

55 North Mining Inc.

Consolidated Condensed Interim Financial Statements

At September 30, 2020 and 2019

(in Canadian dollars, unless otherwise stated)

(unaudited)

55 North Mining Inc.

Consolidated Condensed Interim Statements of Financial Position

(Unaudited)

Expressed in Canadian dollars

	September 30, 2020	December 31, 2019
ASSETS		
Current assets		
Cash	\$ 1,595,298	\$ 478,139
Receivables	81,373	33,481
Prepays	17,823	—
Loan receivable (Note 10)	—	428,233
	\$ 1,694,494	\$ 939,853
Investments	92,205	66,508
	\$ 1,786,699	\$ 1,006,361
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued liabilities	\$ 252,110	\$ 173,560
Flow-through share premium liability	523,160	210,095
Loan payable (Note 10)	250,000	220,000
	1,025,270	603,655
Long-term liabilities		
Canada Emergency Business Account (Note 6)	30,000	—
	1,055,270	603,655
Shareholders' equity		
Share capital (Note 7)	2,693,432	1,368,750
Warrant reserve	802,454	244,389
Deficit	(2,764,457)	(1,210,433)
	731,429	402,706
	\$ 1,786,699	\$ 1,006,361

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

On behalf of the Board:

Signed:

"Bruce Reid"

Director

"Sethu Raman"

Director

55 North Mining Inc.

Consolidated Condensed Interim Statements of Loss and Comprehensive Loss For the three and nine months ended September 30, 2020 and 2019 (Unaudited)

Expressed in Canadian dollars, except shares and per share amounts

	3 months ended September 30,		9 months ended September 30,	
	2020	2019	2020	2019
Expenditures				
Listing costs (Note 4)	\$ 835,505	\$ —	\$ 835,505	\$ —
Promotion and shareholder communications	228,350	—	228,350	—
Management and consulting	161,045	51,300	301,045	51,300
Project expenditures	5,000	—	77,503	—
Acquisition costs	65,000	65,000	65,000	65,000
Professional fees	20,240	—	63,195	—
General and administration	13,891	15,346	39,660	15,554
Loss before other (income)/expenses and taxes	1,329,031	131,646	1,610,258	131,854
Forgiven Canada Emergency Business Account (Note 6)	—	—	(10,000)	—
Dividend received	(93,006)	—	(93,006)	—
Revaluation on investment	66,544	47,150	67,310	47,150
Loss before income taxes	1,302,569	178,796	1,574,562	179,004
Future tax recovery	(1,325)	—	(20,538)	—
Loss and comprehensive loss for the period	\$1,301,244	\$ 178,796	\$1,554,024	\$ 179,004
Basic and diluted loss per share	\$ (0.04)	\$ (0.03)	\$ (0.10)	\$ (0.03)
Weighted average number of shares outstanding during the period - basic and diluted (Note 13)	29,752,508	5,557,557	15,219,738	5,328,912

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

55 North Mining Inc.

Consolidated Condensed Interim Statements of Changes in Deficit

For the nine months ended September 30, 2020 and 2019

(Unaudited)

Expressed in Canadian dollars

	Share Capital	Warrants	Deficit	Total
Balance at December 31, 2018	\$ 844,301	\$ 106,082	\$ (877,475)	\$ 72,908
Loss for the period	---	---	(179,004)	(131,854)
Share issuance, private placement	724,647	150,353	---	875,000
Flow-through share premium liability	(198,750)	---	---	(198,750)
Share issue costs	(25,000)	---	---	(25,000)
Warrant expiry	---	(20,262)	20,262	---
Balance at September 30, 2019	\$ 1,345,198	\$ 236,173	\$(1,036,217)	\$ 545,154
Balance at December 31, 2019	\$ 1,368,750	\$ 244,389	\$ (1,210,433)	\$ 402,706
Loss for the period	---	---	(1,554,024)	(1,554,024)
Warrants issued	---	73,167	---	73,167
Share issuance, settlement of debt	150,000	---	---	150,000
Share issuance, reverse takeover transaction	695,988	---	---	695,988
Share issuance, private placement	918,518	484,898	---	1,403,416
Flow-through share premium liability	(333,604)	---	---	(333,604)
Share issue costs	(106,220)	---	---	(106,220)
Balance at September 30, 2020	\$ 2,693,432	\$ 802,454	\$(2,764,457)	\$ 731,429

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

55 North Mining Inc.

Consolidated Condensed Interim Statements of Cash Flows

For the nine months ended September 30, 2020 and 2019

(Unaudited)

Expressed in Canadian dollars

	2020	2019
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net loss for the period	\$(1,554,024)	\$(179,004)
Listing costs	835,505	—
Forgiven Canada Emergency Business Account	(10,000)	—
Investment revaluation	67,310	47,150
Tax recovery	(20,538)	—
Dividend	(93,006)	—
Shares issued for debt settlement	150,000	—
Warrants issued for consulting fees	73,167	—
Net change in non-cash working capital items:		
Receivables	(34,595)	(8,257)
Prepays	(11,090)	—
Accounts payable and accrued liabilities	(182,694)	(112,982)
	(779,965)	(253,093)
FINANCING ACTIVITIES		
Share subscription	1,297,196	850,000
Loan receivable	(126,361)	45,000
Loan payable	30,000	—
Canada Emergency Business Account	40,000	—
Cash acquired on reverse takeover transaction net of transaction costs (Note 4)	656,289	—
	1,897,124	895,000
Net increase in cash	1,117,159	641,907
Cash, beginning of period	478,139	79,079
Cash, end of period	\$ 1,595,298	\$ 720,986

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

55 North Mining Inc.

Notes to the Consolidated Condensed Interim Financial Statements

September 30, 2020 and 2019

(unaudited)

Expressed in Canadian dollars unless otherwise indicated

1. CORPORATE INFORMATION AND GOING CONCERN

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 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 condensed interim financial statements for the 3 month and 9 month periods ended September 30, 2020 include the results of operations of 55 North from January 1, 2020 to September 2, 2020, the date of the reverse takeover transaction. The comparative figures are those of Ontario 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 consolidated condensed interim financial statements of the Company for the three and nine months ended September 30, 2020 were approved and authorized for issue by the Board of Directors of the Company on December 16, 2020.

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.

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.

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.

55 North Mining Inc.

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2. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Basis of presentation:

The Company prepares its consolidated condensed interim 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 consolidated condensed interim 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 consolidated condensed interim 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.

Basis of Measurement:

These unaudited consolidated condensed interim financial statements were prepared on a going concern basis, under the historical cost convention.

Basis of Consolidation:

These consolidated condensed interim financial statements include the accounts of 55 North and its wholly-owned subsidiary, 55 North Mining Operations Inc. Control is achieved when 55 North has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statements of Loss and Comprehensive Loss from the effective date of acquisition or to the date of disposal. Intergroup balances and transactions are eliminated on consolidation.

The preparation of consolidated condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Use of Estimates and Judgments:

The preparation of unaudited consolidated condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the consolidated financial statements are disclosed in Notes 4 and 5. These financial statements are presented in Canadian dollars, which is the Company's functional currency.

Functional and Presentation Currency:

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 consolidated 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, 2019, except for the accounting changes noted below. Accordingly, these consolidated condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2019.

55 North Mining Inc.

Notes to the Consolidated Condensed Interim Financial Statements

September 30, 2020 and 2019

(unaudited)

Expressed in Canadian dollars unless otherwise indicated

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

Accounting changes:

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. None of these is expected to have a significant effect on the Consolidated Financial Statements of the Company.

The Conceptual Framework for Financial Reporting (revised in 2018) has been updated to expand on the existing Conceptual Framework by focusing on the elements of financial statements, recognition and derecognition, measurement, and presentation and disclosure. The standard is effective for annual periods beginning on or after January 1, 2020. These new standards and changes did not have any material impact on the Company's financial statements.

Amendments to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors has been updated. The definition of “material” is being clarified for purpose of improving consistency and application of the concept where applicable. The standard is effective for annual periods beginning on or after January 1, 2020. This new standard and changes did not have any material impact on the Company's financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these consolidated condensed 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.

55 North Mining Inc.

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4. REVERSE TAKEOVER TRANSACTION (CONT'D)

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 Statements of Loss and Comprehensive Loss from September 2, 2020 through September 30, 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, 2002. The difference between these combined values, net 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.

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 assets acquired with the difference charged to loss and comprehensive loss for the period as a cost of acquiring the listing.

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

Purchase Price	
Current assets	\$ 663,022
Current liabilities	752,770
Net liabilities assumed	\$ 89,748
Fair value of 7,832,915 shares issued	695,988
Fair value in excess of net liabilities assumed	785,736
Transaction costs related to RTO	49,769
Charge related to public company listing	\$ 835,505

The consideration paid in excess of net assets acquired, together with related transaction costs were charged to loss and comprehensive loss as listing costs.

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; and
- September 5, 2021: \$3,000,000.

On November 4, 2019, an amendment was signed whereby the September 5, 2021 payment was changed to \$100,000 and the \$3,000,000 payment deferred to September 5, 2022.

The Last Hope Project bears a 2% net smelter returns royalty.

55 North Mining Inc.

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5. MINERAL PROPERTIES (CONT'D)

After announcing the signing of a letter of intent on June 8, 2020, on July 6, 2020 55 North announced that it had entered into a definitive agreement with European Cobalt Ltd. ("European Cobalt") pursuant to which European Cobalt Ltd. would acquire 100% of the rights, title and interest in the Edlestone Gold Project located south of the Timmins gold camp in Ontario Canada ("Edlestone"). Under the terms of the Agreement, European Cobalt paid a non-refundable cash payment of \$100,000 to the Company, and, upon closing, made a cash payment of \$650,000 and issued, to the Company, 100,000,000 common shares of European Cobalt, which are listed and trade on the Australian Securities Exchange. All of the common shares issued by European Cobalt were subject to a three-month voluntary escrow from the date of issue.

6. 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 demand loan. This loan is due on or before December 31, 2022. If paid before this time, \$10,000 of the loan is forgiven. If not paid by this date, interest at a rate of 5% per annum, will need to be paid monthly.

7. 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, 2018	52,275,001	844,301
Issued on private placement	16,718,216	925,025
Warrant allocation	—	(158,569)
Share issue costs	—	(30,000)
Flow-through premium	—	(212,007)
Balance, December 31, 2019	68,993,217	\$ 1,368,750
Issued on settlement of debt	1,500,000	150,000
Issued on reverse takeover transaction	7,832,915	695,988
Issued on private placement	7,132,080	1,403,416
Warrant allocation	—	(484,898)
Share issue costs	—	(106,220)
Flow-through premium	—	(333,604)
Balance, September 30, 2020	85,458,212	\$ 2,693,432

On September 10, 2019, a director of the Company subscribed for 1,562,500 units at a price of \$0.08 per unit for proceeds of \$125,000. Each unit was comprised of one common share and one half of a warrant, with each warrant exercisable at \$0.18 per share until September 10, 2022. In August 2020, the terms of these warrants were changed to an expiration date of December 31, 2022.

On September 10, 2019, the Company closed a private placement, issuing 14,285,716 flow-through units for proceeds of \$750,000. Each unit was comprised of one flow-through common share and one-half warrant with

55 North Mining Inc.

Notes to the Consolidated Condensed Interim Financial Statements

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each warrant exercisable at \$0.18 per share until September 10, 2022. In August 2020, the terms of these warrants were changed to an expiration date of December 31, 2022.

7. SHARE CAPITAL (CONT'D)

On December 31, 2019, the Company closed a private placement, issuing 870,000 flow-through units for proceeds of \$50,025. Each unit was comprised of one flow-through common share and one-half warrant with each warrant exercisable at \$0.18 per share until December 31, 2022.

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 amalgamation, 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 24, 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. As part of the compensation for the finder's fees the Company paid \$105,520 to certain eligible finders and issued 500,000 compensation options that entitle the holder to acquire one common share for \$0.20 per share for 48 months and 36,800 compensation options that entitle the holder to purchase one common share for \$0.15 per share for 48 months.

8. WARRANTS

A summary of the status of the Company's outstanding warrants and changes are as follows:

	September 30, 2020		December 31, 2019	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance, beginning	22,634,108	\$ 0.10	22,275,000	\$ 0.05
Granted – pre RTO	1,666,666	0.18	8,359,108	0.18
Cancelled	(24,300,774)	0.10	—	—
Granted – replacement warrants ⁽¹⁾	24,517,950	0.11	—	—
Granted – post RTO	7,668,880	0.29	—	—
Expired	—	—	(8,000,000)	0.05
Balance, ending	32,186,830	\$ 0.15	22,634,108	\$ 0.10

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.

At September 30, 2020, there were 32,186,830 warrants outstanding, with each warrant entitling the holder to acquire one common share of the Company at the prices noted below:

55 North Mining Inc.

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8. WARRANTS (CONT'D)

Number	Exercise Price	Remaining Contractual Life In Years	Expiry Date
217,176	\$0.61	2.22	December 18, 2022
7,132,080	\$0.30	3.99	September 24, 2024
1,666,666	\$0.18	2.25	December 31, 2022
9,000,000	\$0.05	0.24	December 28, 2020
5,275,000	\$0.05	0.23	December 24, 2020
7,924,108	\$0.18	2.25	September 10, 2022 ⁽¹⁾
435,000	\$0.18	2.55	December 31, 2022 ⁽²⁾
500,000	\$0.20	3.99	September 24, 2024 ⁽³⁾
36,800	\$0.15	3.99	September 24, 2024 ⁽⁴⁾
32,186,830	\$0.15	1.77	

Notes:

- ⁽¹⁾ In August 2020, the terms of these warrants were changed to an expiration date of December 31, 2022.
- ⁽²⁾ 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.
- ⁽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.

On July 13, 2020, the Company issued 1,666,666 warrants to 1911 Gold Inc., for services rendered in connection with various corporate activities. Each warrant is exercisable at \$0.18 per share until December 31, 2022.

As part of the September 24, 2020 financing (see Note 7), the Company issued 7,132,080 warrants entitling the holder to acquire one common share at a price of \$0.30 per share for 48 months. The Company also issued 500,000 compensation options that entitle the holder to acquire one unit at a price of \$0.20 per unit, with each unit 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. The Company also issued 36,800 compensation options that entitle the holder to acquire one unit at a price of \$0.15 per unit, with each unit 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.

The warrants value were estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants: dividend yield of 0%, expected volatility of 100%, risk free interest rate of 0.25% to 0.33% and expected life of 2.5 to 4 years.

55 North Mining Inc.

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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.

On October 7, 2019, the 55 North Board issued 3,000,000 incentive share options to Officers, Directors, employees and consultants with each option having a 5-year term and an exercise price of \$.05. After the 1 for 10.13 share consolidation effective September 1, 2020, the total number of options was adjusted to 296,148 and the exercise price adjusted to \$0.51 per share. Share issue costs were estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants: dividend yield of 0%, expected volatility of 33%, risk free interest rate of 1.32% and expected life of 5 years. These options remain unexercised at September 30, 2020.

A summary of the status of the Company's outstanding options as at September 30, 2020 and December 31, 2019 and changes during the periods then ended are as follows:

	Sep. 30, 2020		Dec. 31, 2019	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance, beginning	296,148	\$ 0.51	—	\$ —
Cancelled	(296,148)	0.51	—	—
Granted – replacement options	296,148	0.51	296,148	0.51
Balance, ending	296,148	\$ 0.51	296,148	\$ 0.51

The average remaining life of the options is 4.02 years (December 31, 2019 – 4.77 years).

Notes:

- (1) 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

The Company's Chairman and CEO was owed \$250,000 at September 30, 2020 (December 31, 2019 - \$220,000). This liability was non-interest bearing, unsecured and repayable on demand. This amount, along with \$50,000 of accrued pay was converted into units as part of the November 12, 2020 financing (see Note 14).

Compensation of key management personnel and directors for the period was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Cash compensation	\$ 40,000	\$ 30,000	\$ 100,000	\$ 30,000

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Expressed in Canadian dollars unless otherwise indicated

10. RELATED PARTY TRANSACTIONS (CONT'D)

During the three and nine months ended September 30, 2020, the Company remunerated its CEO \$5,000 and \$5,000, respectively (three and nine months ended September 30, 2019 - \$NIL and \$NIL, respectively) and its CFO \$5,000 and \$35,000, respectively (three and nine months ended September 30, 2019 - \$10,000 and \$10,000, respectively). At September 30, 2020, the Company's CEO and CFO are owed \$45,000 and \$10,000, respectively, as unpaid compensation and unreimbursed expenses (December 31, 2019, the Company's CEO and CFO were owed \$NIL and \$NIL, respectively, for unpaid compensation).

On July 2, 2020, the Company's CFO and a director agreed to receive 200,000 common shares each in settlement of \$20,000 debt owed to each of them, with each share issued at \$0.10 per share (see Note 7).

Included in management and consulting are fees paid to certain directors for \$20,000 and \$60,000 for the three and nine-month period ended September 30, 2020 respectively (three and nine-month period ended September 30, 2019 - \$nil and \$nil).

The loan receivable as at December 31, 2019 of \$428,233 was due from old 55 North and is non-interest bearing, unsecured, and repayable on demand. This amount eliminates on consolidation now that Ontario Inc. is a subsidiary of 55 North.

11. CAPITAL MANAGEMENT

The Company's total capital balance of \$731,429 consists of \$2,693,432 of share capital, \$802,454 of warrant reserve, with an offsetting deficit of \$2,764,457.

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 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. At September 30, 2020, the Company had a working capital balance of \$669,224.

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

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

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 is exposed to currency risk from its investments held in Australian dollars. Investments held in Australian dollars are reflected at the Canadian equivalent of \$92,205 as at September 30, 2020 (December 31, 2019 - \$nil).

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, receivables, accounts payable and accrued liabilities, loan payable, and Canada Emergency Business Account approximate their recorded values as at September 30, 2020 and December 31, 2019 due to their short-term nature. The Company's financial instruments are classified as level 1 except for investments which is classified as level 2.

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.

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13. LOSS PER SHARE

The calculation of basic loss per share for the three and nine months ended September 30, 2020 was based on total loss attributable to common shareholders of \$1,301,244 and \$1,554,024, respectively (2019 – losses of \$178,796 and \$179,004, respectively) and a weighted average number of common shares outstanding of 29,752,508 and 15,219,738 respectively, (2019 – 5,557,557 and 5,328,912, respectively).

14. SUBSEQUENT EVENTS

In 2020, the outbreak of the novel strain of coronavirus ("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, self-imposed quarantine periods and social distancing, have caused an economic slowdown and material disruption to business. Management has experienced a slow-down in the ability to transact business as a result of the self-isolating measures. Government has reacted with interventions intended to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this 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.

On October 16, 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.

On November 12, 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. Bruce Reid, CEO and Director, subscribed for 2,000,000 non-flowthrough units. The flow-through financing consisted of 75,000 flow-through units priced at \$0.20. Each unit is comprised of one common share and one 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. The Company paid a finder's fee in cash totaling \$46,464 to certain eligible finders on the non-flow-through Units sold, and \$1,200 on the flow-through Units sold. The Company paid 534,531 compensation options ("Compensation Options") to certain eligible finders of the non-flow-through Units, and 6,000 finder's warrants to certain eligible finders of the flow-through Units. Each Compensation Option is exercisable at a price of \$0.15 if paid as commission on a non-flow-through Unit financing, and \$0.20 if paid as commission on a flow-through Unit financing, any time prior to the date 48 months from the date of closing. Each Compensation Option entitles the holder to purchase one unit, with each unit consisting of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of \$0.30 per share for a period of 48 months from the date of closing. Each finder's warrant entitles the holder to purchase one common share of the Company at a price of \$0.30 per share for 48 months from the date of issuance.

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14. SUBSEQUENT EVENTS (CONT'D)

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 ("NFT Units") priced at \$0.15. The flow-through financing consisted of 475,000 flow-through units ("FT Units") priced at \$0.20. Each FT and NFT 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 of the Company at a price of \$0.30 per share for 48 months from the date of issuance. The Company paid a finder's fee in cash totaling \$21,200 to certain eligible finders on the NFT Units sold, and \$1,600 on the FT Units sold. The Company paid 141,333 compensation options ("Compensation Options") to certain eligible finders of the NFT Units, and 8,000 compensation options to certain eligible finders of the FT Units. Each Compensation Option is exercisable at a price of \$0.15 if paid as commission on a NFT Unit financing, and \$0.20 if paid as commission on a FT Unit financing, any time prior to the date 48 months from the date of closing. Each Compensation Option entitles the holder to purchase one unit, with each unit consisting of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of \$0.30 per share for a period of 48 months from the date of closing. Each finder's warrant entitles the holder to purchase one 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. The Company paid a finder's fee in cash totaling \$16,000 to certain eligible finders on the non-flow-through units sold. The Company also paid 106,666 compensation options to certain eligible finders that are exercisable at a price of \$0.15 per option. Each option entitles the holder to purchase one common share and one common share purchase warrant that is exercisable at a price of \$0.30 per share for a period of 48 months from the date of issuance.