

# **55 North Mining Inc.**

**(Formerly SGX Resources Inc.)**

## **Condensed Interim Financial Statements**

**At June 30, 2018 and 2017**

*(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.**  
**(Formerly SGX Resources Inc.)**  
**Condensed Interim Statements of Financial Position**  
**(Unaudited)**

*Expressed in Canadian dollars*

	June 30, 2018	December 31, 2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 79,434	\$ 5,140
GST/HST recoverable	3,088	4,494
Prepays	7,200	1,800
	<b>\$ 89,722</b>	<b>\$ 11,434</b>
Fixed Assets	<b>3,399</b>	<b>3,884</b>
	<b>\$ 93,121</b>	<b>\$ 15,318</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 242,228	\$ 107,033
Shares to be issued (Note 4)	222,000	---
Advance payable, due on demand, unsecured, non-interest bearing	386,326	532,188
Due to related parties (Note 9)	1,844,865	1,844,865
Promissory note payable (Note 9)	121,381	118,424
	<b>2,816,800</b>	<b>2,602,510</b>
<b>Shareholders' equity</b>		
Share capital (Note 5b)	27,567,165	27,567,165
Deficit	(30,290,844)	(30,154,357)
	<b>(2,723,679)</b>	<b>(2,587,192)</b>
	<b>\$ 93,121</b>	<b>\$ 15,318</b>

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

On behalf of the Board:



**Bruce Reid**  
Director



**Jennifer Boyle**  
Director

**55 North Mining Inc.**  
**(Formerly SGX Resources Inc.)**  
**Condensed Interim Statements of Comprehensive Loss**  
**For the three and six months ended June 30, 2018 and 2017**  
**(Unaudited)**

*Expressed in Canadian dollars, except shares and per share amounts*

	3 months ended June		6 months ended June	
	2018	2017	2018	2017
<b>Expenditures</b>				
General and administration	\$ 77,823	\$ 108,279	\$ 131,992	\$ 247,417
Interest expense	3,034	4,529	4,495	4,529
<b>Income (Loss) and comprehensive income (loss) for the period</b>				
	<b>\$ (80,857)</b>	<b>\$ (112,808)</b>	<b>\$(136,487)</b>	<b>\$(251,946)</b>
<b>Basic and diluted income (loss) per share</b>				
	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of shares outstanding during the period - basic and diluted</b>				
	<b>135,194,169</b>	<b>135,194,169</b>	<b>135,194,169</b>	<b>135,194,169</b>

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

**55 North Mining Inc.**  
**(Formerly SGX Resources Inc.)**  
**Condensed Interim Statement of Changes in Equity**  
For the three and six months ended June 30, 2018 and 2017  
**(Unaudited)**  
*Expressed in Canadian dollars*

	Share Capital	Contributed Surplus	Deficit	Total
<b>Balance, December 31, 2016</b>	<b>\$27,567,165</b>	<b>\$270,510</b>	<b>\$(30,567,345)</b>	<b>\$(1,794,735)</b>
Loss for the period	---	---	(139,138)	(139,138)
<b>Balance at March 31, 2017</b>	<b>\$27,567,165</b>	<b>\$270,510</b>	<b>\$(30,567,345)</b>	<b>\$(2,440,726)</b>
Loss for the period	---	---	(112,808)	(112,808)
Expired/forfeited options <i>(Note 6)</i>	---	(117,614)	117,614	---
<b>Balance at June 30, 2017</b>	<b>\$27,567,165</b>	<b>\$152,614</b>	<b>\$(30,273,595)</b>	<b>\$(2,553,534)</b>
<b>Balance at December 31, 2017</b>	<b>\$27,567,165</b>	<b>\$ ---</b>	<b>\$(30,154,357)</b>	<b>\$(2,587,192)</b>
Loss for the period	---	---	(55,630)	(55,630)
<b>Balance at March 31, 2018</b>	<b>\$27,567,165</b>	<b>\$ ---</b>	<b>\$(30,209,987)</b>	<b>\$(2,642,822)</b>
Loss for the period	---	---	(80,857)	(80,857)
<b>Balance at June 30, 2018</b>	<b>\$27,567,165</b>	<b>\$ ---</b>	<b>\$(30,290,844)</b>	<b>\$(2,723,679)</b>

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

**55 North Mining Inc.**  
**(Formerly SGX Resources Inc.)**  
**Condensed Interim Statements of Cash Flows**  
**For the six months ended June 30, 2018 and 2017**  
**(Unaudited)**

*Expressed in Canadian dollars*

	2018	2017
Cash provided by (used in):		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (136,487)	\$(251,946)
Depreciation expense	485	---
Net change in non-cash working capital items:		
Amounts receivable	1,406	(21,653)
Prepays	(5,400)	(7,200)
Accounts payable and accrued liabilities	135,195	(159,200)
Promissory note payable	2,957	---
	<b>(1,844)</b>	<b>(439,999)</b>
<b>FINANCING ACTIVITIES</b>		
Advance received	(145,862)	384,434
Due to related parties	---	56,470
Shares to be issued	222,000	---
	<b>76,138</b>	<b>440,904</b>
<b>Net increase in cash</b>	<b>74,294</b>	<b>905</b>
Cash, beginning of period	5,140	424
<b>Cash, end of period</b>	<b>\$ 79,434</b>	<b>\$ 1,329</b>

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

# 55 North Mining Inc.

(Formerly SGX Resources Inc.)

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

June 30, 2018

*Expressed in Canadian dollars unless otherwise indicated*

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### 1. CORPORATE INFORMATION

55 North Mining Inc. ("55 North" or the "Company") was incorporated under the Canada Business Corporations Act on December 5, 2008 as SGX Resources Inc. At the shareholder meeting held on June 6, 2018, shareholders approved the change to the Company's name. The Company acquires, explores, and develops mineral properties in the Timmins region of Ontario, Canada.

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's shares are listed on the TSX Venture Exchange ("TSXV") and trade under the symbol "SXR". Trading was suspended on May 9, 2016.

At the shareholder meeting held on June 6, 2018, shareholders approved a name change to 55 North Mining Inc.

#### Going Concern

In addition to ongoing working capital requirements, the Company may be required to secure sufficient funding for exploration and development programs, general and administration costs. Although management may have been successful in the past in undertaking financing, there can be no assurance that management will be able to do so in the future on terms acceptable to the Company.

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 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.

These condensed interim financial statements of the Company for the three months ended June 30, 2018 were approved and authorized for issue by the Board of Directors of the Company on August 21, 2018.

### 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, 2017. Accordingly, these condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2016.

# 55 North Mining Inc.

(Formerly SGX Resources Inc.)

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

June 30, 2018

*Expressed in Canadian dollars unless otherwise indicated*

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### 2. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES (CONT'D)

#### b) Recent accounting pronouncements

##### New accounting pronouncements

In the quarter ended June 30, 2018, there have been no new or amended accounting pronouncements that have had a material impact on the Company's financial statements.

##### Future accounting pronouncements

IFRS 9, "Financial instruments" (IFRS 9) was issued by the IASB on July 24, 2014 and will replace IAS 39, "Financial instruments: recognition and measurement" (IAS 39). IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company does not expect to have a material impact from the adoption of IFRS 9.

IFRS 15, "Revenue from Contracts and Customers" (IFRS 15) was issued by the IASB on May 28, 2014, and will replace IAS 18, "Revenue", IAS 11, "Construction Contracts", and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control-based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018. The Company does not expect to have a material impact from the adoption of IFRS 15.

IFRS 16, "Leases" replaces IAS 17 "Leases" and requires lessees to account for leases on balance sheet by recognizing a right of use asset and a lease liability. The standard is effective for annual periods beginning on or after January 1, 2019 with earlier adoption permitted. The Company does not expect to have a material impact from the adoption of IFRS 16.

### 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.

# 55 North Mining Inc.

(Formerly SGX Resources Inc.)

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

June 30, 2018

*Expressed in Canadian dollars unless otherwise indicated*

#### 4. SHARES TO BE ISSUED

During the first six months of 2018, investors subscribed and paid for \$222,000 of common shares. The Company was awaiting approval for these subscriptions, among other things, from the TSXV, which approval was received in July 2018 (see Note 5). Consequently, at June 30, 2018, this amount is denoted as shares to be issued under current liabilities on the statement of financial position until the shares are officially approved and issued.

#### 5. 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
Balance, December 31, 2017	45,064,717	\$27,567,165
Balance, June 30, 2018	45,064,717	\$27,567,165

At the shareholder meeting held on June 6, 2018, shareholders approved the consolidation of the number of shares outstanding at a ratio of 3:1, with fractional shares being cancelled. The shares listed above are presented on a post-consolidation basis.

On July 4, 2018, the Company closed the first tranche of its private placement offering (announced June 18, 2018) for gross proceeds of \$222,000 by the issuance of 3.7 million Units at a price of \$0.06 per Unit. Each Unit is comprised of one flow through common share and one non-flow-through purchase warrant entitling the holder to acquire one additional common share at a price of \$0.07 per share for 24 months. This brings the number of issued and outstanding shares to 48,764,717.

#### 6. 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.

At December 31, 2017 and June 30, 2018, the Company had no stock options outstanding. No options were granted, during the six months ended June 30, 2018.

#### WARRANTS

At June 30, 2018, SGX did not have any warrants outstanding.



# 55 North Mining Inc.

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

June 30, 2018

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### 7. RELATED PARTY TRANSACTIONS

Advance payable of \$386,326 is made up of \$95,000 due to two directors of the Company and \$291,326 due to a company in which directors of the company are shareholders. Amounts were advanced to the company for settlement of various liabilities as well as for general working capital purposes.

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 for the six months ended June 30, 2018 is \$nil and no amounts are owed to related parties key management personnel.

Due to related parties includes \$870,552 (June 30, 2017 - \$870,552) due to Havilah Mining Corporation (formerly Klondex Canada Ltd.) ("Havilah") for exploration expenditures incurred on behalf of the Company. Havilah also holds a \$100,000 promissory note from the Company. The promissory note bears interest at 5% and is due on demand. The promissory note is secured against the Company's 50% interest in certain mining claims. The promissory note payable includes \$21,381 (December 31, 2017 - \$18,424) of accrued interest.

On August 8, 2018 the Company announced that it has entered into an agreement (the "Agreement") with Havilah Mining Canada Ltd. ("Havilah", a subsidiary of Havilah Mining Corporation), whereby Havilah has agreed to acquire the remaining 50% interest in the Tully mining claims and mining lease located in Timmins, Ontario (the "Tully Property"), an exploration property in Ontario (the "Acquisition"). Under the terms of the Agreement, Havilah will acquire 55 North's legal and beneficial right, title and interest in and to all of 55 North's 50% in the Tully Property in exchange for consideration which includes payment of \$200,000.00 in cash for the settlement of outstanding litigation between 55 North and a former employee (under previous management), and the waiver of outstanding liabilities owing to Havilah by 55 North in the amount of approximately \$970,552.00. Additionally, pursuant to the terms of the Agreement, concurrent with the closing of the Acquisition, 55 North is required to complete a non-brokered private placement (the "Placement") offering of 3,333,333 post-consolidation common shares of 55 North (the "55 North Shares") to Havilah, at a price of \$0.06 per 55 North Share, for aggregate gross proceeds of \$199,999.98. Havilah currently owns 14,349,085 55 North Shares representing approximately 24.57% of the issued and outstanding 55 North Shares. Completion of the Acquisition and the Placement is subject to the satisfaction of certain conditions precedent as well as the approval of the TSX Venture Exchange. The Acquisition is expected to close on September 30, 2018, or such other date as the parties may agree upon.

### 8. CAPITAL MANAGEMENT

The Company's total negative capital balance of \$2,723,679 consists of \$27,567,165 of share capital and an offsetting deficit of \$30,290,844.

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.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to 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.

# 55 North Mining Inc.

(Formerly SGX Resources Inc.)

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

June 30, 2018

*Expressed in Canadian dollars unless otherwise indicated*

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

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.

### 9. 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 \$2,505,078.

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.

#### **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.

# **55 North Mining Inc.**

**(Formerly SGX Resources Inc.)**

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

**June 30, 2018**

*Expressed in Canadian dollars unless otherwise indicated*

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

#### **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 June 30, 2018 and December 31, 2017 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.

### **10. CONTINGENCY**

In connection with an independent contractor agreement a claim has been made against the Company for outstanding monies owing and severance. The likelihood of loss and amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. In the opinion of the Company, potential liabilities that may result from this legal action has been adequately provided for and is not expected to have a material adverse effect on the Company's financial position.