



**Copper North Mining Corp.**

**Condensed Interim Consolidated Financial Statements  
For the three months ended March 31, 2014**

(Unaudited – prepared by management)  
(Expressed in Canadian dollars)

**NOTICE TO READER:**

These condensed interim consolidated financial statements have not been reviewed by the Company's external auditors. These statements have been prepared by and are the responsibility of the Company's management. This notice is being provided in accordance with National Instrument 52-102 – Continuous Disclosure Obligations.

**Copper North Mining Corp.**  
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**CONSOLIDATED BALANCE SHEETS**

		March 31, 2014	December 31, 2013
		\$	\$
<b>ASSETS</b>			
Cash and cash equivalents	Note 11a	-	36,289
Other assets		10,588	17,266
<b>CURRENT ASSETS</b>		<b>10,588</b>	<b>53,555</b>
Reclamation bond	4b	80,300	80,300
Exploration and evaluation assets	3, 4	19,143,325	19,143,325
<b>ASSETS</b>		<b>19,234,213</b>	<b>19,277,180</b>
<b>LIABILITIES</b>			
Bank indebtedness	1b, 11	11,842	-
Accounts payable and accrued liabilities		699,720	649,759
Due to related parties	7a	766,101	742,850
<b>LIABILITIES</b>		<b>1,477,663</b>	<b>1,392,609</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	5	30,072,444	30,072,444
Contributed surplus		743,118	736,635
Deficit		(13,059,012)	(12,924,508)
<b>SHAREHOLDERS' EQUITY</b>		<b>17,756,550</b>	<b>17,884,571</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>19,234,213</b>	<b>19,277,180</b>
Nature of operations and going concern	1		
Change in accounting policy	3		
Subsequent events	11		

**Approved by the Board of Directors**

(signed) Bill LeClair Director

(signed) Dale Corman Director

**Copper North Mining Corp.**

Condensed Interim Consolidated Financial Statements

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**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the three months ended March 31,		2014	2013
		\$	<i>Restated (Note 3)</i>
			\$
	<b>Note</b>		
Exploration and evaluation expenses	3, 4	26,043	94,233
Filing and regulatory fees		8,016	7,706
General administrative costs		8,268	17,846
Professional fees		7,598	1,949
Rent and utilities		7,500	25,540
Share-based payments	6b	6,483	12,186
Shareholder communication and travel		21,911	53,037
Wages and benefits		42,718	152,953
<b>LOSS BEFORE OTHER ITEMS</b>		<b>128,537</b>	<b>365,450</b>
Interest expense	7a	5,967	-
<b>LOSS AND COMPREHENSIVE LOSS</b>		<b>134,504</b>	<b>365,450</b>
Basic and diluted loss per common share		-	0.01
Weighted average number of common shares outstanding		60,469,998	58,762,781

**Copper North Mining Corp.**

Condensed Interim Consolidated Financial Statements

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**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the three months ended March 31,	2014	2013 <i>Restated</i> <i>(Note 3)</i>
Cash flows provided by (used in)	\$	\$
<b>OPERATING ACTIVITIES</b>		
Loss and comprehensive loss	(134,504)	(365,450)
Items not affecting cash		
Share-based payments	6,483	15,386
Change in non-cash working capital items	79,890	(110,141)
<b>OPERATING ACTIVITIES</b>	<b>(48,131)</b>	<b>(460,205)</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(48,131)</b>	<b>(460,205)</b>
Cash and cash equivalents – December 31,	36,289	521,775
<b>CASH AND CASH EQUIVALENTS (BANK INDEBTNESS)</b>	<b>(11,842)</b>	<b>61,750</b>

**Copper North Mining Corp.**

Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian dollars)

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Shareholders' Equity
				<i>Restated</i>	<i>Restated</i>
		\$	\$	<i>(Note 3)</i>	<i>(Note 3)</i>
				\$	\$
<b>DECEMBER 31, 2012</b>	<b>58,762,781</b>	<b>29,940,830</b>	<b>740,742</b>	<b>(4,147,080)</b>	<b>26,534,492</b>
Share-based payments	-	-	15,386	-	15,386
Loss and comprehensive loss	-	-	-	(365,450)	(365,450)
<b>MARCH 31, 2013</b>	<b>58,762,781</b>	<b>29,940,830</b>	<b>756,128</b>	<b>(4,512,530)</b>	<b>26,184,428</b>
Cancellation and return to treasury	(57,783)	-	-	-	-
Warrant exercise incentive program					
– December 20, 2013					
Unit issuance (note 6a)	1,765,000	88,250	-	-	88,250
Unit issuance costs	-	(6,942)	-	-	(6,942)
Allocation of warrant value	-	(27,250)	27,250	-	-
Transfer of warrant exercise value	-	77,556	(77,556)	-	-
Share-based payments	-	-	30,813	-	30,813
Loss and comprehensive loss	-	-	-	(8,411,978)	(8,411,978)
<b>DECEMBER 31, 2013</b>	<b>60,469,998</b>	<b>30,072,444</b>	<b>736,635</b>	<b>(12,924,508)</b>	<b>17,884,571</b>
Share-based payments	-	-	6,483	-	6,483
Loss and comprehensive loss	-	-	-	(134,504)	(134,504)
<b>MARCH 31, 2014</b>	<b>60,469,998</b>	<b>30,072,444</b>	<b>743,118</b>	<b>(13,059,012)</b>	<b>17,756,550</b>

## **Copper North Mining Corp.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2014 (unaudited – prepared by management)

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(Expressed in Canadian dollars)

### **1. NATURE OF OPERATIONS AND GOING CONCERN**

#### **a. Nature of operations**

Copper North Mining Corp. (together with its subsidiaries, "Copper North" or the "Company") was incorporated in British Columbia, Canada on August 3, 2011 and is engaged in the exploration and development of mineral properties in Canada.

Copper North began trading on the TSX Venture Exchange on October 24, 2011. The Company's head office is located at 1800-570 Granville Street, Vancouver, BC.

#### **b. Going concern**

The nature of the Company's operations requires significant expenditures for the acquisition, exploration, and development of mineral properties. To date, the Company has not received any revenue from mining operations and is considered to be in the exploration stage. The Company's operations have been primarily funded from equity financings. The Company will continue to require additional funding to maintain its ongoing exploration programs, permitting efforts, advance royalty and property maintenance payments, and operations.

While these consolidated financial statements have been prepared using International Financial Reporting Standards applicable to a going concern, which assumes the realization of assets and settlement of liabilities in the normal course of business as they come due, certain conditions and events cast significant doubt on the validity of this assumption. For the three months ended March 31, 2014, the Company reported a loss of \$134,504 and as at that date had a working capital deficit of \$1,467,075 and an accumulated deficit of \$13,059,012. The Company's ability to continue as a going concern is dependent upon its ability to obtain additional funding from loans or equity financings or through other arrangements. The Company has been successful in securing financing in the past, but there can be no assurance that it will be able to do so in the future.

The Company entered into a revolving line of credit facility with CIBC (the "Facility"). The Facility has a limit of \$50,000 bearing interest at prime plus 2% per year. An insider of the Company has provided the guarantee for the facility for no additional compensation. The Company cancelled the line of credit subsequent to the private placement completed in April 2014. Refer to note 11 for more information.

These consolidated financial statements do not reflect the adjustments to the carrying values of the assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumptions deemed to be inappropriate. These adjustments could be material.

**Copper North Mining Corp.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2014 (unaudited – prepared by management)

(Expressed in Canadian dollars)

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**2. BASIS OF PRESENTATION****a. Compliance with International Financial Reporting Standards**

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, as issued by the International Accounting Standards Board (“IASB”), including International Accounting Standard 34 - Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2013, which have been prepared in accordance with IFRS as issued by the IASB.

These financial statements were approved by the Company’s board of directors on May 20, 2014.

**b. Significant accounting estimates and judgments**

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

Significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of exploration and evaluation assets, environmental obligations, the valuation of share-based payments, and the allocation of financing proceeds. Actual results could differ from those estimates. Differences may be material.

The recoverability of the carrying value of exploration and evaluation assets is dependent upon a number of factors including the existence of economically recoverable reserves and the Company’s ability to secure and maintain title and beneficial interest in the properties, to obtain the necessary financing to continue the exploration and future development of the properties, or to realize the carrying amount through a sale or partial disposal. Realization values may be substantially different from carrying values as shown.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company’s title. Such properties may be subject to prior agreements or transfers, or title may be affected by undetected defects.

The fair values used to assess recoverability of the Company’s exploration and evaluation asset carrying values are developed using management’s projections for long-term average commodity prices for copper, gold and silver; recoverable reserves; operating costs; capital expenditures; reclamation costs; applicable foreign currency exchange rates; and potential sale proceeds. Management makes estimates relating to current and future market conditions. There are inherent uncertainties related to these factors and management’s judgment when using them to assess the recoverability of exploration and evaluation assets.

**Copper North Mining Corp.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2014 (unaudited – prepared by management)

(Expressed in Canadian dollars)

The Company believes that the estimates applied in the assessment of recoverability are reasonable; however such estimates are subject to significant uncertainties and judgments. Although management has made its best estimate of these factors based on current conditions, it is possible that the underlying assumptions can change significantly and impairment charges may be required in future periods. Such charges could be material.

**3. CHANGE IN ACCOUNTING POLICY**

Effective December 31, 2013, the Company voluntarily changed its accounting policy for exploration and evaluation expenditures to recognize these costs in the statement of loss in the period incurred, as permitted under IFRS 6 Exploration for and evaluation of mineral resources. Previously, these expenditures were capitalized as exploration and evaluation assets on the Company's balance sheet. Copper North changed its accounting policy because it believes that the new policy is more in line with the IFRS framework with respect to what constitutes an asset. The Company also believes that showing exploration and evaluation expenses separately on the statement of loss and in the operating activities section of the statement of cash flows more clearly represents the Company's activities during the periods presented. The change in accounting policy was applied retrospectively.

The change in accounting policy resulted in the following changes to the Company's financial statements as at and for the three months ended March 31, 2013:

	Exploration and evaluation assets \$	Deficit \$	Loss and comprehensive loss \$	Loss per share \$
<b><i>Previously reported</i></b>	<b>29,041,620</b>	<b>1,960,633</b>	<b>271,217</b>	<b>-</b>
Exploration and evaluation expenditures	(2,551,897)	2,551,897	94,233	0.01
<b><i>Restated</i></b>	<b>26,489,723</b>	<b>4,512,530</b>	<b>365,450</b>	<b>0.01</b>



**Copper North Mining Corp.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2014 (unaudited – prepared by management)

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**4. EXPLORATION AND EVALUATION ASSETS****a. Acquisition costs**

	<b>Carmacks</b>	<b>Redstone</b>	<b>Total</b>
	\$	\$	\$
DECEMBER 31, 2012	17,143,325	9,346,398	26,489,723
Impairment of exploration and evaluation assets	-	(7,346,398)	(7,346,398)
<b>DECEMBER 31, 2013</b>	<b>17,143,325</b>	<b>2,000,000</b>	<b>19,143,325</b>

The acquisition costs recorded by Copper North reflect the carrying value transferred from Western Copper Corp. (“Western”) as part of the plan of arrangement completed on October 17, 2011, less any write-down since that date. There was no change to the carrying value of exploration and evaluation assets during the three months ended March 31, 2014.

The Company recorded an impairment charge of \$7,346,398 on its Redstone property during the year ended December 31, 2013. The carrying value prior to the write-down was predominantly attributed to the price allocated to the asset by Western when it purchased the Redstone property as part of a plan of arrangement with another company in 2006. The consideration paid by Western in that transaction was its own common shares.

The Company determined that a reduction of the carrying value was required because of the current and continued weakness in the mineral exploration sector and a general decrease in mineral property valuations. The write-down reflects the uncertainty as to the current value of the acquisition costs recorded at a time when mineral property valuations were much higher than at present.

The Company determined the carrying value of the Redstone property as at December 31, 2013 on the basis of the estimated fair value less costs to sell. The current value approximates costs spent on the Redstone property by Copper North. The Company believes that it could recover this amount through sale based on the high grade of the historical mineral resource identified at the property and recent positive exploration results.

**b. Carmacks (100% ownership - Yukon, Canada)**

For the three months ended March 31,	2014	2013	Cumulative*
	\$	\$	\$
Advance royalty	-	-	300,000
Claims maintenance	19,635	19,530	46,317
Engineering studies	1,620	(6,085)	757,644
Exploration and camp support	-	-	8,909
Permitting	-	25,317	416,128
Salary and wages	40,000	43,982	363,495
Share-based payments	-	2,800	29,900
Reclamation provision	-	-	80,300
<b>EXPLORATION AND EVALUATION EXPENSES</b>	<b>61,255</b>	<b>85,544</b>	<b>2,002,693</b>

\*Cumulative from effective date of acquisition on October 17, 2011.

**Copper North Mining Corp.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2014 (unaudited – prepared by management)

(Expressed in Canadian dollars)

The Carmacks Copper Project is an oxide copper deposit located in Yukon, Canada.

Any production from the Carmacks Copper Project is subject to either a 15% net profits interest or a 3% net smelter return royalty, at Copper North's election. If Copper North elects to pay the net smelter return royalty, it has the right to purchase the royalty for \$2.5 million, less any advance royalty payments made to that date. At March 31, 2014, \$1 million has been paid in advance royalty payments. The Company is required to make an advance royalty payment of \$100,000 in any year in which the average daily copper price reported by the London Metal Exchange is US\$1.10 per pound or greater.

The Company holds a Guaranteed Investment Certificate in the amount of \$80,300 in safekeeping for the Yukon Government. This amount represents the estimated reclamation cost for the work performed to date on the property. The security will be released once the Company performs its obligations pursuant to its Quartz Mining License.

**c. Redstone (100% ownership - Northwest Territories, Canada)**

For the three months ended March 31,	2014 \$	2013 \$	Cumulative* \$
Claims maintenance	(35,728)	2,400	90,092
Engineering studies	-	-	3,500
Exploration and camp support	516	4,639	797,278
Permitting	-	-	46,205
Salary and wages	-	1,250	53,250
Share-based payments	-	400	13,200
<b>EXPLORATION AND EVALUATION EXPENSES</b>	<b>(35,212)</b>	<b>8,689</b>	<b>1,003,525</b>

\*Cumulative from effective date of acquisition on October 17, 2011.

The Redstone property comprises mining leases and mineral claims in the western part of the Northwest Territories. Should production be achieved on the mining leases, the mining leases are subject to a net smelter return royalty of between 3% and 4% depending on the monthly average of the final daily spot price of copper reported on the New York Commodities Exchange relating to each production month, as follows:

- 3% if the price is less than, or equal to US\$0.75 per pound;
- 3.5% if the price is greater than US\$0.75 per pound, but less than or equal to US\$1.00 per pound; and
- 4% if the price is greater than US\$1.00 per pound.

**Copper North Mining Corp.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2014 (unaudited – prepared by management)

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**5. SHARE CAPITAL**

The Company is authorized to issue an unlimited number of common shares without par value.

**6. WARRANTS AND STOCK OPTIONS****a. Warrants**

- (i) In November 2013, the Company announced a warrant exercise incentive program to encourage the early exercise of the warrants issued as part of the December 2012 private placement. As part of the program, the Company amended the terms of the warrants issued in December 2012, such that each holder who exercised such warrants by December 20, 2013 was entitled to a reduced exercise price from \$0.20 to \$0.05 and to receive an additional warrant. Warrants issued in December 2012 not exercised by December 20, 2013 continue to be exercisable for only common shares of the Company on the original terms.

Copper North completed the warrant exercise incentive program on December 20, 2013. 1,765,000 of the 2,584,500 warrants issued in December 2012 were exercised, which included certain insiders of the Company, for gross proceeds of \$88,250. Each additional warrant issued entitles the holder to acquire one common share of the Company at an exercise price of \$0.05 until December 20, 2015.

The fair value assigned to the warrants was \$27,250. The fair value of the warrants was calculated using the Black-Scholes option pricing model and was based on the following assumptions:

Expected stock price volatility	116.0%
Expected term, in years	2.0
Average risk-free interest rate	1.11%
Expected dividend yield	-

- (ii) On November 1, 2013, the Company extended the expiry date of 800,000 warrants issued to an officer on November 16, 2011 as part of a financing. The expiry date was extended from November 16, 2013 to November 16, 2016. The exercise price of the warrants is \$0.28. No incremental value was attributed to the warrants as a result of the extension of the exercise price.

**Copper North Mining Corp.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2014 (unaudited – prepared by management)

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A summary of the Company's warrants outstanding, including changes for the periods then ended, is presented below.

	<b>Number of Warrants</b>	<b>Weighted average exercise price \$</b>
DECEMBER 31, 2012	3,384,500	0.22
Exercised (see note 7(a)(i))	(1,765,000)	0.05
Issued	1,765,000	0.05
<b>DECEMBER 31, 2013</b>	<b>3,384,500</b>	<b>0.14</b>

There was no change to warrants outstanding during the three months ended March 31, 2014.

Warrants outstanding are as follows:

<b>Warrants outstanding, by exercise price</b>	<b>Number of warrants</b>	<b>Average remaining contractual life in years</b>
\$0.05	1,765,000	1.72
\$0.20	819,500	0.72
\$0.28	800,000	2.63
<b>MARCH 31, 2014</b>	<b>3,384,500</b>	<b>1.70</b>

**b. Stock options**

The Company has a stock option plan that permits the grant of stock options for the purchase of up to 10% of the issued and outstanding common shares of the Company to directors, officers, employees, and consultants. Terms and pricing of stock options are determined in accordance with the stock option plan.

A summary of the Company's stock options outstanding, including the changes for the periods then ended, is presented below:

	<b>Number of Stock options</b>	<b>Weighted average exercise price \$</b>
DECEMBER 31, 2012	3,989,334	0.21
Cancelled/Forfeited	(30,000)	0.30
Expired	(306,000)	0.17
DECEMBER 31, 2013	3,653,334	0.22
Granted	200,000	0.08
<b>MARCH 31, 2014</b>	<b>3,853,334</b>	<b>0.21</b>

**Copper North Mining Corp.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2014 (unaudited – prepared by management)

(Expressed in Canadian dollars)

Stock options outstanding are as follows:

<b>Stock options outstanding, by exercise price</b>	<b>Number of Stock options</b>	<b>Weighted average exercise price</b>	<b>Average remaining contractual life</b>
		\$	years
\$0.06 – 0.11	1,235,834	0.09	2.73
\$0.17 – 0.24	1,550,000	0.24	1.59
\$0.27 – 0.32	1,067,500	0.31	2.41
<b>MARCH 31, 2014</b>	<b>3,853,334</b>	<b>0.21</b>	<b>2.18</b>

Of the total stock options outstanding, 3,519,998 were vested and exercisable at March 31, 2014. The weighted average exercise price of vested stock options is \$0.22 and the average remaining contractual life is 2.01 years.

The following is a summary of the most recent stock options granted by the Company and the fair value assigned to each grant. The fair value was calculated using the Black-Scholes option pricing model and the following inputs and assumptions:

<u>Inputs and assumptions</u>	<u>March 1, 2014</u>
Stock options granted	200,000
Exercise price	\$0.08
Market price	\$0.08
Expected option term (years)	3.0
Expected stock price volatility	121%
Average risk-free interest rate	1.18%
Expected forfeiture rate	-
Expected dividend yield	-
<b>FAIR VALUE ASSIGNED</b>	<b>\$12,000</b>

**7. RELATED PARTY TRANSACTIONS****a. Due to related parties**

On May 7, 2013, the Company entered into a loan agreement (the "Loan") with an insider of the Company (the "Lender") to secure funds of \$300,000. The Loan accrues interest at a rate of 8% per annum. In consideration of the risk taken by the Lender, the Company will also issue shares equal to 20% of the principal amount of the Loan. Copper North has the option to settle the obligation in common shares of the Company. The Loan is unsecured and payable on demand. The Company did not make any payments towards the Loan or issue shares relating to the Loan during the three months ended March 31, 2014 or the year ended December 31, 2013.

**Copper North Mining Corp.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2014 (unaudited – prepared by management)

(Expressed in Canadian dollars)

Certain officers entered into agreements with the Company to defer payment of salaries from April 1, 2013 to September 30, 2013. The deferred salaries accrue interest at 8% per annum. The Company will also pay a one-time bonus equal to 20% of the deferred salaries owing on September 30, 2013. The Company may pay the deferred salaries, accrued interest, and bonus in cash or common shares of Copper North.

Certain officers deferred their salaries from October 1, 2013 to March 31, 2014 for no additional compensation. The Company has accrued the wages, the interest, and the value of bonus shares, but has not made any payments towards these amounts as at March 31, 2014. All amounts are payable on demand.

	March 31, 2014	December 31, 2013
	\$	\$
Loan principal	300,000	300,000
Value of bonus shares relating to the Loan	60,000	60,000
Wages subject to salary deferral agreements	155,000	155,000
Value of bonus shares - salary deferral agreements	31,000	31,000
Wages not subject to salary deferral agreements	132,500	124,166
Interest	24,601	18,684
Director fees	63,000	54,000
<b>DUE TO RELATED PARTIES</b>	<b>766,101</b>	<b>742,850</b>

**b. Directors and officers**

The Company's related parties include its directors and officers. The remuneration of directors and officers during the years presented was as follows:

For the three months ended March 31,	2014	2013
	\$	\$
Salaries and director fees	71,500	128,250
Share-based payments	5,622	11,483
	<b>77,122</b>	<b>139,733</b>

Share-based payments represent the fair value of stock options previously granted to directors and officers that was recognized during the years presented above.

**c. Other related party transactions**

From October 1, 2011 to March 31, 2013, administration, accounting and other office services were provided by Ravenwolf Resource Group Ltd. ("Ravenwolf"), a private company owned equally by Copper North, Western Copper and Gold Corp. ("Western") and NorthIsle Copper and Gold Inc. ("NorthIsle"). Ravenwolf provided the services to its owners on a cost-recovery basis.

Effective April 1, 2013, Copper North transferred its ownership in Ravenwolf to Western. From that date onward, Ravenwolf is no longer considered a related party of the Company. For the three months ended March 31, 2013, Ravenwolf charged Copper North \$219,077 for its services.

**Copper North Mining Corp.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2014 (unaudited – prepared by management)

(Expressed in Canadian dollars)

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**8. SEGMENTED INFORMATION**

The Company's operations are primarily directed towards the acquisition, exploration, and future development of resource properties in Canada. All assets are held in Canada.

**9. CAPITAL MANAGEMENT**

Copper North is a mineral exploration and development company with a primary focus of advancing its Carmacks Copper Project and its Redstone property towards production. Its principal source of funds is the issuance of common shares. The Company considers capital to be equity attributable to common shareholders, comprised of share capital, contributed surplus, and deficit. It is the Company's objective to safeguard its ability to continue as a going concern so that it can continue to explore and develop its projects. As at March 31, 2014, certain conditions and events cast significant doubt upon the Company's ability to continue as a going concern. Refer to note 1(b) and note 11 for more information.

Copper North monitors its cash position on a regular basis to determine whether sufficient funds are available to meet its short-term and long-term corporate objectives. Copper North manages its capital structure based on the funds available for its operations and makes adjustments for changes in economic conditions, capital markets and the risk characteristics of the underlying assets. To maintain its objectives, the Company may attempt to issue new shares, seek debt financing, acquire or dispose of assets or change the timing of its planned exploration and development projects. There is no assurance that these initiatives will be successful.

There has been no change in the Company's capital management practices during the period. Copper North does not pay dividends. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

**10. FINANCIAL INSTRUMENT RISK**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to liquidity, credit, and currency risks from the use of financial instruments. Financial instruments consist of cash and cash equivalents, other assets, reclamation bond, amounts due to related parties, and accounts payable and accrued liabilities.

**a. Liquidity risk**

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. Certain conditions cast significant doubt on the Company's ability to meet its financial obligations. Refer to note 1(b) and note 11 for more information regarding the Company's liquidity risk.

**b. Credit risk**

Financial instruments that potentially subject the Company to credit risk consist primarily of cash and cash equivalents. These financial instruments are at risk to the extent that the institutions issuing or holding them cannot redeem amounts when they are due or requested. To limit its credit risk, the Company uses a restrictive investment policy. It deposits cash and cash equivalents in Canadian chartered banks.

**Copper North Mining Corp.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2014 (unaudited – prepared by management)

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(Expressed in Canadian dollars)

**c. Currency risk**

Currency risk is the risk that the Company will lose significant purchasing power to operate its business as a result of changes in currency rates. The Company raises funds in Canadian dollars. The majority of the Company's expenditures are incurred in Canadian dollars. To limit its exposure to currency risk, the Company maintains the majority of its cash and cash equivalents in Canadian dollars. The Company did not have a material amount of financial instruments denominated in foreign currencies as at March 31, 2014 or December 31, 2013.

**11. SUBSEQUENT EVENTS****a. Private Placement**

The Company completed a private placement on April 24, 2014 for gross proceeds of \$659,000. In exchange for the proceeds, the Company issued 13,180,000 units, each consisting of one common share and one warrant. Each warrant allows the holder to purchase one common share for \$0.07 until April 24, 2016.

**b. Cancellation of credit facility**

Subsequent to the private placement completed on April 24, 2014, the Company cancelled the Facility described in note 1(b).