



CONDENSED INTERIM FINANCIAL STATEMENTS

March 31, 2022

(Unaudited - Prepared by Management)

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited condensed interim financial statements have been prepared by management.

The company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

49 North Resources Inc.
Statements of Financial Position
(in thousands of Canadian dollars)
(See Note 1 – Description of business)

	March 31, 2022	December 31, 2021
ASSETS		
Current assets		
Cash	\$ 58	\$ 333
Equity investments, at fair value (Note 3)	14,439	15,906
Accounts receivable and prepaid expenses (Note 4)	44	54
Loans and advances receivable (Note 4)	684	674
	15,225	16,967
Non-current assets		
Convertible debenture receivable (Note 5)	9,517	9,330
Property and equipment (Note 6)	20	21
Right of use asset (Note 7)	132	145
Total assets	\$ 24,894	\$ 26,463
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	\$ 1,563	\$ 1,414
Lease liability (Note 7)	72	72
Convertible debentures (Note 9)	4,561	4,561
Subordinate debentures (Note 10)	880	880
	7,076	6,927
Non-current liabilities		
Lease liability (Note 7)	92	104
Debt portion of preferred shares (Note 12)	696	699
Total liabilities	7,864	7,730
EQUITY		
Common shares (Note 12)	71,912	71,895
Preferred shares (Note 12)	2,642	2,654
Contributed surplus (Note 12)	8,220	7,923
Equity portion of convertible debentures (Note 9)	-	-
Equity portion of subordinate debentures (Note 10)	-	-
Deficit	(65,744)	(63,739)
Total equity	17,030	18,733
Total liabilities and equity	\$ 24,894	\$ 26,463
Nature of business and going concern (Note 1)		

Approved on behalf of the Board

“Tom MacNeill”
Director

“Andrew Cook”
Director

The accompanying notes are an integral part of these financial statements

49 North Resources Inc.**Statements of Income (Loss) and Comprehensive Income (Loss)**

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

For the three months ended March 31,	2022	2021
Revenues		
Interest and dividend income	\$ 195	\$ 195
Realized losses on equity investments	(6)	132
Unrealized gains (losses) on equity investments	(1,570)	(6,630)
Unrealized gain on convertible debenture receivable (Note 5)	-	(59)
	(1,381)	(6,362)
Expenses		
Accretion (Note 7)	6	8
Amortization (Note 6 and Note 7)	14	14
Business and investor relations	24	23
Finance (Note 9)	21	56
General and administration	75	22
Management fees (Note 8)	158	155
Professional fees	14	7
Share-based compensation (Note 12)	297	-
Transaction costs	1	2
Wages and benefits	14	5
	624	292
Income (loss) and comprehensive income (loss) for the period	\$ (2,005)	\$ (6,654)
Basic income (loss) per share (Note 12)	\$ (0.01)	\$ (0.08)
Diluted income (loss) per share (Note 12)	\$ (0.01)	\$ (0.08)
Weighted average number of common shares outstanding - basic	166,263,506	83,102,467
Weighted average number of common shares outstanding - diluted	166,263,506	83,102,467

The accompanying notes are an integral part of these financial statements

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

	Common Share Capital	Preferred Share Capital	Contributed Surplus	Deficit	Total Equity
Balance, January 1, 2021	\$ 70,879	\$ 2,656	\$ 7,322	\$ (57,146)	\$ 23,711
Convertible debenture conversions (Note 9)	8	-	-	-	8
Preferred share conversions (Note 12)	2	(2)	-	-	-
Net income	-	-	-	(6,654)	(6,654)
Balance, March 31, 2021	\$ 70,889	\$ 2,654	\$ 7,322	\$ (63,800)	\$ 17,065

	Common Share Capital	Preferred Share Capital	Contributed Surplus	Deficit	Total Equity
Balance, January 1, 2022	\$ 71,895	\$ 2,654	\$ 7,923	\$ (63,739)	\$ 18,733
Preferred share conversions (Note 12)	17	(12)	-	-	5
Share based compensation (Note 12)	-	-	297	-	297
Net income	-	-	-	(2,005)	(2,005)
Balance, March 31, 2022	\$ 71,912	\$ 2,642	\$ 8,220	\$ (65,744)	\$ 17,030

The accompanying notes are an integral part of these financial statements

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

For the three months ended March 31,	2022	2021
Cash flows from Operating Activities		
Net loss	\$ (2,005)	\$ (6,654)
Items not affecting cash		
Realized losses (gain) on equity investments	6	(132)
Amortization	14	14
Accretion of lease liability	6	8
Accrued dividends	21	21
Accrued interest income	(195)	(195)
Share-based compensation	297	-
Unrealized loss (gain) on equity investments	1,570	6,630
Unrealized gain on convertible debenture receivable	-	59
Purchase of equity investments	(426)	(100)
Proceeds from disposal of equity investments	318	200
Net changes in non-cash working capital items related to operations (Note 15)	139	178
	(255)	29
Cash flows from Investing Activities		
Lease payments	(18)	(18)
Convertible debenture receivable	-	-
Loans and advances receivable, net	(2)	(10)
	(20)	(28)
Net change in cash during the period	(275)	1
Cash, beginning of period	333	47
Cash, end of period	\$ 58	\$ 48

Supplemental cash flow information (Note 15)

The accompanying notes are an integral part of these financial statements

49 North Resources Inc.

Notes to the Financial Statements

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

For the three months ended March 31, 2022 and 2021

1. Nature of business and Going Concern

Nature of business

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

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

Going concern

These financial statements have been prepared on a going concern basis, which assumes the Corporation will be able to realize its assets and discharge its liabilities in the ordinary course of business. To date, the Corporation has incurred accumulated losses totaling \$65,744 (December 31, 2021 - \$63,739). The Corporation recognized net loss of \$2,005 in the three months ended March 31, 2022 (Fiscal 2021 – net loss of \$6,593). The Corporation relies on cash flow from actively trading in its investment portfolio to fund corporate operations. The Corporation's continuance as a going concern is dependent upon its ability to generate cash flow from its portfolio of investments. During the years ended December 31, 2020 and 2021, there was a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and, specifically, the regional economies in which the Corporation operates. The pandemic could continue to have a negative impact on the stock market, including trading prices of the Corporation's shares, the value of its portfolio and its ability to raise new capital. These factors, amongst others, could have a significant impact on the Corporation's operations. These material uncertainties cast a substantial doubt regarding the Corporation's ability to continue as a going concern. These financial statements do not reflect any adjustments or other changes that may be required should the Corporation be unable to continue as a going concern.

2. Significant accounting policies

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

Statement of compliance

These financial statements have been prepared in conformity with International Accounting Standard ("IAS") 34, Interim Financial Reporting, and do not include all the information required for full annual financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). It is suggested that these financial statements be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2021.

The financial statements of the Corporation for the three month periods ended March 31, 2022 were authorized for issuance by the Corporation's board of directors on May 16, 2022.

Basis of measurement and presentation

These condensed interim financial statements have been prepared on a historical cost basis except for certain financial instruments which have been measured at fair value. These financial statements are prepared in Canadian dollars, which is the Corporation's functional currency.

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

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

For the three months ended March 31, 2022 and 2021

3. Equity investments

As at March 31, 2022 and December 31, 2021, the Corporation's investments consist of equity interests in companies in the following segments:

	March 31, 2022		December 31, 2021	
	Cost	FMV	Cost	FMV
Publicly listed companies	\$ 16,253	\$ 12,408	\$ 16,150	\$ 13,875
Private companies	8,187	2,031	8,187	2,031
	\$ 24,440	\$ 14,439	\$ 24,337	\$ 15,906

As at March 31, 2022 and December 31, 2021, the Corporation's investments consist of equity interests in companies in the following industries:

	March 31, 2022		December 31, 2021	
	Cost	FMV	Cost	FMV
Base and Precious Metals	\$ 10,661	\$ 9,743	\$ 10,712	\$ 11,363
Coal	281	-	281	-
Diamonds	1,053	1,404	899	1,252
Oil & Gas	10,850	1,292	10,850	1,291
Other	1,595	2,000	1,595	2,000
	\$ 24,440	\$ 14,439	\$ 24,337	\$ 15,906

The equity investments consist of investments in common shares of corporations of which 75.28% (December 31, 2021 – 78.02%) are listed on the TSX-V, 14.07% (December 31, 2021 – 12.77%) are private, 9.72% (December 31, 2021 – 7.87%) are listed on the TSX and 0.93% (December 31, 2021 – 1.34%) are listed on the Canadian Securities Exchange (“CSE”) as of March 31, 2022.

An analysis of fair value was prepared for the private investments held in the portfolio. The analysis used comparable entities public corporation stock prices, observable index comparisons, transaction prices for same or similar instruments and information from brokers and other analysis.

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

	March 31, 2022	December 31, 2021
Trade accounts receivable	\$ 41	\$ 41
Prepaid expenses	3	13
	\$ 44	\$ 54

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

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

For the three months ended March 31, 2022 and 2021

4. Loans, advances, accounts receivable and prepaid expenses - continued

The aging of accounts receivables at the reporting date was:

	March 31, 2022	December 31, 2021
Not past due	\$ -	\$ 4
Past due 0 - 30 days	-	-
Past due 31+ days	41	37
	\$ 41	\$ 41

Loans and advances receivable

	March 31, 2022	December 31, 2021
<u>Current</u>		
Unrelated corporations	\$ 654	\$ 654
Related corporation (Note 8)	30	20
	\$ 684	\$ 674

Substantially all of the balance of the loans to unrelated corporations bears interest at 5% and is due December 31, 2022. The loans to related corporations are non-interest bearing and are due on demand.

5. Convertible debentures receivable

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

<u>Convertible Debenture Receivable</u>	<u>Face Value and Accrued Interest</u>		<u>Carrying Value</u>
Balance, January 1, 2021	\$ 9,459	\$	\$ 8,445
Interest income accrued	743		743
Payments received	(800)		(800)
Fair value adjustments	(72)		942
Balance, December 31, 2021	\$ 9,330	\$	\$ 9,330
Interest income accrued	187		187
Payments received	-		-
Fair value adjustments	-		-
Balance, March 31, 2022	\$ 9,517	\$	\$ 9,517

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

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

For the three months ended March 31, 2022 and 2021

6. Property and equipment

	Computers, Furniture and leasehold improvements	
Cost:		
Balance at January 1, 2021	\$	417
Additions		-
Balance at December 31, 2021		417
Additions		-
Balance at March 31, 2022	\$	417
Accumulated amortization:		
Balance at January 1, 2021	\$	389
Amortization expense		7
Balance at December 31, 2021		396
Amortization expense		1
Balance at March 31, 2022	\$	397
Total balance at December 31, 2021	\$	21
Total balance at March 31, 2022	\$	20

7. Right of use asset

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

The continuity of the of the ROU asset and lease liability for the period ended March 31 and year ended December 31, 2021:

Right of use asset		
Value of ROU as at January 1, 2021	\$	194
Amortization		(49)
Value of ROU as at December 31, 2021		145
Amortization		(13)
Value of ROU as at March 31, 2022	\$	132
Lease liability		
Lease liability as at January 1, 2021	\$	218
Lease payments		(72)
Lease accretion		30
Lease liability as at December 31, 2021		176
Lease payments		(18)
Lease accretion		6
Lease liability as of March 31, 2022	\$	164
Current portion	\$	72
Long-term portion		92
	\$	164

49 North Resources Inc.

Notes to the Financial Statements

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

For the three months ended March 31, 2022 and 2021

8. Related party transactions

Compensation of key executive personnel

For the three months ended March 31,	2022		2021	
Management fees to officers	\$	158	\$	155
Directors' fees		6		-
Share-based compensation to directors and officers		154		-
	\$	318	\$	155

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

Effective June 1, 2015, the Corporation and Jaelky Holdings Inc. ("Jaelky") entered into a consulting agreement. Mr. Andrew Davidson, the Chief Financial Officer of the Corporation, was and continues to be the sole director and sole voting shareholder of Jaelky. Jaelky is entitled to be paid a consulting fee of \$20 (2021 - \$20) plus GST on a monthly basis.

Related party balances

As at March 31, 2022, the Corporation has measured at \$1 its receivable (December 31, 2021 - \$nil receivable) from Westcore Energy Ltd., a company with common management and certain directors. At March 31, 2022 the Corporation wrote off the \$nil loan advanced (December 31, 2021 - \$54) in the period.

As at March 31, 2022, \$23 is receivable (December 31, 2021 - \$20) from Norse Gold Corp, a company with common management and certain directors, which has been included in loans and advances receivable. The balance is non interest bearing and due on demand.

As at March 31, 2022, \$58 is payable (December 31, 2021 - \$64 payable) to OMM, a company with common management and certain directors, which has been included in accounts payable and accrued liabilities. The balance is non interest bearing and due on demand.

As at March 31, 2022, \$32 is payable to (December 31, 2021 - \$32) Royal Helium Ltd, a company with common management and certain directors, which has been included in accounts payable and accrued liabilities. The balance is non interest bearing and due on demand.

As at March 31, 2022, \$315 is payable (December 31, 2021 - \$259 payable) to TMM, which has been included in accounts payable and accrued liabilities.

As of March 31, 2022, \$91 is payable (December 31, 2021 - \$68) to Jaelky, which has been included in accounts payable and accrued liabilities.

49 North Resources Inc.

Notes to the Financial Statements

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

For the three months ended March 31, 2022 and 2021

9. Convertible debentures

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

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

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

The Corporation received notification that it was in default of the Trust indenture as it had not repaid the principal portion of the convertible senior secured debentures that matured on June 1, 2020.

b) On December 18, 2015 the Corporation received debenture holder approval to restructure the terms of the debentures originally issued on September 23, 2010 and October 13, 2010 and restructured on June 6, 2013. Pursuant to the terms of the restructure, the Corporation extinguished the original debentures and issued 4,605,979 common shares, a new \$1,896 senior secured convertible debenture (the “Series II debentures”), \$880 in subordinated debentures (Note 10) and 767,663 preferred shares (Series II).

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

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

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

The continuity of the liability and equity components for the period ended March 31, 2022 and year ended December 31, 2021 is as follows:

	Liability Component		Equity Component
	Face Value	Carrying Value	Carrying Value
Balance, January 1, 2020	\$ 4,574	\$ 4,422	\$ 1,567
Conversions	(5)	(5)	(2)
Accretion	-	152	
Re-allocation to contributed surplus upon maturity	-	-	(1,565)
Balance at December 31, 2020	4,569	4,569	-
Conversions	(8)	(8)	-
Balance, December 31, 2021 and March 31, 2022	\$ 4,561	\$ 4,561	\$ -

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

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

For the three months ended March 31, 2022 and 2021

10. Subordinate debentures

On December 18, 2015 as part of the debenture restructure as described in Note 9(b), \$880 in subordinated debentures were issued.

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

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

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

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

The continuity of the liability and equity components of the subordinate debentures for the period ended March 31, 2022 and year ended December 31, 2021 is as follows:

	Liability Component		Equity Component
	Face Value	Carrying Value	Carrying Value
Balance, January 1, 2020	\$ 880	\$ 808	\$ 301
Accretion	-	72	-
Re-allocation to contributed surplus upon maturity	-	-	(301)
Balance at December 31, 2020	880	880	-
Accretion	-	-	-
Balance, December 31, 2021 and March 31, 2022	\$ 880	\$ 880	\$ -

11. Deferred income taxes

As of December 31, 2021, the Corporation has approximately the following tax pools available as a deduction from future income at the prescribed tax rates. These tax pools are subject to confirmation by income tax authorities:

As of December 31, 2021, the Corporation has non-capital losses of \$12,622 (December 31, 2020 - \$11,961) available to carry forward to reduce future years' taxable income with expiration ranging from 2033 to 2041.

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

	December 31, 2021	December 31, 2020
Non-capital losses carried forward	\$ 12,622	\$ 11,961
Capital losses carried forward	4,190	4,126
Share issue costs	55	11
Investments	-	-
Cumulative Canadian exploration and development expenses	861	861
	\$ 17,728	\$ 10,616

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

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

For the three months ended March 31, 2022 and 2021

12. Common shares, preferred shares and contributed surplusAuthorized:

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

Issued and outstanding

On November 17, 2021, the Corporation completed a non-brokered rights offering whereby one right was issued for each common share outstanding. One right and \$0.02 entitled the holder to receive one unit, which consisted of one common share and one whole common share purchase warrant, each whole warrant is exercisable at \$0.07 for a 24 month period. 83,119,155 rights were issued, for gross proceeds of \$1,662. In connection with the financing the Corporation incurred share issue costs of \$55. The relative fair value of the proceeds allocated to the common shares was \$1,061 and to the warrants was \$601. The warrant was valued using the Black-Scholes option pricing model using the following variables: market price of common share -\$0.02 per share; estimated volatility 144.84%; risk free interest rate – 0.98%; expected dividend rate – 0% and expected life – 2 years.

	Common shares	
	Quantity	Amount
Balance at January 1, 2021	83,097,631	\$ 70,879
Rights offering - units	83,119,155	1,061
Share issuance costs	-	(55)
Debenture conversions	16,164	8
Preferred share conversions	5,360	2
Balance at December 31, 2021	166,238,310	\$ 71,895
Preferred share conversions	32,800	17
Balance at March 31, 2022	166,271,110	\$ 71,912

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

	Preferred shares			
	Liability	Equity Component		
	Component	Quantity	Amount	
Balance at January 1, 2021	\$ 700	3,356,008	\$	2,656
Preferred share conversions	(1)	(2,680)		(2)
Balance at December 31, 2021	699	3,353,328		2,656
Preferred share conversions	(3)	(16,236)		(14)
Balance at March 31, 2022	\$ 696	3,337,092	\$	2,642

Stock option plan

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

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

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

For the three months ended March 31, 2022 and 2021

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

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

	March 31, 2022		December 31, 2021	
	Options	Price	Options	Price
Beginning of period	7,500,000	\$ 0.10	7,605,000	\$ 0.10
Options granted	6,750,000	0.05	-	-
Options expired	-	-	(105,000)	0.50
End of period	14,250,000	\$ 0.08	7,500,000	\$ 0.10

As at March 31, 2022, the weighted average remaining life of stock options is 7.39 years (December 31, 2021 – 5.46 years).

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

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

Warrants

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

	March 31, 2022		December 31, 2021	
	Warrants	Price	Warrants	Price
Beginning of period	83,119,155	\$ -	-	\$ -
Warrants issued	-	-	83,119,155	0.07
End of period	83,119,155	\$ 0.07	83,119,155	\$ 0.07

As at March 31, 2022, the weighted average remaining life of warrants is 1.63 (December 31, 2021 – 1.88) years.

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

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

For the three months ended March 31, 2022 and 2021

12. Common shares, preferred shares and contributed surplus - continued**Contributed surplus**

A summary of the contributed surplus activity is as follows:

	March 31,	December 31,
	2022	2021
Balance, beginning of period	\$ 7,923	\$ 7,322
Share based payments	297	-
Rights offering - warrants	-	601
Balance, end of period	\$ 8,220	\$ 7,923

EPS and diluted EPS

Three months ended March 31,	2022	2021
Net (loss) income attributable to common shareholders	\$ (2,005)	\$ (6,654)
Weighted average number of common shares - basic	166,263,506	83,102,467
Weighted average number of common shares - diluted	166,263,506	83,102,467
Basic income (loss) per common share - basic	\$ (0.01)	\$ (0.08)
Basic income (loss) per common share - diluted	\$ (0.01)	\$ (0.08)

All out-of-the-money stock options, warrants and preferred shares were excluded from the diluted weighted average number of shares calculation for the period ended March 31, 2022 and 2021 as their effect would have been anti-dilutive.

Shareholder rights plan

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

49 North Resources Inc.

Notes to the Financial Statements

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

For the three months ended March 31, 2022 and 2021

13. Capital management

The Corporation defines capital as shareholders' equity.

The Corporation's objectives when managing capital are:

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

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

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

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

14. Financial instruments and risk management

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

(a) Liquidity risk:

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

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

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

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

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14. Financial instruments and risk management – continued

(a) Liquidity risk: - continued

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

(b) Market risk:

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

(c) Concentration risk:

Of the Corporation's equity investments and convertible debenture receivable \$16,828 – 67.6% (December 31, 2021 \$18,192 – 72.1%) are invested in OMM. The Corporation's investment activities are currently concentrated primarily across several sectors in the natural resource industry, including potash, oil and gas, coal, precious metals, base metals, uranium, diamonds and other commodities.

(d) Interest rate risk:

Interest rate risk is the impact that changes in interest rates could have on the Corporation's earnings and liabilities. As at March 31, 2022 and 2021, the Corporation had no liabilities payable that bear interest at rates fluctuating with the prime rate.

(e) Credit risk:

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

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

At March 31, 2022 the Corporation had loans and advances receivable, and accounts receivable and prepaid expenses from companies, totaling \$728 (December 31, 2021 - \$728) which represents approximately 2.9% (December 31, 2021 – 2.7%) of the Corporation's total assets. The Corporation's credit provisions are represented by its loss allowance based on lifetime expected credit losses as at March 31, 2022 of \$nil (December 31, 2021 - \$54). The amount of the loss allowance was calculated based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(f) Commodity price risk:

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

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Notes to the Financial Statements

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

For the three months ended March 31, 2022 and 2021

14. Financial instruments and risk management – continued

(g) Fair value:

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

Fair value hierarchy and determination of fair value

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

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

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

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

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

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

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

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

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

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

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

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

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

For the three months ended March 31, 2022 and 2021

14. Financial instruments and risk management – continued**(g) Fair value: - continued**

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity investments, at fair value	\$ 12,408	\$ -	\$ 2,031	\$ 14,439
Convertible debenture receivable	-	-	9,517	9,517
	<u>\$ 12,408</u>	<u>\$ -</u>	<u>\$ 11,548</u>	<u>\$ 23,956</u>

For the period ended March 31, 2022, a reconciliation of financial assets measured at fair value using unobservable inputs (Level 3) is presented as follows:

Beginning balance as at December 31, 2021	\$ 11,361
Interest accrued	187
Fair value adjustments	-
Balance at March 31, 2022	<u>\$ 11,548</u>

Within Level 3, the Corporation includes the convertible debenture receivable and private company investments. The key assumptions driving the valuation of the private company investments include, but are not limited to, the value at which a recent financing was completed by the investee, significant changes in general market conditions and company specific information. For those investments valued based on general market condition and company specific information, these inputs can be highly judgmental. A +/- 25% change in the fair value of these investments will result in a corresponding +/- \$507 (2021 - \$507) change to the total fair value of the investments. While this illustrates the overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different circumstances.

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

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

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

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15. Supplemental cash flow information

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

For the three months ended March 31,	2022	2021
Accounts receivable and prepaid expenses	\$ (21)	\$ (5)
Accounts payable and accrued liabilities	(386)	183
	\$ (407)	\$ 178

Non-cash transactions:	2022	2021
Convertible debentures converted to common shares	\$ -	\$ 8
Preferred shares converted to common shares	\$ 17	\$ 2