

# **55 North Mining Inc.**

## **Condensed Interim Financial Statements**

**At March 31, 2021 and 2020**

*(in Canadian dollars, unless otherwise stated)*

*(unaudited)*

### **Notice of No Auditor Review of Condensed Interim Financial Statements**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**55 North Mining Inc.**  
**Condensed Interim Statements of Financial Position**  
(Unaudited)

*Expressed in Canadian dollars*

	March 31, 2021	December 31, 2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 6,980,435	\$ 479,699
Restricted cash	---	1,241,631
Receivables	159,471	169,150
Prepays	141,779	133,800
Investment (Note 6)	286,767	4,834,000
	<b>\$ 7,568,452</b>	<b>\$ 6,858,280</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 458,507	\$ 388,284
Dividend payable (Note 6)	6,524,663	3,838,994
Flow-through share premium liability	29,290	528,841
	<b>7,012,460</b>	<b>4,756,119</b>
<b>Long-term liabilities</b>		
Canada Emergency Business Account (Note 7)	30,000	30,000
	<b>4,042,460</b>	<b>4,786,119</b>
<b>Shareholders' equity</b>		
Share capital (Note 8)	3,882,775	3,882,775
Warrant reserve	1,987,833	1,987,833
Deficit	(5,344,616)	(3,798,447)
	<b>525,992</b>	<b>2,072,161</b>
	<b>\$ 7,568,452</b>	<b>\$ 6,858,280</b>

*The accompanying notes are an integral part of these condensed interim financial statements.*

On behalf of the Board:

Signed:

*"Bruce Reid"*

\_\_\_\_\_  
Director

*"Sethu Raman"*

\_\_\_\_\_  
Director

# 55 North Mining Inc.

## Condensed Interim Statements of Comprehensive Loss

For the three months ended March 31, 2021 and 2020

(Unaudited)

Expressed in Canadian dollars, except shares and per share amounts

	2021	2020
<b>Expenditures</b>		
Project expenditures	\$ 1,948,337	\$ 56,563
Management and consulting	97,626	70,000
Professional fees	36,396	31,550
Listing costs	15,000	---
General and administration	10,490	24,183
Promotion and shareholder communication	6,211	---
<b>Loss and comprehensive loss before other items</b>	<b>\$ 2,114,060</b>	<b>\$ 182,295</b>
Gain on sale of investment	(2,752,169)	---
Dividend income	(66,500)	---
Interest income	(1,840)	---
Revaluation on investment	---	766
<b>(Income) Loss and comprehensive (income) loss before taxes</b>	<b>(706,449)</b>	<b>183,061</b>
<b>Future tax recovery</b>	<b>(499,551)</b>	<b>(14,990)</b>
<b>(Income) Loss and comprehensive (income) loss for the period</b>	<b>\$ 1,206,000</b>	<b>\$ 168,072</b>
<b>Basic and diluted income (loss) per share</b>	<b>\$ 0.01</b>	<b>\$ (0.00)</b>
<b>Weighted average number of shares outstanding during the period – basic and diluted</b>	<b>104,052,862</b>	<b>52,964,717</b>

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

## 55 North Mining Inc.

### Condensed Interim Statements of Changes in Deficit

For the three months ended March 31, 2021 and 2020

(Unaudited)

Expressed in Canadian dollars

	Share Capital	Warrant Reserve	Deficit	Total
<b>Balance at December 31, 2019</b>	<b>\$ 1,368,750</b>	<b>\$ 244,389</b>	<b>\$ (1,210,433)</b>	<b>\$ 402,706</b>
Loss for the period	---	---	(168,072)	(168,072)
<b>Balance at March 31, 2020</b>	<b>\$ 1,368,750</b>	<b>\$ 244,389</b>	<b>\$ (1,378,505)</b>	<b>\$ 234,634</b>
<b>Balance at December 31, 2020</b>	<b>\$ 3,822,775</b>	<b>\$ 1,987,833</b>	<b>\$ (3,798,447)</b>	<b>\$ 2,072,161</b>
Income for the period	---	---	1,206,000	1,206,000
Dividend	---	---	(2,752,169)	(2,752,169)
<b>Balance at March 31, 2021</b>	<b>\$ 3,822,775</b>	<b>\$ 1,987,833</b>	<b>\$ (5,344,616)</b>	<b>\$ 525,992</b>

*The accompanying notes are an integral part of these condensed interim financial statements.*

**55 North Mining Inc.**  
**Condensed Interim Statements of Cash Flows**  
For the three months ended March 31, 2021 and 2020  
(Unaudited)

*Expressed in Canadian dollars*

	2021	2020
Cash provided by (used in):		
<b>OPERATING ACTIVITIES</b>		
Net income (loss) for the period	\$ 1,206,000	\$ (168,072)
Future tax recovery	(499,551)	(14,990)
Dividend income	(66,501)	---
Revaluation on investment	---	766
Net change in non-cash working capital items:		
Amounts receivable	9,679	(6,504)
Prepays	(7,979)	---
Accounts payable and accrued liabilities	70,223	(58,808)
	<b>711,871</b>	<b>(247,608)</b>
<b>FINANCING ACTIVITIES</b>		
Sale of investments	3,934,000	---
Change in restricted cash	1,241,631	---
Sale of short-term investments	613,233	---
Advance received/reimbursed	---	(107,550)
Promissory note payable	---	123,057
	<b>5,788,864</b>	<b>15,557</b>
<b>Net increase in cash</b>	<b>6,500,736</b>	<b>(232,051)</b>
Cash, beginning of period	479,699	478,139
<b>Cash, end of period</b>	<b>\$ 6,980,435</b>	<b>\$ 246,088</b>

*The accompanying notes are an integral part of these condensed interim financial statements.*

# 55 North Mining Inc.

## Notes to the Condensed (Unaudited) Interim Financial Statements

March 31, 2021 and 2020

*Expressed in Canadian dollars unless otherwise indicated*

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### 1. CORPORATE INFORMATION

55 North Mining Inc., a company incorporated under the Canada Business Corporation Act, and its wholly-owned subsidiary (collectively “55 North” or the “Company”) are engaged in the acquisition, exploration, development and extraction of natural resources, specifically precious metals. The Company’s corporate head office is located at 401 Bay Street, Suite 2702, Toronto ON M5H 2Y4. The registered office of the Company is MLT Aikins LLP, 30th Floor, 360 Main Street, Winnipeg, MB R3C 4G1. The Company is a reporting issuer, as defined in corporate law, and its shares are not currently listed for trading on any stock exchange.

On September 2, 2020, 2552883 Ontario Inc. (“Ontario Inc.”) and 55 North completed a reverse takeover transaction pursuant to which 55 North acquired all the issued and outstanding shares of Ontario Inc.. Ontario Inc. then amalgamated with a wholly-owned subsidiary of 55 North and continued as one company, 55 North Mining Operations Inc. Upon completion of the reverse takeover transaction (the “RTO”), the shareholders of Ontario Inc. obtained control of the consolidated entity. Under the purchase method of accounting, Ontario Inc. was identified as the acquirer, and accordingly the entity is considered to be a continuation of Ontario Inc. with the net assets of the Company at the date of the reverse takeover transaction deemed to have been acquired by Ontario Inc. (Note 4). The consolidated interim financial statements comparative figures for the quarter ended March 31, 2020 are the results of operations of Ontario Inc. The consolidated interim financial statements for the quarter ended March 31, 2021 include and 55 North. The Company operates as 55 North Mining Inc.

Ontario Inc. was originally set up as a means to access funds needed by 55 North which was unable to raise equity as a result of being cease-traded by various Canadian securities commissions. The intention was to eventually merge the two companies. This was achieved in September 2020.

These condensed interim financial statements of the Company for the three months ended March 31, 2021 were approved and authorized for issue by the Board of Directors of the Company on May 26, 2021.

#### Going Concern

Mineral exploration projects, even when successful, require large amounts of exploration investment to prove mineable reserves, generally over long periods of time, prior to commencement of production. The ability of the Company to continue as a going concern is dependent upon, among other things, being able to obtain additional financing, the continued support of its existing shareholders, and the outlining and development of commercial deposits of metals at its project to generate positive cash flows from operations. While the Company has been successful in securing financing and identifying suitable properties to date, there is no assurance that the Company will continue to be successful in achieving these objectives. To date the Company has incurred losses since inception and expects to incur further losses in the development of its business. As at March 31, 2021, the Company had an accumulated deficit of \$5,344,616 which has been funded primarily by the issuance of share capital.

The ability of the Company to realize the costs it has incurred to date on its properties is dependent upon the Company being able to identify economically recoverable reserves, to finance their development costs and to resolve any environmental, regulatory or other constraints, which may hinder the successful development of the reserves. Although the Company has taken steps to verify title to the properties on which it is conducting exploration and development activities and in which it has an interest, in accordance with industry standards for the current stage of exploration and development of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, and non-compliance with regulatory and environmental requirements.

# 55 North Mining Inc.

## Notes to the Condensed (Unaudited) Interim Financial Statements

March 31, 2021 and 2020

*Expressed in Canadian dollars unless otherwise indicated*

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### 1. CORPORATE INFORMATION (CONT'D)

#### Going Concern (cont'd)

The outbreak of COVID-19 has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, quarantine periods and social distancing, have caused an economic slowdown and material disruption to business. Governments have continued to react with interventions intended to stabilize economic conditions. While COVID-19 has not had a material impact on the company's operations, the duration and ultimate impact of the COVID-19 outbreak is unknown at the time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial performance and financial position of the Company in future periods.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of operations for the foreseeable future. These factors may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and statement of financial position classifications that might be necessary if the Company was unable to continue as a going concern. These adjustments could be material.

### 2. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

#### a) Basis of presentation:

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and IFRS Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part I of the Chartered Professional Accountants Canada Handbook. These financial statements have been prepared under the historical cost method, except for certain financial instruments measured at fair value. The Company has consistently applied the accounting policies used in preparation of these financial statements throughout all the periods presented. Critical accounting judgments and estimates used by management in the preparation of these financial statements are presented in Note 3.

These financial statements are presented in Canadian dollars, which is also the Company's functional currency. All reference to dollars (\$) are to Canadian dollars unless otherwise noted.

These condensed interim financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of the Company as at and for the year ended December 31, 2020. Accordingly, these condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2020.

#### b) Accounting changes

##### New Accounting Standards Issued But Not Yet Effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current period and have not been early adopted. These standards are not expected to have a material impact on the company in the current or future reporting periods.

##### IFRSs effective as of January 1, 2021 Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments have had no impact on the condensed interim consolidated financial statements.

# 55 North Mining Inc.

## Notes to the Condensed (Unaudited) Interim Financial Statements

### March 31, 2021 and 2020

*Expressed in Canadian dollars unless otherwise indicated*

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#### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements requires management to use estimates and judgments that affect the reported amounts of assets and liabilities, as well as revenues and expenses. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in net loss in the period in which they become known.

The recoverability of deferred expenditures is dependent upon the discovery of economically recoverable reserves and resources, securing and maintaining title and beneficial interest in the properties, the ability to obtain necessary financing to complete exploration, development and construction of processing facilities, obtaining certain government approvals and attaining profitable production.

The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax provision. At the end of each reporting period, the Company reassesses unrecognized income tax assets.

#### 4. REVERSE TAKEOVER TRANSACTION

On September 2, 2020, the Company completed a reverse takeover transaction ("RTO") with Ontario Inc., whereby the shareholders of Ontario Inc. become shareholders of the Company. Ontario Inc. is the owner of an option to acquire 100% of the rights, title and interest in the Last Hope Gold Project, a high-grade gold project located in the emerging Lynn Lake Gold Camp in northern Manitoba.

Prior to completion of the RTO, 55 North consolidated all of its issued and outstanding shares on a 10.13:1 basis. On closing, 55 North issued post-consolidation shares in exchange for the outstanding shares of the Company on a one to one basis. As a result, 70,493,217 shares of 55 North were issued giving the shareholders of Ontario Inc. control of approximately 89.99% of the issued and outstanding share capital of 55 North. 55 North then immediately cancelled all of Ontario Inc.'s shares and Ontario Inc. was amalgamated with 55 North Mining Operations Inc., a wholly owned subsidiary of 55 North. All warrants to purchase shares of the Ontario Inc. have carried over to now purchase shares of 55 North on a one to one basis.

After evaluating all the facts surrounding this Transaction, Management determined that IFRS 3, *Business Combinations*, is not applicable and that the Transaction was accounted for as an asset acquisition with Ontario Inc as the acquirer for accounting purposes. These financial statements, as a result of it being a reverse takeover, are a continuation of Ontario Inc.'s historical disclosures, combining 55 North's assets and liabilities and including 55 North transactions that flow through the Consolidated Statements of Loss and Comprehensive Loss from September 2, 2020 through December 31, 2020.

The issued and outstanding common shares of 55 North are included in the identified assets acquired by Ontario Inc., with each valued as of September 2, 2020. The difference between these combined values, net of costs associated with the transaction, and the value of net assets as of September 2, 2020, is accounted for as listing costs on the Consolidated Statement of Loss and Comprehensive Loss.

55 North was valued by comparing the value of the shares retained by 55 North shareholders in comparison with the valuation of the Ontario Inc. prior to the RTO. 55 North was valued at \$695,988. This value was allocated between the remaining net liabilities assumed.

The following table summarizes the fair value of the total consideration transferred to Ontario Inc. shareholders and the fair value of identified assets acquired, and liabilities assumed, based on estimates of fair value.

# 55 North Mining Inc.

## Notes to the Condensed (Unaudited) Interim Financial Statements

March 31, 2021 and 2020

Expressed in Canadian dollars unless otherwise indicated

### 4. REVERSE TAKEOVER TRANSACTION (Cont'd)

<b>Purchase Price</b>	
Current assets	\$ 4,514,222
Current liabilities	4,603,970
<b>Net liabilities assumed</b>	<b>\$ 89,748</b>
Fair value of 7,832,915 55 North shares issued	695,988
Fair value in excess of net liabilities assumed	785,736
Transaction costs related to RTO	49,769
<b>Charge related to public company listing</b>	<b>\$ 835,505</b>

### 5. MINERAL PROPERTIES

On December 30, 2016, the Company signed an option agreement with Tamarak Gold Resources Inc. to option a project near Timmins, Ontario. The Company paid \$11,300 and issued 1,000,000 common shares.

On September 5, 2017, the Company signed an option agreement with Peter Dunlop to option the Last Hope Project near Lynn Lake, Manitoba. On signing, the Company paid \$65,000 and issued 1,500,000 common shares.

The Company committed to incur an aggregate of at least \$250,000 per year for the four years following the execution of this agreement to an aggregate of \$1,000,000 and make additional option payments as follows:

- September 5, 2018: \$65,000 and an additional 1,500,000 common shares;
- September 5, 2019: \$65,000;
- September 5, 2020: \$65,000;
- September 5, 2021: \$100,000; and
- September 5, 2022: \$3,000,000

The Last Hope Project bears a 2% net smelter returns royalty with the ability to buy back 1% for \$1,000,000.

### 6. INVESTMENT AND DIVIDEND PAYABLE

	<b>Mar. 31, 2021</b>	<b>Dec. 31, 2020</b>
Shares of Aston Minerals Ltd.	\$ ---	\$ 3,934,000
GIC (0.75% maturing December 10, 2021)	<b>286,767</b>	900,000
<b>Total</b>	<b>\$ 286,767</b>	<b>\$ 4,834,000</b>

Prior to completing the RTO (see Note 4), the Company completed the sale of the Edelson property and received, in addition to cash, 100,000,000 common shares of European Cobalt (now operating as Aston Minerals Ltd.). The net proceeds from the sale of these shares were agreed to be distributed to the 55 North shareholders of record on July 11, 2020. The value of the Aston Minerals Ltd. shares at December 31, 2020 was \$3,934,000 and the dividend payable was \$3,838,994, with the \$95,006 difference representing the value of the dividend attributable to the 55 North shares owned by 55 North Operations that are currently presented as held in treasury (Note 8). Any fair value adjustment in the dividend payable is adjusted through the consolidated statement of changes in equity as a dividend in the period. In April 2021, the 100,000,000 Aston Minerals shares were sold, and the Australian dollar net proceeds were converted to Canadian dollars. These funds amount to C\$6,686,169 at March 31, 2021 and included in Cash on the statement of financial position. These funds were paid as an eligible dividend to shareholders of record on July 11, 2020 and distributed the week of May 2, 2021.

# 55 North Mining Inc.

## Notes to the Condensed (Unaudited) Interim Financial Statements

March 31, 2021 and 2020

Expressed in Canadian dollars unless otherwise indicated

### 7. CANADA EMERGENCY BUSINESS ACCOUNT

As a result of COVID-19, the Canadian federal government created the Canada Emergency Business Account (“CEBA”), designed to provide some financial assistance to qualifying Canadian companies. In April 2020, the Company applied for this funding and received \$40,000 as an unsecured, non-interest-bearing loan. This loan is due on or before December 31, 2022. If \$30,000 is paid before this time, \$10,000 of the loan is forgiven. If not paid by this date, the loan is extended by three years bearing interest at a rate of 5% per annum, with the loan maturing on December 31, 2025.

### 8. SHARE CAPITAL

#### a) Authorized:

The Company is authorized to issue an unlimited number of common shares with each common share entitled to one vote.

#### b) Common shares issued:

	Number of Shares	Stated Capital
<b>Balance, December 31, 2019</b>	<b>68,993,217</b>	<b>\$ 1,368,750</b>
Issued on settlement of debt	1,500,000	150,000
Issued on reverse takeover transaction	7,832,915	695,988
Issued on private placement	25,726,730	4,426,114
Warrant allocation	---	(1,670,277)
Share issue costs	---	(520,696)
Flow-through premium	---	(567,104)
<b>Balance, December 31, 2020 and March 31, 2021</b>	<b>104,052,862</b>	<b>\$ 3,882,775</b>

Included in the share capital balance on December 31, 2020 and March 31, 2021 are 189,206 shares held by 55 North Operations (formerly Ontario Inc.). These shares will be sold now that the Company's shares are trading on a stock exchange and are included as shares held in treasury.

On July 2, 2020, certain creditors agreed to receive a total of 1,500,000 common shares in settlement of \$150,000 debt owed to them, with each share issued at \$0.10 per share.

On September 2, 2020, 55 North completed the RTO resulting in the acquisition of control of 55 North by the shareholders of Ontario Inc. Pursuant to the RTO, all issued and outstanding securities in the capital of 55 North were converted into like issued and outstanding securities of the Company on a one-for-one basis resulting in the issuance of 7,832,915 shares with each share issued at \$0.09 per share.

On September 21, 2020, the Company closed a private placement for gross proceeds of \$1,403,416, issuing 6,672,080 flow through units at \$0.20 per unit for gross proceeds of \$1,334,416 and 460,000 non-flow through units at \$0.15 per unit for gross proceeds of \$69,000. Each flow through and non-flow through unit consists of one common share and one warrant, with each warrant entitling the holder to acquire a common share at \$0.30 per share for 48 months from the date of issuance.

On October 15, 2020, the Company announced that it closed the second tranche of a non-brokered private placement for gross proceeds of \$836,000, made up of \$824,000 in flow through financing and \$12,000 in non-flow through financing. The flow through financing consisted of 4,120,000 flow through units. Each flow through unit was priced at \$0.20 each for gross proceeds of \$824,000. The non-flow through financing consisted of 80,000 units priced at \$0.15 each for gross proceeds of \$12,000. Each unit is comprised of one common share and one common share purchase warrant entitling the holder to acquire one additional common share at a price of \$0.30 per share for 48 months from the date of issuance.

# 55 North Mining Inc.

## Notes to the Condensed (Unaudited) Interim Financial Statements

March 31, 2021 and 2020

Expressed in Canadian dollars unless otherwise indicated

### 8. SHARE CAPITAL (CONT'D)

On November 9, 2020 the Company announced that it closed the third tranche of a non-brokered private placement for gross proceeds of \$1,386,920, consisting of \$1,371,920 in non-flow-through financing and \$15,000 in flow-through financing. The flow through financing consisted of 75,000 flow through units. Each flow through units was priced at \$0.20 each for gross proceeds of \$15,000. The non-flow through financing consisted of 9,146,133 units priced at \$0.15 each for gross proceeds of \$1,371,920. Each unit is comprised of one common share and one common share purchase warrant entitling the holder to acquire one additional common share at a price of \$0.30 per share for 48 months from the date of issuance. Bruce Reid, CEO and Director, subscribed for 2,000,000 non-flow through units.

On November 27, 2020 the Company announced that it closed an additional tranche of a non-brokered private placement for gross proceeds of \$599,777 consisting of \$504,777 in non-flow-through financing and \$95,000 in flow-through financing. The non-flow-through financing consisted of 3,365,183 units priced at \$0.15. The flow-through financing consisted of 475,000 flow-through units priced at \$0.20. Each unit is comprised of one common share and one common share purchase warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.30 per share for 48 months from the date of issuance.

On December 4, 2020 the Company announced that it closed an additional tranche of a non-brokered private placement for gross proceeds of \$200,000 in non-flow-through financing. The non-flow-through financing consisted of 1,333,334 units priced at \$0.15 per unit. Each unit is comprised of one common share and one common share purchase warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.30 per share for 48 months from the date of issuance.

### 8. WARRANTS

A summary of the status of the Company's outstanding warrants and changes for the year ended December 31, 2020 and the three months ended March 31, 2021 are as follows:

	2021		2020	
	Number	Weighted average exercise price	Number	Weighted average exercise price
<b>Balance, beginning</b>	<b>51,914,010</b>	<b>\$ 0.24</b>	<b>22,634,108</b>	<b>\$ 0.10</b>
Granted	---	---	1,666,666	0.18
Cancelled	---	---	(24,300,774)	0.10
Granted – replacement warrants	---	---	24,517,950	0.18
Granted – post RTO	---	---	27,396,060	0.29
Expired	---	---	---	---
<b>Balance, ending</b>	<b>51,914,010</b>	<b>\$ 0.24</b>	<b>51,914,010</b>	<b>\$ 0.24</b>

#### Notes:

(1) Following completion of the RTO, warrants issued by 55 North and Ontario Inc. were replaced by new 55 North Mining Inc. warrants using the transaction share exchange ratio.

# 55 North Mining Inc.

## Notes to the Condensed (Unaudited) Interim Financial Statements

March 31, 2021 and 2020

Expressed in Canadian dollars unless otherwise indicated

### 8. WARRANTS (CONT'D)

At March 31, 2021 and December 31, 2020, there were 51,914,010 warrants outstanding, with each warrant entitling the holder to acquire one common share of the Company at the prices noted below:

Number	Exercise Price	Remaining Contractual Life In Years	Expiry Date
<b>March 31, 2020</b>			
24,300,774	\$0.18	1.75	December 31, 2022 <sup>(1)</sup>
217,176	\$0.61	1.72	December 18, 2022 <sup>(2)</sup>
7,132,080	\$0.30	3.48	September 21, 2024
500,000	\$0.20	3.48	September 21, 2024 <sup>(4)</sup>
36,800	\$0.15	3.48	September 21, 2024 <sup>(3)</sup>
4,200,000	\$0.30	3.55	October 15, 2024
329,600	\$0.20	3.55	October 15, 2024 <sup>(3)</sup>
6,400	\$0.15	3.55	October 15, 2024 <sup>(4)</sup>
9,221,133	\$0.30	3.61	November 9, 2024
534,531	\$0.15	3.61	November 9, 2024 <sup>(4)</sup>
6,000	\$0.30	3.61	November 9, 2024
3,840,183	\$0.30	3.66	November 27, 2024
141,333	\$0.15	3.66	November 27, 2024 <sup>(4)</sup>
8,000	\$0.20	3.66	November 27, 2024 <sup>(3)</sup>
1,333,334	\$0.30	3.68	December 4, 2024
106,666	\$0.15	3.68	December 4, 2024 <sup>(4)</sup>
<b>51,914,010</b>	<b>\$0.24</b>	<b>2.71</b>	

#### Notes:

- (1) In August 2020, the terms of these warrants were changed to an exercise price of \$0.18 and with an expiration date of December 31, 2022.
- (2) In August 2020, the terms of these warrants were changed to an expiration date of December 18, 2022
- (3) These compensation options entitle the holder to acquire a unit at a price of \$0.20 per unit. Each unit is comprised of one common share and one warrant which can be exercised to acquire one additional common share at a price of \$0.30 for a period of 48 months.
- (4) These compensation options entitle the holder to acquire a unit at a price of \$0.15 per unit. Each unit is comprised of one common share and one warrant which can be exercised to acquire one additional common share at a price of \$0.30 for a period of 48 months.

# 55 North Mining Inc.

## Notes to the Condensed (Unaudited) Interim Financial Statements

March 31, 2021 and 2020

Expressed in Canadian dollars unless otherwise indicated

### 9. SHARE OPTIONS

The Company may grant options to directors, officers, employees, and technical consultants of the Company. The maximum number of shares reserved for issuance under all securities compensation arrangements is limited to 10% of the total number of issued and outstanding shares exercisable for a period of up to 10 years. The maximum number of shares that may be issued to any officer, director or employee shall not exceed 5% of the total number of issued and outstanding shares. The maximum number of shares that may be issued to technical consultants, including investor relation consultants, shall not exceed 2% of the total number of issued and outstanding shares.

A summary of the status of the Company's outstanding options as at March 31, 2021 and December 31, 2020 and changes during the periods then ended are as follows:

	Mar. 31, 2021		Dec. 31, 2020	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance, beginning	296,148	\$ 0.51	---	\$ ---
Granted – replacement options <sup>(1)</sup>	---	---	296,148	0.51
Balance, ending	296,148	\$ 0.51	296,148	\$ ---

The average remaining life of the options is 3.52 years.

Notes:

<sup>(1)</sup> Following completion of the RTO, options issued by 55 North were replaced by new 55 North Mining Inc. options using the transaction share exchange ratio.

### 10. RELATED PARTY TRANSACTIONS

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly and indirectly, include any director (whether executive or otherwise) of the Company. Total fees paid to the Company's CEO during the three months ended March 31, 2021 is \$18,000 (three months ended March 31, 2020 - \$NIL). Total fees paid to the Company's CFO during the three months ended March 31, 2021 is \$15,000 (three months ended March 31, 2020 - \$13,000) with \$5,000 remaining in accounts payable at quarter end (March 31, 2020 - \$13,000), in addition to \$NIL in expenses due at March 31, 2021 (March 31, 2020 - \$1,474).

Total fees paid to certain directors for services rendered during the three months ended March 31, 2020 is \$30,000 (three months ended March 31, 2020 - \$20,000) with \$NIL remaining in accounts payable at quarter end (March 31, 2020 - \$20,000). At March 31, 2020, the Company's CEO was owed \$5,486 in expenses (March 31, 2021 - \$NIL), which amount remains in accounts payable at quarter-end.

### 11. CAPITAL MANAGEMENT

The Company's total capital balance of \$525,992 consists of \$3,882,775 of share capital and \$1,987,833 of warrant reserve with an offsetting deficit of \$5,344,616.

The Company's objectives when managing capital, which consists of shareholders' equity, are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

# 55 North Mining Inc.

## Notes to the Condensed (Unaudited) Interim Financial Statements

March 31, 2021 and 2020

*Expressed in Canadian dollars unless otherwise indicated*

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### 11. CAPITAL MANAGEMENT (CONT'D)

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital from time-to-time using a variety of measures. Monitoring procedures are typically performed as a part of the overall management of the Company's operations. The Company's strategy during the period, which was unchanged from the prior period, was to maintain its ability to secure access to financing at a reasonable cost. The requirements and terms of sources of capital cannot be predicted and change in ways the Company cannot predict.

### 12. RISK MANAGEMENT AND FAIR VALUES

Management's risk management policies are typically performed as a part of the overall management of the Company's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Company is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. The Company has not designated transactions as hedging transactions to manage risk. As a part of the overall operation of the Company, management considers the avoidance of undue concentrations of risk. The risks and the actions taken to manage them include the following:

#### **Liquidity risk**

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The Company's main sources of liquidity are external sources of debt and equity. The funds are primarily used to finance working capital and capital expenditure requirements. The Company's current liabilities exceed its current assets by \$555,992

Accounts payable, accrued liabilities, advance payable due to related parties and promissory note payable are due within one year.

#### **Credit risk**

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Company has credit policies to address credit risk on accounts receivable, which may include the analysis of the financial position of the debtor and review of credit limits. The Company also may review credit history before establishing credit and review credit performance. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information.

A financial asset is past due when a debtor has failed to make a payment when contractually due. The Company has no financial assets that are past due and does not have an allowance for doubtful accounts receivable.

#### **Currency risk**

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. Changes in the applicable exchange rate may result in a decrease or increase in foreign exchange income or expense. The Company only enters into transactions in Canadian dollars and is not exposed to currency risk.

# 55 North Mining Inc.

## Notes to the Condensed (Unaudited) Interim Financial Statements

March 31, 2021 and 2020

*Expressed in Canadian dollars unless otherwise indicated*

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### 12. RISK MANAGEMENT AND FAIR VALUES (CONT'D)

#### Interest rate risk

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. Obtaining a promissory note with a fixed interest rate minimizes cash flow risk.

#### Other price risk

Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. Mineral prices are affected by numerous factors such as the sale or purchase by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuations in the value of the US dollar and other foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold-producing countries throughout the world.

#### Fair values

The fair values of the Company's financial assets and liabilities consisting of cash, accounts receivable, advances to related party, accounts payable, due to related parties and promissory note payable approximate their recorded values as at March 31, 2021 and December 31, 2020 due to their short-term nature.

Fair value is an estimate of the amount at which items might be exchanged in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act. Fair value should not be interpreted as an amount that could be realized in immediate settlement of the instruments. The estimate of fair value at the end of the periods may not represent fair values at any other date. The determination of fair value is also affected by the use of judgment and by uncertainty.

### 13. CONTINGENCY

In the normal course of operations, the Company may become subject to a variety of legal and other claims. Management and legal counsel evaluate all claims on their apparent merits, and accrue management's best estimate of the estimated costs to satisfy such claims. Although the outcome of existing legal and other claims are not reasonably determinable, management believes that any such outcome will not be material.

### 14. SUBSEQUENT EVENTS

In April 2021, the Company closed an additional tranche of a non-brokered private placement for gross proceeds of \$310,000 in flow-through financing. The financing consisted of 1,550,000 units priced at \$0.20. Each unit is comprised of one common share and one common share purchase warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.30 per share for 48 months from the date of closing. As compensation for this financing, a total of \$21,000 was paid in cash and 105,000 finders warrants were issued, with each warrant exercisable to purchase common share at a price of \$0.30 for a period of 48 months from closing.

On April 20, 2021, the Company issued 9,100,000 incentive share options to officers, directors, employees and consultants with each option having a 5-year term and an exercise price of \$0.15.