands except per share amounts)	2018	2018	2018	2018	2017	2017	2017	2017
	Oct-Dec	Jul-Sept	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Expenses	5,049	5,663	5,008	6,078	4,842	5,046	4,610	5,801
Gain on sale of mineral property	-	-	2	150	-	100	-	-
Gain on loan modification	1,866	-	1,783	-	-	-	-	-
Re-measurement of repayment options	677	2,140	(26)	(1,170)	(950)	3,112	(3,012)	948
Foreign exchange gain (loss)	(2,899)	922	(1,157)	(1,387)	(227)	1,872	1,186	411
Net income (loss)	(5,239)	(2,329)	(4,237)	(8,081)	(5,721)	287	(6,283)	(4,005)
Net earnings (loss) per share – basic	(0.02)	(0.01)	(0.01)	(0.02)	(0.01)	-	(0.02)	(0.01)
Net earnings (loss) per share – diluted	(0.02)	(0.01)	(0.01)	(0.02)	(0.01)	-	(0.02)	(0.01)
Cash and cash equivalents	5,569	3,987	6,350	4,477	6,722	8,345	6,689	8,684
Working Capital <sup>(1)</sup>	(13,269)	(15,372)	(12,095)	(15,200)	(12,372)	(10,545)	(11,959)	(10,027)
Assets	32,967	31,531	34,015	32,405	34,108	35,646	34,067	36,255
Long-term Liabilities	41,939	38,435	37,706	35,623	33,474	31,851	31,851	31,329

<sup>(1)</sup> 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. On October 4, 2017 the Convertible Loan was extended to June 30, 2018, on June 25, 2018, the Convertible Loan was extended to January 31, 2019 and prior to December 31, 2018, the Convertible Loan was further extended to September 30, 2019.

## **LIQUIDITY AND CAPITAL RESOURCES**

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The Company's cash position (cash and cash equivalents) at December 31, 2018 was \$5.6 million compared to \$6.7 million as at December 31, 2017.

At December 31, 2018, the Company had not yet achieved profitable operations, had an accumulated deficit of \$279.8 million since inception (December 31, 2017 – \$260.9 million), expects to incur further losses in the development of its business, and has net working capital deficit of \$13.3 million (December 31, 2017 – negative net working capital of \$12.4 million). Net working capital includes all current assets and current liabilities, excluding the non-cash repayment option and the flow-through share liability. At December 31, 2018 and December 31, 2017, the Company had negative working capital as a result of the RCF loan being classified as current.

On June 25, 2018 the Company entered into a fourth amending agreement with RCF to extend the terms of its existing US\$15.0 million loan. The maturity date of the loan was extended to January 31, 2019. By December 31, 2018, the Company had agreed the material terms of a loan extension to September 30, 2019. The fifth amending agreement with RCF to extend the terms of its existing US\$15.0 million loan was finalized on January 31, 2019. The maturity date of the loan has been extended to September 30, 2019. All other terms and conditions of the Convertible Loan remain the same. The Company's expectation is that RCF will either convert the debt to equity or extend the term of the convertible debenture prior to September 30, 2019.

On April 9, 2018, the Company completed a private placement of 10 million flow-through shares for gross proceeds of \$4.2 million which funded the Company's exploration program in the Ring of Fire.

On November 6<sup>th</sup>, 2018 and November 23<sup>rd</sup>, 2018, the Company completed private placement financings for gross proceeds of \$4.15 million of which \$1.58 million was for working capital purposes and \$2.57 million was raised through the issuance of flow-through shares to fund the Company's exploration program in the Ring of Fire.

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

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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	1,210	246	488	353	123
Provision for Environmental Expenditure	2,257	-	-	-	2,257
Debt Agreements with Related Party	20,463	20,463	-	-	-
Long Term Debt	47,993	-	47,993	-	-
<b>Total Contractual Obligations</b>	<b>71,923</b>	<b>20,709</b>	<b>48,481</b>	<b>353</b>	<b>2,380</b>

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, 2018 to spend \$2.6 million on flow-through eligible exploration expenditures by December 31, 2019.

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, 2018, the amount of this contingent liability is approximately \$250,000.

## DISCLOSURE CONTROLS AND PROCEDURES

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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 annual 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 annual filings; and
- (ii) the annual financial statements together with the other financial information included in the annual 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 annual 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**

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### **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.

## **CHANGES IN ACCOUNTING POLICIES**

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IFRS 9, Financial Instruments ("IFRS 9") addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and introduces 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 ("IAS 39").

The adoption of IFRS 9 on January 1, 2018 resulted in changes in the accounting policies and adjustments to the amounts recognized in the financial statements. The reclassifications and adjustments are recognized in the opening balance sheet as at January 1, 2018 as summarized below.

IFRS 9 introduces a change in the accounting for amendments of financial liabilities and this resulted in an adjustment to the carrying value of the Company's Loan Facility – due to Resource Capital Funds V L.P. ("RCF"). The amendment of this loan facility in October 2017 was a non-substantial modification under both IAS 39 and IFRS 9. Under IAS 39, there was no amount recorded in the statement of loss and comprehensive loss on the date of the amendment; however, under IFRS 9, when a financial liability at amortized cost is modified and such modification does not result in de-recognition, the carrying value of the financial liability is adjusted to reflect the amended cash flows discounted at the original effective interest rate. On adoption of IFRS 9, the Company recorded an adjustment to reduce the carrying value of the Loan Facility – due to RCF by \$0.9 million, with a corresponding reduction in Deficit.

The Company has made an irrevocable election available under IFRS 9 to continue to classify its long-term investments in equity securities at fair value through other comprehensive income ("FVOCI") because these investments are held as strategic investments that are not expected to be sold in the short term. This election is available on an instrument-by-instrument basis. Previously these investments were classified as available-for-sale under IAS 39. Changes in the fair value of these investments are recognized in other comprehensive income (loss). No adjustments were required on adoption of IFRS 9 and there was no impact on net and comprehensive loss for the three-month and nine-month periods ended September 30, 2018.

IFRS 9 applies an expected credit loss model to evaluate financial assets for impairment, rather than an incurred loss model previously applied under IAS 39. The Company's financial assets which are subject to credit risk are cash and cash equivalents. Application of the expected credit loss model at the date of adoption did not have a significant impact on the Company's financial assets because the Company determined that the expected credit losses on its financial assets were nominal. There were no impairment losses recorded on financial assets during the nine months ended September 30, 2018.

Except as noted above, the adoption of IFRS 9 did not result in changes in the carrying values of the Company's financial instruments on January 1, 2018.

Financial assets and financial liabilities are recognized on the Company's statement of financial position when the Company has become a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. The Company's financial instruments consist of cash and cash equivalents, investments, accounts payables and accrued liabilities, and loan facilities and the related repayment option. Financial instruments are recognized initially at fair value.

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 lease amounts are recognized by the lessee. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect the accounting for the Company's operating leases. The Company's non-cancellable operating lease commitments as at December 31, 2018 are disclosed in Note 15. The Company is currently identifying and collecting data relating to existing agreements that will extend beyond January 1, 2019, that may contain right-of-use assets and is evaluating the effect the standard will have on its consolidated financial statements.

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.

## **RISKS AND UNCERTAINTIES**

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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](http://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, 2018, the Company had 380,137,261 common shares outstanding, 20,428,722 stock options outstanding with a weighted average exercise price of \$0.31 expiring between 2017 and 2024, 3,000,000 Performance Share Units with an expected life between 2 and 5 years and 665,483 Restricted Share Units with an expected life of 1 year. 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

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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 may 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**

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As at April 10, 2019

Authorized	Unlimited
Issued and outstanding shares	381,585,322
Options outstanding	20,428,722
Warrants	27,612,966
Performance Share Units outstanding	3,000,000
Restricted Share Units outstanding	665,483
Convertible Debt	60,185,294
Fully diluted	493,477,787

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**ADDITIONAL INFORMATION**

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Additional information relating to Noront is available on the Internet at the SEDAR website [www.sedar.com](http://www.sedar.com), and is available on the Company's website located at [www.norontresources.com](http://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**



## *Independent auditor's report*

To the Shareholders of Noront Resources Ltd.

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### *Our opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Noront Resources Ltd. and its subsidiaries (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

#### **What we have audited**

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of loss and other comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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### *Basis for opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

#### **Independence**

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### *Material uncertainty related to going concern*

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 may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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*PricewaterhouseCoopers LLP*  
*PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2*  
*T: +1 416 863 1133, F: +1 416 365 8215*



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### *Other information*

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### *Responsibilities of management and those charged with governance for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

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

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

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### *Auditor's responsibilities for the audit of the consolidated financial statements*

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:



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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Marelize Barber.

**(Signed) "PricewaterhouseCoopers LLP"**

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario  
April 10, 2019

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

	Note	As at December 31, 2018	As at December 31, 2017
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	\$ 5,569,465	\$ 6,721,808
Taxes and other receivables		99,806	60,993
Supplies inventory		223,558	82,679
Prepaid expenses		101,776	106,556
<b>Total Current Assets</b>		<b>\$ 5,994,605</b>	<b>\$ 6,972,036</b>
<b>Non-Current Assets</b>			
Equipment	7	1,189,086	1,427,783
Mineral properties	8	25,418,065	25,418,065
Investments		365,600	290,600
<b>Total Non-Current Assets</b>		<b>\$ 26,972,751</b>	<b>\$ 27,136,448</b>
<b>Total Assets</b>		<b>\$ 32,967,356</b>	<b>\$ 34,108,484</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	9	\$ 1,128,832	\$ 1,051,455
Loan Facilities - due to Resource Capital Funds V L.P.	10a	18,135,019	18,292,595
Repayment option	10c	424,920	2,046,359
Flow-through share liability		423,514	463,426
<b>Total Current Liabilities</b>		<b>\$ 20,112,285</b>	<b>\$ 21,853,835</b>
<b>Non-Current Liabilities</b>			
Provision for environmental obligations	11	1,867,054	1,852,310
Loan Facilities - due to Franco-Nevada Corporation	10b	40,071,502	31,622,186
<b>Total Non-Current Liabilities</b>		<b>\$ 41,938,556</b>	<b>\$ 33,474,496</b>
<b>Total Liabilities</b>		<b>\$ 62,050,841</b>	<b>\$ 55,328,331</b>
<b>Shareholders' Deficit</b>			
Capital stock	12b	\$ 211,671,420	\$ 201,181,223
Warrants	12d	2,402,290	2,205,734
Contributed surplus		36,669,673	36,279,458
Deficit		(279,826,868)	(260,886,262)
<b>Total Shareholders' Deficit</b>		<b>\$ (29,083,485)</b>	<b>\$ (21,219,847)</b>
<b>Total Shareholders' Deficit and Liabilities</b>		<b>\$ 32,967,356</b>	<b>\$ 34,108,484</b>

Nature of Business and Going Concern (Note 1)

Commitments and Contingencies (Note 15)

Subsequent Events (Note 18)

Approved on behalf of the Board of Directors:

(Signed) "Paul Parisotto"  
Director

(Signed) "John Pollesel"  
Director



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

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

	Note	Year Ended	
		December 31, 2018	December 31, 2017
<b>Expenses</b>			
Development and exploration expenditures	17a	\$ 7,123,248	\$ 6,801,721
Office and general	17b	3,195,109	3,285,004
Amortization		300,359	336,957
Share-based compensation	12c, e	1,152,547	1,002,145
Loss before finance items and other gains		\$ (11,771,263)	\$ (11,425,827)
Interest income and other income		50,411	48,430
Finance expense		(4,431,708)	(4,198,792)
Flow-through share premium		962,777	1,088,961
Gain on loan modification	10a(i)	3,648,477	-
Gain on sale of mineral property		150,000	100,000
Accretion expense		(5,595,478)	(4,674,342)
Re-measurement of repayment option	10c	1,621,439	98,012
Foreign exchange gain (loss)		(4,520,821)	3,241,557
<b>Net loss and Other Comprehensive Loss</b>		<b>\$ (19,886,166)</b>	<b>\$ (15,722,001)</b>
<b>Loss per share - basic and diluted</b>	<b>14</b>	<b>\$ (0.06)</b>	<b>\$ (0.05)</b>



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

Noront Resources Ltd.  
Consolidated Statements of Changes in Equity  
(Expressed in Canadian dollars, unless otherwise indicated)

	Common Shares	Capital Stock	Warrants	Contributed Surplus	Deficit	Total
<b>Balance, December 31, 2016</b>	<b>324,392,693</b>	<b>\$ 194,758,699</b>	<b>\$ 2,334,489</b>	<b>\$ 35,343,243</b>	<b>\$ (245,164,261)</b>	<b>\$ (12,727,830)</b>
Issuance of interest shares	5,583,228	1,567,740				1,567,740
Issue of shares	12,856,381	4,084,106				4,084,106
Share-based compensation				1,002,145		1,002,145
Exercise of options	1,500,000	497,000		\$ (172,000)		325,000
Exercise of warrants	729,359	273,678	\$ (22,685)			250,993
Expiry of warrants			\$ (106,070)	\$ 106,070		-
Net loss for the period					(15,722,001)	(15,722,001)
<b>Balance, December 31, 2017</b>	<b>345,061,661</b>	<b>\$ 201,181,223</b>	<b>\$ 2,205,734</b>	<b>\$ 36,279,458</b>	<b>\$ (260,886,262)</b>	<b>\$ (21,219,847)</b>

	Common Shares	Capital Stock	Warrants	Contributed Surplus	Deficit	Total
<b>Balance, December 31, 2017</b>	<b>345,061,661</b>	<b>\$ 201,181,223</b>	<b>\$ 2,205,734</b>	<b>\$ 36,279,458</b>	<b>\$ (260,886,262)</b>	<b>\$ (21,219,847)</b>
IFRS 9 adjustment (Note 3a)					945,560	945,560
<b>Restated balance, January 1, 2018</b>					<b>\$ (259,940,702)</b>	<b>\$ (20,274,287)</b>
Issuance of interest shares (Note 10,12b)	4,559,420	1,545,360				1,545,360
Issuance of shares	5,771,510	1,683,040				1,683,040
Issuance of warrants			196,586	(196,586)		
Share-based compensation (Note 12c,e)				1,152,547		1,152,547
Exercise of RSU	334,517	83,629		(83,629)		-
Exercise of options	4,103,334	1,393,017		(482,117)		910,900
Exercise of warrants	500	230	(30)			200
Issuance of Flow Through Shares	18,545,820	5,784,921				5,784,921
Net loss for the period					(19,886,166)	(19,886,166)
<b>Balance, December 31, 2018</b>	<b>378,376,762</b>	<b>\$ 211,671,420</b>	<b>\$ 2,402,290</b>	<b>\$ 36,669,673</b>	<b>\$ (279,826,868)</b>	<b>\$ (29,083,485)</b>



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



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

	Note	Year Ended	
		December 31, 2018	December 31, 2017
<b>Operating activities</b>			
Net loss for the year		\$ (19,886,166)	\$ (15,722,001)
Amortization		300,359	336,957
Share-based compensation	12c, e	1,152,547	1,002,145
Accretion expense		5,595,478	4,674,342
Flow-through share premium		(962,777)	(1,088,961)
Issuance of interest shares		1,545,360	1,567,740
Re-measurement of repayment option		(1,621,439)	(98,012)
Issuance of shares (non-cash)		105,000	-
Accrued interest on long term debt	10b	2,803,114	2,617,618
Gain on loan modification	10a(i)	(3,648,477)	-
Gain on sale of mineral property		(150,000)	(100,000)
Unrealized foreign exchange (gain) loss		4,516,065	(3,244,729)
Net change in non-cash working capital:			
Taxes and other receivables		(38,813)	68,767
Supplies inventory		(140,879)	144,199
Prepaid expenses		4,780	(1,922)
Accounts payable and accrued liabilities		77,377	(362,389)
Flow-through share proceeds on sale of tax benefits		922,864	739,120
Net cash used in operating activities		\$ (9,425,607)	\$ (9,467,126)
<b>Investing activities</b>			
Acquisition of equipment		(85,859)	-
Proceeds on sale of mineral properties		75,000	50,000
Net cash provided by (used in) investing activities		\$ (10,859)	\$ 50,000
<b>Financing activities</b>			
Private placement, net of costs and sale of tax benefits		7,362,961	4,084,106
Proceeds from exercise of options		910,900	325,000
Proceeds from exercise of warrants		200	250,993
Net cash provided by financing activities		\$ 8,274,061	\$ 4,660,099
<b>Change in cash and cash equivalents</b>		\$ (1,162,405)	\$ (4,757,027)
Effect of foreign exchange rates on cash and cash equivalents		10,062	(1,242)
<b>Cash and cash equivalents, beginning of period</b>		<b>6,721,808</b>	<b>11,480,077</b>
<b>Cash and cash equivalents, end of period</b>		<b>\$ 5,569,465</b>	<b>\$ 6,721,808</b>



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

Noront Resources Ltd.  
 Notes to the Consolidated Financial Statements  
 (Expressed in Canadian dollars, unless otherwise noted)  
 For the year ended December 31, 2018

## 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 212 King Street West, Suite 501, Toronto, ON, Canada, M5H 1K5.

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 ("IASB") on a going concern basis, which assumes the Company will be able to meet its obligations and continue its operations for the next twelve months from December 31, 2018. At December 31, 2018, the Company had not yet achieved profitable operations, had an accumulated deficit of \$279.8 million since inception (December 31, 2017, – \$260.9 million), expects to incur further losses in the development of its business, and had a net working capital deficit of \$13.3 million as a result of the \$18.1 million convertible loan facility (US\$13.3 million). Net working capital includes all current assets and current liabilities, excluding the non-cash repayment option of \$0.4 million and the flow-through share liability of \$0.4 million. Included in accounts payable and accrued liabilities is \$0.7 million of current liabilities which will be settled in cash.

By December 31, 2018, the Company negotiated an extension on the terms of its convertible loan facility. The maturity date has been extended to September 30, 2019 with all other terms and conditions remaining the same. The Company will need to raise funds, negotiate an extension on the terms of its convertible loan facility or the holder has to convert the loan to equity as the Company does not have the cash nor cash flow to repay the facility. At December 31, 2018 the Company also has a flow-through commitment to spend \$2.6 million on Canadian Exploration Expenditures by December 31, 2019.

The Company's ability to continue as a going concern is dependent upon its ability to repay or refinance its short term and long term debt facilities and obtain the necessary financing to meet its ongoing corporate overhead expenditures as well as advance the exploration of its claims and development of its projects in the ROF. Although the Company has been successful in the past in refinancing its debt and obtaining equity 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, 2019.

Noront Resources Ltd.  
 Notes to the Consolidated Financial Statements  
 (Expressed in Canadian dollars, unless otherwise noted)  
 For the year ended December 31, 2018

### 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. The consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency. Transactions in currencies other than the Canadian dollar are translated at rates of exchange at the time of the transactions as follows:

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

#### c) Cash and Cash Equivalents

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

#### d) Financial Instruments

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

The Company has measured its cash and cash equivalents 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 financial assets at fair value through other comprehensive income ("FVOCI") and are measured at fair value. Fair value is based on the market values of comparable companies, if such information is readily available, or by reference to recent transactions involving assets held by a comparable Company with adjustments for differences in mineral resources for the assets.

The three levels of fair value hierarchy are:

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

The repayment option is measured at fair value and classified as Level 2 (Note 11c).

Investments are classified as Level 3.

Financial liabilities classified as other financial liabilities are initially recognized at fair value net of transaction costs and are subsequently measured at amortized cost using the effective interest rate method. Accounts payable and accrued liabilities and the loan facilities are classified as other financial liabilities. Other financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date. The carrying value of the Company's accounts payable and accrued liabilities and loan facilities with Resource Capital Funds V L.P. ("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.

Noront Resources Ltd.  
Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise noted)  
For the year ended December 31, 2018

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

**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%.

**g) 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

**h) 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 the Consolidated Financial Statements  
 (Expressed in Canadian dollars, unless otherwise noted)  
 For the year ended December 31, 2018

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

**i) 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.

**j) 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.

**k) 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.

**l) 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.

**m) 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.



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

**n) 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.

**o) 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.

**p) 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.

**q) 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.



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

**r) New and Amended Standards Adopted by the Company**

The following accounting standard was adopted by the Company as of January 1, 2018. The Company adopted the standard on a retrospective basis; however, in accordance with the transitional provisions in IFRS 9, comparative periods were not restated. The impact of the adoption of the new standard and the new accounting policies are disclosed below.

**IFRS 9 Financial Instruments**

IFRS 9, Financial Instruments ("IFRS 9") addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and introduces 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 ("IAS 39").

The adoption of IFRS 9 on January 1, 2018 resulted in changes in the accounting policies and adjustments to the amounts recognized in the financial statements. The reclassifications and adjustments are recognized in the opening balance sheet as at January 1, 2018 as summarized below.

- IFRS 9 introduces a change in the accounting for amendments of financial liabilities and this resulted in an adjustment to the carrying value of the Company's Loan Facility – due to Resource Capital Funds V L.P. ("RCF"). The amendment of this loan facility in October 2017 was a non-substantial modification under both IAS 39 and IFRS 9. Under IAS 39, there was no amount recorded in the statement of loss and comprehensive loss on the date of the amendment; however, under IFRS 9, when a financial liability at amortized cost is modified and such modification does not result in de-recognition, the carrying value of the financial liability is adjusted to reflect the amended cash flows discounted at the original effective interest rate. On adoption of IFRS 9, the Company recorded an adjustment to reduce the carrying value of the Loan Facility – due to RCF by \$0.9 million, with a corresponding reduction in Deficit.
- The Company has made an irrevocable election available under IFRS 9 to continue to classify its long-term investments in equity securities at fair value through other comprehensive income ("FVOCI") because these investments are held as strategic investments that are not expected to be sold in the short term. This election is available on an instrument-by-instrument basis. Previously these investments were classified as available-for-sale under IAS 39. Changes in the fair value of these investments are recognized in other comprehensive income (loss). No adjustments were required on adoption of IFRS 9 and there was no impact on net and comprehensive loss for the three-month and nine-month periods ended September 30, 2018.
- IFRS 9 applies an expected credit loss model to evaluate financial assets for impairment, rather than an incurred loss model previously applied under IAS 39. The Company's financial assets which are subject to credit risk are cash and cash equivalents. Application of the expected credit loss model at the date of adoption did not have a significant impact on the Company's financial assets because the Company determined that the expected credit losses on its financial assets were nominal. There were no impairment losses recorded on financial assets during the nine months ended September 30, 2018.

Except as noted above, the adoption of IFRS 9 did not result in changes in the carrying values of the Company's financial instruments on January 1, 2018.

Financial assets and financial liabilities are recognized on the Company's statement of financial position when the Company has become a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. The Company's financial instruments consist of cash and cash equivalents, investments, accounts payables and accrued liabilities, and loan facilities and the related repayment option. Financial instruments are recognized initially at fair value.



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

**r) New and Amended Standards Adopted by the Company (Continued)**

**IFRS 9 Financial Instruments**

IFRS 9 includes a revised model for classifying financial assets, which results in classification according to a financial instrument's contractual cash flow characteristics and the business models under which they are held. Under the IFRS 9 model for classification the Company has classified its financial assets as described below.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are recorded at amortized cost using the effective interest method. The carrying value of these instruments approximates their fair values due to their short-term nature.

(ii) Investments

Investments comprise equity interests in publicly-traded entities.

The Company's equity investments are held for strategic purposes and not for trading. Upon adoption of IFRS 9, the Company made an irrevocable election to designate these investments in common shares at FVOCI. FVOCI investments are recognized initially at fair value. Subsequent to initial recognition, FVOCI investments are measured at fair value and changes in the fair value are recognized directly in other comprehensive income (loss). When an equity investment at FVOCI is sold, the accumulated gains or losses are reclassified from accumulated other comprehensive income (loss) directly to deficit. Previously under IAS 39, these equity investments were classified as available-for-sale financial assets.

The fair value of certain of the Company's investments do not trade in an active market. Fair value for these investments 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 the 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

Investments are classified as Level 1 and Level 3.

(iii) Financial liabilities

Except for the Repayment option on the Loan Facility due to RCF, financial liabilities are classified as financial liabilities to be subsequently measured at amortized cost using the effective interest method.

The Repayment option is an embedded derivative that has been separated from the host Loan Facility – due to RCF and recorded as a derivative liability measured at fair value through profit or loss. The fair value of the Repayment option is a Level 2 fair value measurement. Refer to further details in Note 8(c).





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

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

**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 lease amounts are recognized by the lessee. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect the accounting for the Company's operating leases. The Company's non-cancellable operating lease commitments as at December 31, 2018 are disclosed in Note 15. The Company is currently identifying and collecting data relating to existing agreements that will extend beyond January 1, 2019, that may contain right-of-use assets and is evaluating the effect the standard will have on its consolidated financial statements.

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.

**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 obligations. 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 obligation, 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.



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

**t) Critical Accounting Estimates and Judgments**

Stock Options, 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 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 10c for further information on the Repayment Option.

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 10(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 in 2015 is accounted for in these consolidated financial statements as an asset acquisition since the process and output elements of a business combination were not present at the acquisition date. The acquired assets are recorded at fair value on the acquisition date.

**4. Capital Management**

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

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



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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 alternative 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, 2018. 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 8). 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, 2018, the Company had cash and cash equivalents and taxes receivable balances of \$5,669,271 (December 31, 2017 - \$6,782,801) to settle current liabilities of \$20,112,285 (December 31, 2017 - \$21,853,835) which includes a loan facility of \$18,135,019 and a repayment option of \$424,920. The Company also has a flow-through commitment to spend \$2.6 million on Canadian Exploration Expenditures by December 31, 2019 which will be fulfilled using existing cash.

The loan facility is convertible into equity with a conversion price of \$0.34 per share at the option of RCF anytime prior to September 30, 2019. 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).

#### 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.



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ii) Foreign Currency Risk

The Company is exposed to foreign currency risk as a result of its loan facilities 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.

ii) Foreign Currency Risk (Continued)

At December 31, 2018, the Company had monetary assets and liabilities denominated in U.S. dollars as follows:

	December 31, 2018	December 31, 2017
Cash	US \$ 91,719	\$ 14,072
Loan Facilities	US (42,667,146)	(39,789,961)
	<b>US \$ (42,575,427)</b>	<b>\$ (39,775,889)</b>

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.

c) **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 \$0.6 million for the year ended December 31, 2018 (December 31, 2017 - \$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, 2018, 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. Cash and Cash Equivalents**

Cash and cash equivalents consist of:	December 31, 2018	December 31, 2017
Cash deposits and restricted cash	\$ 5,467,526	\$ 6,621,299
Guaranteed investment certificate	101,939	100,509
	<b>\$ 5,569,465</b>	<b>\$ 6,721,808</b>

Restricted cash consists of \$20,594, which is money held in trust for third party donations to First Nation communities (December 31, 2017 - \$51,435).

**7. Equipment**

December 31, 2018	Equipment	Furniture & Fixtures	Leasehold Improvements	Total
Cost	\$ 4,865,605	\$ 115,027	\$ 200,287	\$ 5,180,919
Accumulated Amortization	(3,698,457)	(104,254)	(189,122)	(3,991,833)
Closing Net Book Value	\$ 1,167,148	\$ 10,773	\$ 11,165	\$ 1,189,086
Opening Net Book Value	\$ 1,400,921	\$ 13,191	\$ 13,671	\$ 1,427,783
Additions	85,859	-	-	85,859
Re-measurement of provision <sup>1</sup>	(24,197)	-	-	(24,197)
Amortization	(295,435)	(2,418)	(2,506)	(300,359)
Closing Net Book Value	\$ 1,167,148	\$ 10,773	\$ 11,165	\$ 1,189,086
December 31, 2017	Equipment	Furniture & Fixtures	Leasehold Improvements	Total
Cost	\$ 4,825,892	\$ 115,027	\$ 200,287	\$ 5,141,206
Accumulated Amortization	(3,424,971)	(101,836)	(186,616)	(3,713,423)
Closing Net Book Value	\$ 1,400,921	\$ 13,191	\$ 13,671	\$ 1,427,783
Opening Net Book Value	\$ 1,581,115	\$ 16,489	\$ 17,088	\$ 1,614,692
Re-measurement of provision	150,048	-	-	150,048
Amortization	(330,242)	(3,298)	(3,417)	(336,957)
Closing Net Book Value	\$ 1,400,921	\$ 13,191	\$ 13,671	\$ 1,427,783

<sup>1</sup>A re-measurement of the McFauld's Lake and Butler Lake property asset retirement obligations was recognized due to changes in the estimated future cash flows and discount rate used to calculate the obligation as further described in Note 11.



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**8. Mineral Properties**

	December 31, 2018	December 31, 2017
(i) McFauld's Lake Property - "Ring of Fire", James Bay Lowlands, Northeastern Ontario	\$ 24,654,708	\$ 24,654,708
(ii) Butler and Sanderson Properties - "Ring of Fire", James Bay Lowlands, Northeastern Ontario	763,357	763,357
	<b>\$ 25,418,065</b>	<b>\$ 25,418,065</b>

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.

RCF holds a separate 1% NSR over the Eagle's Nest deposit. The royalty contained a buy back provision, which expired during the year.

*Big Daddy, Black Thor, Black Label and Other Properties*

These properties are subject to the following royalties granted to Franco Nevada Corporation ("Franco Nevada"):

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

Butler and Sanderson Properties

The Company has a 75% interest in the Butler and Sanderson Properties located in the ROF. MacDonald Mines Ltd. ("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 MacDonald's 25% interest for \$3.0 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 107 cell claims converted from six legacy claims, which comprise part of the Butler Property.



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**9. Accounts Payable and Accrued Liabilities**

	December 31, 2018	December 31, 2017
Accounts payable	\$ 98,439	\$ 97,646
Accrued liabilities	600,659	525,244
Accrued interest payable	409,140	377,130
Payable - Other	20,594	51,435
	<b>\$ 1,128,832</b>	<b>\$ 1,051,455</b>

**10. Loan Facilities**

	December 31, 2018	December 31, 2017
Current portion of loan facilities		
Debt agreement with related party - February 26, 2013 (a)(i)	\$ 18,135,019	\$ 18,292,595
Repayment option (c)	424,920	2,046,359
	<b>18,559,939</b>	<b>20,338,954</b>
Long term portion of loan facilities		
Long term loan (b)	40,071,502	31,622,186
	<b>\$ 58,631,441</b>	<b>\$ 51,961,140</b>

**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, 2018 owns approximately 20.5% of the Company's common shares, in the aggregate principal amount of US\$15.0 million (the "Facility"). The Facility matured on February 25, 2014. Since the Facility was not repaid prior to the 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 was extended to December 31, 2017. The Convertible Loan may be converted into common shares of the Company at the option of RCF at a price of \$0.34 cents per share (previously \$0.45 cents per share) at any time prior to maturity (the "Conversion Rights"). All other terms and conditions of the Convertible Loan remained the same.

On October 4, 2017 the Company entered into a third amending agreement with the Lender to extend the terms of the Convertible Loan to June 30, 2018. All other terms and conditions of the Convertible Loan remained the same.

The Company adopted the new IFRS 9 standard on January 1, 2018 retrospectively, with transitional provisions allowing for comparative periods not to be restated. In order to transition from IAS 39 to IFRS 9, the Company recorded an adjustment as at January 1, 2018 of \$0.9 million to reduce the carrying value of the Loan Facility with RCF, with a corresponding reduction in Deficit (see note 3r).

On June 25, 2018 the Company entered into a fourth amending agreement with the Lender to extend the terms of the Convertible Loan to January 31, 2019. All other terms and conditions of the Convertible Loan remain the same.

By December 31, 2018, the Company had agreed the material terms of a loan extension with RCF and as such, recorded the effect of a loan extension to September 30, 2019. The fifth amending agreement extending the loan was finalized on January 31, 2019. All other terms and conditions of the Convertible Loan remain the same.



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

The Company has determined that the fourth and fifth extensions of the Convertible Loan represented non-substantial modifications of the existing loan facility and therefore the amendments are treated as loan modifications. As specified under IFRS 9, on the date of amendment, the Company reduced the carrying value of the Loan Facility with RCF by \$1.8 million and \$1.9 million respectively, to reflect the amended cash flows discounted at the original effective interest rate, with a corresponding gain on loan modifications recognized in the consolidated statement of loss and comprehensive loss.

Amended loan facility	December 31, 2018	December 31, 2017
Beginning balance	18,292,595	\$ 17,174,433
Adjustment - Adoption of IFRS 9	(945,560)	-
Balance, January 1, 2018	\$ 17,347,035	\$ 17,174,433
Foreign exchange (gain) loss	1,478,176	(1,195,260)
Transaction costs - cash	-	(16,388)
Accretion of loan facility	2,958,285	2,329,810
Gain on loan modification	(3,648,477)	-
Balance, end of period	\$ 18,135,019	\$ 18,292,595

On January 25, 2018, the Company satisfied the payment of interest of \$377,130 for the fourth quarter of 2017 through issuance of 1,214,981 common shares of the Company. The interest shares were subject to a four month hold period, which expired on May 26, 2018.

On April 10, 2018, the Company satisfied the payment of interest of \$387,000 for the first quarter of 2018 through issuance of 1,022,457 common shares of the Company. The interest shares are subject to a four month hold period, which expired on August 11, 2018.

On July 12, 2018, the Company satisfied the payment of interest of \$393,990 for the second quarter of 2018 through issuance of 1,071,207 common shares of the Company. The interest shares are subject to a four month hold period, which expires on November 13, 2018.

On October 12, 2018, the Company satisfied the payment of interest of \$387,240 for the third quarter of 2018 through issuance of 1,250,775 common shares of the Company. The interest shares are subject to a four month hold period, which expires on February 13, 2019.

As at December 31, 2018, the Company had accrued interest in the amount of \$409,140 for the fourth quarter of 2018. On January 10, 2019, the Company satisfied the payment of interest of \$409,140 through issuance of 1,760,499 common shares of the Company. The interest shares are subject to a four month hold period, which expires on May 11, 2019.



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**10. Loan Facilities (Continued)**

**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 held chromite deposits and other mining interests in the Ring of Fire (the "Cliffs Transaction"). The Franco-Nevada Loan is a US\$25 million five year loan with interest compounding quarterly at an annual interest rate of 7%. Interest is accrued on a quarterly basis and presented as part of the long-term loan. Payment of both principal and accrued interest is due at the end of the five year term. The loan is secured against the assets acquired in the Cliffs Transaction with limited recourse to the Company. At initial recognition, the long-term loan was recorded at fair value less transaction costs at a value of \$19.7 million. Subsequent to initial recognition, the long-term loan is carried at amortized cost.

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 8 - Mineral Properties).

	December 31, 2018	December 31, 2017
Balance, beginning of period	\$ 31,622,186	\$ 28,750,976
Foreign exchange (gain) loss	3,047,950	(2,050,710)
Accrued loan interest	2,803,114	2,617,618
Accretion of loan facility	2,598,252	2,304,302
Balance, end of period	\$ 40,071,502	\$ 31,622,186

**c) Repayment Option**

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

At December 31, 2018, the fair value attributed to the convertible feature was \$424,920 (December 31, 2017 - \$2,046,359).

**11. Provision for Environmental Obligations**

McFauld's Lake and Butler Lake

The Company has established a provision of \$1,665,396 and \$201,658 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 \$1,945,233 for McFaulds Lake (December 31, 2017 - \$2,013,258) and \$235,550 for Butler Lake (December 31, 2017 - \$243,788).
- Nominal risk-free pre-tax discount rate of 2.13% (December 31, 2017 - 2.22%)
- Demobilization cost expected to be incurred in 10 years (December 31, 2017 - 10 years)

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

	December 31, 2018	December 31, 2017
Balance, beginning of period	\$ 1,852,310	\$ 1,662,031
Accretion expense for the period	38,941	40,231
Re-measurement of provision	(24,197)	150,048
Balance, December 31, 2018	\$ 1,867,054	\$ 1,852,310



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## 12. Capital Stock

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

(b) Issued

	Number of Shares	Value
Balance, January 1, 2017	324,392,693	\$ 194,758,699
Private placement, net of costs	3,400,000	1,246,029
Issue of flow-through shares, net of costs	9,456,381	3,577,197
Flow through share premium	-	(739,120)
Issue of interest shares	5,583,228	1,567,740
Exercise of options	1,500,000	497,000
Exercise of warrants	729,359	273,678
Balance, December 31, 2017	345,061,661	\$ 201,181,223
Issue of flow-through shares, net of costs (i), (iv), (v)	18,545,820	6,707,785
Flow through share premium	-	(922,864)
Exercise of RSU	334,517	83,629
Issue of shares (ii), (iii), (iv)	5,771,510	1,683,040
Issue of interest shares (Note 10(a))	4,559,420	1,545,360
Exercise of options	4,103,334	1,393,017
Exercise of warrants	500	230
Balance, December 31, 2018	<b>378,376,762</b>	<b>\$ 211,671,420</b>

- (i) On April 8, 2018 the Company closed a private placement of 10,000,000 flow-through common shares at a price of \$0.42 per flow-through share for gross proceeds of \$4.2 million. In connection with the private placement, the Company issued 414,081 common shares at a price of \$0.37 per common share in satisfaction of the share component of their finder's fee. The flow-through shares are subject to a statutory hold period of four months plus one day which expired August 10, 2018.
- (ii) On April 8, 2018, the Company issued 311,111 common shares to Marten Falls First Nation. These shares are part of an exploration and pre-development agreement with Marten Falls First Nation announced on April 13, 2017. The common shares are subject to a statutory hold period of four months plus one day which expired August 10, 2018.
- (iii) On June 4, 2018, the Company issued 111,111 common shares to Marten Falls First Nation. These shares are part of an exploration and pre-development agreement with Marten Falls First Nation announced on April 13, 2017. The common shares are subject to a statutory hold period of four months plus one day which expired on October 5, 2018.
- (iv) On November 5, 2018, the Company closed a private placement of (a) 5,349,288 units at a price of \$0.295 per unit, for gross proceeds of \$1,578,040 ("Unit Offering") and (b) 6,491,433 flow-through common shares at a price of \$0.335 per flow-through common share for gross proceeds of \$2.2 million (the "Flow-Through Offering"). Each unit is comprised of one common share in the capital of the Company and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one common share at a price of \$0.35 per share on or before November 5, 2020. In connection with the Flow-Through Offering, the Company issued 443,306 at a price of \$0.335 per common share in satisfaction of the payment of finder's fees. The securities issuable pursuant to both the Unit Offering and the Flow-Through Offering are subject to a statutory hold period of four months plus one day which expired on March 6, 2019.
- (v) On November 23, 2018, the Company closed a private placement of 1,197,000 flow-through common shares at a price of \$0.335 per flow-through common share for gross proceeds of \$0.4 million. The flow-through shares are subject to a statutory hold period of four months plus one day which expired on March 24, 2019.



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**12. 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, 2018, share-based compensation of \$1,114,419 was charged to net income (December 31, 2017 - \$810,224) related to stock options.

- (i) On February 22, 2018, the Company granted 5,331,532 incentive stock options to directors and employees of the Company at an exercise price of \$0.35. The share price on February 22, 2018 was \$0.35.

The fair value assigned was estimated using the following assumptions:

Dividend yield	0%
Expected volatility	71.94%
Risk free interest rate	1.75%
Expected life	5 years
Forfeiture rate	3%

The stock options were assigned a value of \$1,114,290.

The weighted-average remaining contractual life and weighted average exercise price of options outstanding and options exercisable as at December 31, 2018 are as follows:

Number of Stock Options Outstanding	Black-Scholes Value	Exercise Price	Remaining Contractual Life (Years)	Number of Stock Options Exercisable	Expiry Date
725,000	224,025	\$ 0.55	1.25	725,000	March 2020
1,500,000	367,500	\$ 0.44	1.47	1,500,000	June 2020
300,000	59,100	\$ 0.35	1.65	300,000	August 2020
1,275,000	248,625	\$ 0.34	2.23	1,275,000	March 2021
400,000	76,000	\$ 0.33	2.29	400,000	April 2021
416,253	74,509	\$ 0.31	2.52	416,253	July 2021
4,103,417	582,685	\$ 0.25	3.16	3,314,853	February 2022
300,000	39,000	\$ 0.23	3.27	200,000	April 2022
600,000	121,200	\$ 0.35	3.44	400,000	June 2022
400,000	63,600	\$ 0.28	3.88	266,667	November 2022
4,131,532	863,490	\$ 0.35	4.15	2,811,587	February 2023
1,000,000	209,000	\$ 0.35	4.15	333,333	February 2023
<b>15,151,202</b>	<b>\$ 2,928,734</b>	<b>\$ 0.33</b>	<b>3.12</b>	<b>11,942,693</b>	



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**12. Capital Stock (Continued)**

(c) Stock Options

The following table summarizes the stock option transactions for the year ended December 31, 2018.

	Number of Options	Weighted-Average Exercise Price
December 31, 2017	18,241,337	\$0.30
Granted	5,331,532	\$0.35
Exercised	(4,103,334)	\$0.22
Expired	(4,085,000)	\$0.31
Forfeited	(233,333)	\$0.31
<b>Balance, December 31, 2018</b>	<b>15,151,202</b>	<b>\$0.33</b>

(d) Warrants

The following table lists the Company's warrants as at December 31, 2018.

	Number of Warrants	Weighted-Average Exercise Price
At December 31, 2017		
Prospectus and Private Placement Warrants	41,204,162	\$ 0.45
Compensation Warrants	808,116	\$ 0.44
<b>Balance, December 31, 2017</b>	<b>42,012,278</b>	<b>\$ 0.45</b>
Exercise of Warrants	(500)	\$ 0.40
Private Placement Warrants	2,674,644	\$ 0.35
<b>Balance, December 31, 2018</b>	<b>44,686,422</b>	<b>\$ 0.44</b>

On November 5, 2018, 2,674,644 warrants were issued as a result of the private placement (Note 12 (b)(iv)). The fair value of the warrants were calculated using the following assumptions:

Expected volatility	58.47%
Risk Free interest rate	2.32%
Expected life	2 years



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**12. Capital Stock (Continued)**

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

For the year ended December 31, 2018, share-based compensation of \$38,128 was charged to net income for PSUs and RSUs (year ended December 31, 2017 - \$191,921).

The following tables list the Company's PSUs and RSUs as at December 31, 2018. During the year ended December 31, 2018, no PSUs or RSUs expired.

<b>Performance Share Units</b>	Number of PSUs	Value at grant
At December 31, 2018 and December 31, 2017	<b>3,000,000</b>	<b>\$ 455,095</b>

<b>Restricted Share Units</b>	Number of RSUs	Value at grant
At December 31, 2017	1,000,000	\$ 243,300
Exercise of RSUs	(334,517)	(83,629)
At December 31, 2018	<b>665,483</b>	<b>\$ 159,671</b>

**13. Income Taxes**

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

	Year Ended December 31, 2018	Year Ended December 31, 2017
Statutory tax rate	<b>26.50 %</b>	26.50 %
Loss before recovery of income taxes	<b>\$ (19,886,166)</b>	\$ (15,722,001)
Expected income tax recovery	<b>(5,269,834)</b>	(4,166,330)
Permanent differences	<b>50,289</b>	(23,006)
True-ups and other	-	330,991
Renounced expenditures	<b>1,795,541</b>	1,518,229
Share issuance costs booked through equity	<b>(44,713)</b>	(36,099)
Benefits of tax attributes not recognized	<b>3,468,717</b>	2,376,215
Total tax recovery	<b>\$ -</b>	\$ -



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**13. 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 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.

	<b>Year Ended December 31, 2018</b>	Year Ended December 31, 2017
<b>Deductible Temporary Differences</b>		
Mineral properties and capital assets	<b>\$ 272,664,545</b>	\$ 271,905,757
Provision for environmental expenditure	<b>1,867,054</b>	1,852,310
Capital losses	<b>4,484,598</b>	4,473,000
Loss-carryforwards	<b>88,384,596</b>	81,683,767
Share issue costs	<b>1,393,041</b>	1,556,273
Loan facility and unaccreted amounts	<b>16,274,482</b>	11,461,735
ITC's	<b>25,417,902</b>	25,417,902
	<b>\$ 410,486,218</b>	\$ 398,350,744

At December 31, 2018, 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	5,196,635
2037	7,102,516
2038	8,781,270
	<b>\$ 88,384,596</b>



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**14. Loss Per Share**

	Year Ended	
	December 31, 2018	December 31, 2017
Loss attributable to common Shareholders	<b>\$ (19,886,166)</b>	\$ (15,722,001)
Weighted average shares outstanding - basic	<b>360,381,331</b>	332,530,579
Loss per share - basic	<b>\$ (0.06)</b>	\$ (0.05)

As a result of the net loss for the year ended December 31, 2018, 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.

**15. Commitments and Contingencies**

- a) Pursuant to the terms of 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, 2018, the Company is committed to incurring \$2.6 million in Canadian Exploration Expenditures by December 31, 2019.
- b) Under the terms of leases including Noront's mining lease and leases for office space, vehicles and equipment, the Company is obligated to minimum annual rent and lease payments as follows:

	\$
2019	246,042
2020	215,361
2021	272,916
2022	276,537
2023	76,329
2024 to 2033	12,301

- c) As at December 31, 2018, 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, 2018, the amount of this contingent liability is approximately \$250,000.

**16. Compensation of Key Management**

	Year Ended	
	December 31, 2018	December 31, 2017
Salaries, benefits and directors' fees	<b>\$ 1,582,537</b>	\$ 1,689,968
Share-based compensation	<b>1,067,016</b>	957,411
	<b>\$ 2,649,553</b>	\$ 2,647,379

Key management includes the 5 directors and 6 members of the executive management team (year ended December 31, 2017 - 7 directors and 6 members of the executive management team). Two members of key management are allocated to Development and Exploration Expenditures under Owner's Costs and four members of key management and the directors are included in Office and General.



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17. **Supplementary Expense Information**

	Year Ended	
	December 31, 2018	December 31, 2017
<b>a) Development and Exploration Expenditures</b>		
Owner's costs	\$ 300,336	\$ 351,828
Camp operations & exploration expense	6,287,869	5,756,254
Community engagement & permitting	312,655	232,536
Engineering, road geotechnical & other	222,388	461,103
	<b>\$ 7,123,248</b>	<b>\$ 6,801,721</b>

Included in development and exploration expenditures expenses for the year ended December 31, 2018 is \$2,534,276 of salaries and benefits (year ended December 31, 2017 - \$2,487,464) and \$795,030 of fuel expenses (year ended December 31, 2017 - \$707,940).

	Year Ended	
	December 31, 2018	December 31, 2017
<b>b) Office and General:</b>		
Salaries, benefits and directors' fees	\$ 1,715,275	\$ 1,831,124
Employee severance	-	21,417
Donations & sponsorships	15,774	11,145
Administrative and other expenses	583,629	667,453
Professional fees	503,433	455,627
Communications & travel	376,998	298,238
	<b>\$ 3,195,109</b>	<b>\$ 3,285,004</b>

18. **Subsequent Events**

On January 10, 2019, the Company satisfied the payment of interest of \$409,140 for the fourth quarter of 2018 through issuance of 1,760,499 common shares (the "Interest Shares") at an effective price of \$0.2324 per Interest Share. The Interest Shares are subject to a four month hold period, expiring on May 11, 2019.

On January 31, 2019, the Company announced the finalization of the fifth amending agreement (the "Amending Agreement") with its largest shareholder, RCF, to extend the term of its existing US\$15 million convertible debenture (the "Convertible Debenture").

The maturity date of the Convertible Debenture has been extended until September 30, 2019 (previously January 31, 2019). The Amending Agreement includes a provision whereby the Company will require RCF approval to issue equity below \$0.306 per share. All other material terms and conditions remain the same. Since the terms of the Amending Agreement were substantially agreed upon by December 31, 2018, these financial statements reflect the extension of the Convertible Debenture as if the Amending Agreement was in place at that date.

On April 10, 2019, the Company satisfied the payment of interest of \$400,968 for the first quarter of 2019 through issuance of 1,448,061 common shares (the "Interest Shares") at an effective price of \$0.2769 per Interest Share. The Interest Shares are subject to a four month hold period, expiring on August 11, 2019.



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