55 North Mining Inc.

Consolidated Financial Statements

December 31, 2020 and 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of 55 North Mining Inc.:

Opinion
We have audited the consolidated financial statements of 55 North Mining Inc. and its subsidiary (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019 and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2020 and 2019 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern
We draw attention to Note 1 in the financial statements, which indicates that the Group had a deficit of $3,798,447 (2019 - $1,210,433). As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information
Management is responsible for the other information. The other information comprises the Management's Discussion & Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS's, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Scott Smith.

Scarrow & Donald LLP

Chartered Professional Accountants
Winnipeg, Manitoba
April 28, 2021

55 North Mining Inc.

Consolidated Statements of Financial Position

Expressed in Canadian dollars

	December 30, 2020	December 31, 2019
ASSETS		
Current assets		
Cash	**$ 479,699**	$ 478,139
Restricted cash (Note 2b)	**1,241,631**	---
Receivables	**169,150**	33,481
Prepaids	**133,800**	---
Loan receivable *(Note 12)*	**---**	428,233
Investment (Note 6)	**4,834,000**	---
	$ 6,858,280	$ 939,853
Investment *(Note 6)*	**---**	66,508
	$ 6,858,280	$ 1,006,361
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued liabilities	**$ 388,284**	$ 173,560
Dividend payable *(Note 6)*	**3,838,994**	---
Flow-through share premium liability (*Note 16*)	**528,841**	210,095
Loan payable *(Note 12)*	**---**	220,000
	4,756,119	603,655
Long-term liabilities		
Canada Emergency Business Account *(Note 7)*	**30,000**	---
	4,786,119	603,655
Shareholders' equity		
Share capital *(Note 8)*	**3,882,775**	1,368,750
Warrant reserve	**1,987,833**	244,389
Deficit	**(3,798,447)**	(1,210,433)
	2,072,161	402,706
	$ 6,858,280	$ 1,006,361

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

On behalf of the Board:

B D Reid

Bruce Reid
Director

55 North Mining Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2020 and 2019
Expressed in Canadian dollars

	2020	2019
Expenditures		
Project expenditures	**$ 1,093,064**	$ 50,116
Listing costs	**835,505**	---
Management and consulting	**418,860**	100,000
Promotion and shareholder communications	**254,683**	---
Professional fees	**104,279**	6,703
General and administration	**103,993**	102,046
Mining claim commitments	**65,000**	65,000
Loss and comprehensive loss before other items	**2,875,384**	323,865
Forgiven Canada Emergency Business Account *(Note 7)*	**(10,000)**	---
Dividend income	**(92,206)**	---
Interest income	**(514)**	---
Revaluation of investment	**(16,292)**	48,492
Loss and comprehensive loss before taxes	**2,756,372**	372,357
Future tax recovery	**(248,358)**	(19,137)
Loss and comprehensive loss for the year	**$ 2,508,014**	$ 353,220
Basic and diluted loss per common share *(Note 15)*	**$ (0.03)**	$ (0.01)
Weighted average number of shares outstanding during the year - basic and diluted	**76,945,971**	57,183,819

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

55 North Mining Inc.
Consolidated Statements of Changes in Equity
For the years ended December 31, 2020 and 2019
Expressed in Canadian dollars

	Share Capital	Warrant Reserve	Deficit	Total
Balance at December 31, 2018	**$ 844,301**	**$ 106,082**	**$ (877,475)**	**$ 72,908**
Loss for the year	---	---	(353,220)	(320,769)
Shares issued – private placement *(Note 8)*	766,456	158,569	---	925,025
Flow-through share premium liability	(212,007)	---	---	(212,007)
Share issue costs	(30,000)	---	---	(30,000)
Warrant expiry	---	(20,262)	20,262	---
Balance at December 31, 2019	**$ 1,368,750**	**$ 244,389**	**$ (1,210,433)**	**$ 402,706**
Loss for the year	---	---	(2,508,014)	(2,508,014)
Warrants issued	---	73,167	---	73,167
Share issuance, settlement of debt	150,000	---	---	150,000
Share issuance, reverse takeover transaction *(Note 4)*	695,988	---	---	695,988
Share issuance, private placement *(Note 8)*	2,755,837	1,670,277	---	4,426,114
Flow-through share premium liability	(567,104)	---	---	(567,104)
Share issue costs	(520,696)	---	---	(520,696)
Dividend	---	---	(80,000)	(80,000)
Balance at December 31, 2020	**$ 3,882,775**	**$ 1,987,833**	**$(3,798,447)**	**$ 2,072,161**

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

55 North Mining Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2020 and 2019
Expressed in Canadian dollars

	2020	2019
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net loss for the year	**$(2,508,014)**	$ (353,220)
Listing costs	**835,505**	---
Forgiven Canada Emergency Business Account	**(10,000)**	**---**
Investment revaluation	**(16,292)**	48,492
Tax recovery	**(248,358)**	(19,137)
Dividend income	**(92,206)**	---
Shares issued for debt settlement	**150,000**	---
Warrants issued for consulting fees	**73,167**	---
Net change in non-cash working capital items:		
Receivables	**(122,368)**	(26,554)
Prepaids	**(127,067)**	---
Accounts payable and accrued liabilities	**3,247**	(117,958)
	(2,062,386)	(468,377)
INVESTING ACTIVITIES		
Change in short term investments	**(900,000)**	**---**
FINANCING ACTIVITIES		
Units issued net of share issue costs	**3,905,418**	895,025
Change in restricted cash	**(1,241,631)**	**---**
Change in loan payable	**(220,000)**	120,000
Receipt of Canada Emergency Business Account	**40,000**	---
Change in loan receivable	**(126,361)**	(147,588)
Cash acquired on reverse takeover transaction Net of transaction costs (Note 4)	**606,520**	---
	2,963,946	867,437
Net change in cash	**1,560**	399,060
Cash, beginning of year	**478,139**	79,079
Cash, end of year	**$ 479,699**	$ 478,139

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

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 financial statements for the year ended December 31, 2020 include the results of operations of Ontario Inc. from January 1, 2020 and of 55 North from September 2, 2020, the date of the RTO. The comparative figures are those of Ontario Inc. 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 financial statements of the Company for the twelve months ended December 31, 2020 were approved and authorized for issue by the Board of Directors of the Company on April 28, 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 December 30, 2020, the Company had an accumulated deficit of $3,798,447, 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.

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 and consolidation:

The Company prepares it consolidated 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.

The consolidated financial statements include the accounts of 55 North and its wholly-owned subsidiary 55 North Mining Operations Inc. All transactions and balances between 55 North and 55 North Mining Operations Inc. are eliminated on consolidation, including unrealized gains and losses on transactions between the companies. The consolidated financial statements for the year ended December 31, 2020 include the results of operations of 55 North Mining Operations Inc. from January 1, 2020 and of 55 North from September 2, 2020, the date of the RTO. The comparative figures are those of 55 North Mining Operations Inc. (previously Ontario Inc.).

Profit or loss and other comprehensive loss of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

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.

b) Cash and restricted cash

Cash consists of funds on deposit. Restricted cash consists of funds held in escrow that are to be released upon submission of eligible flow through expenditures to the escrow agent.

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

c) Financial instruments

Financial assets must be classified and measured based on three categories: amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL"). Financial liabilities are classified and measured based on two categories: amortized cost and FVTPL. Initially, all financial assets and financial liabilities are recorded in the consolidated balance sheets at fair value. After initial recognition, the effective interest related to financial assets and liabilities measured at amortized cost and the gain or loss arising from the change in the fair value of financial assets or liabilities classified as FVTPL are included in net income (loss) for the year in which they arise. Financial assets measured at amortized cost or those measured at FVTOCI, except for investment in equity instruments, at each balance sheet date requires an impairment analysis using the expected credit loss model ("ECL") to determine the expected credit losses using judgment determined on a probability weighting basis.

The Company has designated its cash, receivables and loan receivable as amortized cost, measured at amortized cost and has designated its accounts payable and accrued liabilities, dividend payable, loan payable and Canada Emergency Business Account as amortized cost measured at amortized cost, which is reflected on the statement of financial position as amortized cost using the effective interest method of measurement.

The Company has designated its investments as fair value through profit or loss, measured at fair value except for its GIC which is valued at amortized cost, measured at amortized cost.

Transaction costs are expensed as incurred for financial instruments classified or designated at fair value through profit or loss. For other financial instruments, transaction costs are added to the related financial asset or liability on initial recognition and are measured at amortized cost using the effective interest method. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

The Company assesses impairment of all its financial assets, except those classified at fair value through profit or loss. Management considers whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset's carrying value and its fair value. Impairment is included in current net loss.

d) Fair Value

The fair value of a financial instrument is the amount of consideration that could be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no obligation to act. In certain circumstances, however, the initial fair value may be based on other observable current market transactions in the same instrument, without modification or on a valuation technique using market-based inputs.

Fair value measurements recognized in the statement of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobserved inputs) (Level 3).

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

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

e) Income taxes

Current tax is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the statement of financial position date and includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred tax is recognized using the statement of financial position method in respect of all temporary differences between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes, except as indicated below.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilized, except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in an acquisition that is not a business combination and, at the time of the acquisition, affects neither the accounting profit nor taxable profit or loss and in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in an acquisition that is not a business combination and, at the time of the acquisition, affects neither the accounting profit nor taxable profit or loss and in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. To the extent that an asset not previously recognized fulfils the criteria for recognition, a deferred income tax asset is recorded.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the asset is realized or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the statement of financial position date.

Current and deferred taxes relating to items recognized directly in equity are recognized in equity and not in the income statement.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entities or in different taxable entities, and, where there is the intent to settle the balance on a net basis.

Mining taxes

Income tax expense includes the mining taxes payable to governments that are calculated based on a percentage of taxable profit whereby taxable profit represents net income adjusted for certain items defined in the applicable legislation.

Flow-through shares

The Company will, from time to time, issue flow-through shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) the flow-through share premium liability measured at fair value, which is recognized as a liability representing the sale of tax deductions, and ii) the residual proceeds are allocated

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

e) Income taxes (cont'd)

Flow-through shares (cont'd)

as the value of the common shares issued. On issuance of a flow-through unit (consisting of a flow-through share and a warrant to purchase a common share), the Company allocates the flow-through unit into i) the flow-through share premium liability measured at fair value, which is recognized as a liability representing the sale of tax deductions, ii), and the estimated fair value of a warrant and common share using the relative fair value method. Upon qualifying expenses being incurred the Company derecognizes the flow-through share premium liability and recognizes a credit to deferred tax expense.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Lookback Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a liability until paid.

f) Impairment of non-financial assets

Mining claims are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). Value in use is determined as the present value of the future cash flows expected to be derived from an asset or CGU. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. Fair value less cost to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount and is recorded as an expense.

Non-financial assets that have been impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of an impairment loss is recognized in the statement of loss and comprehensive loss.

g) Revenue recognition

Interest income is recognized using the effective interest rate method. Dividend income is recognized when received or receivable when the amount can be reasonably determined and the amount is collectible.

h) Exploration expenditures and mining claims

Exploration expenditures relate to activities that are directed towards less than proven and probable ore reserves and are expensed as incurred. The costs to acquire mining claims is expensed.

i) Provisions

Provisions are recognized in other liabilities when the Company has a present legal or constructive obligation because of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material, such as closure costs.

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

j) Share-based compensation plan and warrants

The fair value-based method of accounting is applied to all share-based compensation. The fair value of the share options granted is estimated on the date of grant using the Black-Scholes option-pricing model and is recorded as an expense over the applicable vesting period based on the number of awards expected to vest. Each tranche of an award is considered a separate award with its own vesting period and grant date fair value. Any consideration paid by the directors on exercise of the share option is credited to share capital. Awards of options and warrants related to private placements or public offerings of shares are treated as share issue costs.

k) Net loss per share

Basic net loss per share is calculated using the daily weighted average number of shares outstanding.

Diluted net loss per share is calculated using the daily weighted average number of shares that would have been outstanding during the year had all dilutive potential common shares been issued at the beginning of the year, or when the underlying options, warrants or convertible securities were granted or issued, if later. The treasury share method is employed to determine the incremental number of shares that would have been outstanding had the Company used proceeds from the exercise of options or warrants to acquire shares.

l) Recent accounting pronouncements

The amendments to the definition of a business in IFRS 3 – Business Combinations help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after January 1, 2020. There was no impact to the Company on the adoption of this policy.

The amendments to IAS 1 and IAS 8 align the definition of "material" across the standards and clarify certain aspects of the definition. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The adoption of the amendments to the definition of material did not have a significant impact on the Company's consolidated financial statements.

(m) Future accounting pronouncements

In January 2020, the IASB issued amendments to IAS 1 - Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted. The Company does not expect a material impact to its consolidated financial statements from the adoption of these amendments.

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company does not expect a material impact to its consolidated financial statements from the adoption of this amendments

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

(m) Future accounting pronouncements (cont'd)

In May 2020, the IASB issued an amendment to IFRS 9 as part of its annual improvements to IFRS standards process. The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The amendment is effective for annual reporting periods beginning on or after January 1, 2022, with earlier adoption permitted. The Company does not expect a material impact to its consolidated financial statements from the adoption of this amendment.

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 income (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.

The Company is also required to spend proceeds received from the issuance of flow-through shares on qualifying resource expenditures. Management's judgment is applied in determining whether qualified expenditures have been incurred. Differences in judgment between management and regulatory authorities could materially increase the flow-through premium liability and flow-through expenditure commitment.

The Company makes estimates as to the market value and inputs related to the valuation of share capital, flow-through share premium liability and the value associated with warrants issued at the time of issuance with respect to the volatility on the underlying common shares, risk free interest rate and forfeiture rates and market premiums paid for flow-through common shares. In establishing fair value management considers historical performance.

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.

Expressed in Canadian dollars, unless otherwise indicated

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 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.

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

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.

Expressed in Canadian dollars, unless otherwise indicated

6. INVESTMENT AND DIVIDEND PAYABLE

	2020	2019
Shares of 55 North	**$ ---**	$ 65,742
Warrants	**---**	766
Shares of Aston Minerals Ltd.	3,934,000	---
GIC (0.75% maturing December 10, 2021)	900,000	---
Total	**$ 4,834,000**	**$ 66,508**

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. These shares were sold subsequent to year-end (Note 17)

The fair value of the warrants as at December 31, 2019 was valued using the Black-Scholes option-pricing model with the following weighted average assumptions used for warrants: dividend yield of 0%, expected volatility of 100%, risk free interest rate of 1.79% and expected life of 6 months. The warrants expired unexercised during the year.

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.

Expressed in Canadian dollars, unless otherwise indicated

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
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	25,726,730	4,426,114
Warrant allocation	---	(1,670,277)
Share issue costs	---	(520,696)
Flow-through premium	---	(567,104)
Balance, December 31, 2020	**104,052,862**	**$ 3,882,775**

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

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 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 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 of a 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 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.

Expressed in Canadian dollars, unless otherwise indicated

8. SHARE CAPITAL (CONT'D)

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 units 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 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 are as follows:

	2020		2019	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance, beginning	**22,634,108**	**$ 0.10**	**22,275,000**	**$ 0.05**
Granted	1,666,666	0.18	8,359,108	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	---	---	(8,000,000)	0.05
Balance, ending	**51,914,010**	**$ 0.24**	**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.

Expressed in Canadian dollars, unless otherwise indicated

9. WARRANTS (CONT'D)

At December 31, 2020, there were 51,914,010 (2019 – 22,634,108) 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
December 31, 2019			
3,250,000	$0.05	0.99	December 28, 2020
5,750,000	$0.05	0.99	December 28, 2020
5,275,000	$0.05	5.00	December 31, 2024
781,250	$0.18	2.70	September 10, 2022
7,142,858	$0.18	2.70	September 10, 2022
435,000	$0.18	3.00	December 31, 2022
22,634,108	**$0.10**	**2.56**	
December 31, 2020			
24,300,774	$0.18	2.00	December 31, 2022 (1)
217,176	$0.61	1.96	December 18, 2022 (2)
7,132,080	$0.30	3.73	September 21, 2024
500,000	$0.20	3.73	September 21, 2024 (4)
36,800	$0.15	3.73	September 21, 2024 (3)
4,200,000	$0.30	3.79	October 15, 2024
329,600	$0.20	3.79	October 15, 2024 (3)
6,400	$0.15	3.79	October 15, 2024 (4)
9,221,133	$0.30	3.86	November 9, 2024
534,531	$0.15	3.86	November 9, 2024 (4)
6,000	$0.30	3.86	November 9, 2024
3,840,183	$0.30	3.91	November 27, 2024
141,333	$0.15	3.91	November 27, 2024 (4)
8,000	$0.20	3.91	November 27, 2024 (3)
1,333,334	$0.30	3.93	December 4, 2024
106,666	$0.15	3.93	December 4, 2024 (4)
51,914,010	**$0.24**	**2.96**	

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.

Expressed in Canadian dollars, unless otherwise indicated

9. WARRANTS (CONT'D)

The value warrants issued were estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants:

Date Issued	Number	Dividend Yield	Expected Volatility	Risk Free Interest Rate	Expected Life In Years
September 10, 2019	7,924,108	0%	100%	1.53%	3
December 31, 2019	435,000	0%	100%	1.69%	3
July 13, 2020	1,666,666	0%	100%	0.25%	2.5
September 21, 2020	7,132,080	0%	100%	0.33%	4
September 21, 2020	500,000	0%	100%	0.33%	4
September 21, 2020	36,800	0%	100%	0.33%	4
October 15, 2920	4,200,000	0%	100%	0.30%	4
October 15, 2920	6,400	0%	100%	0.30%	4
October 15, 2920	329,600	0%	100%	0.30%	4
November 9, 2020	9,221,133	0%	100%	0.41%	4
November 9, 2020	534,531	0%	100%	0.41%	4
November 9, 2020	6,000	0%	100%	0.41%	4
November 27, 2020	3,840,183	0%	100%	0.37%	4
November 27, 2020	141,333	0%	100%	0.37%	4
November 27, 2020	8,000	0%	100%	0.37%	4
December 4, 2020	1,333,334	0%	100%	0.43%	4
December 4, 2020	106,666	0%	100%	0.43%	4

On July 13, 2020, the Company issued 1,666,666 warrants 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 21, 2020 financing (see Note 8), 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.

9. WARRANTS (CONT'D)

As part of the October 15, 2020 financing (see Note 8), the Company issued 4,200,000 warrants entitling the holder to acquire one common share at a price of $0.30 per share for 48 months from the date of issuance. The Company issued 329,600 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 6,400 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.

As part of the November 9, 2020 financing (see Note 8), the Company issued 9,221,133 warrants entitling the holder to acquire one common share of the Company at a price of $0.30 per share for 48 months from the date of issuance. The Company issued 534,531 compensation options entitling the holder to acquire one unit at a price of $0.15 at any time prior to the date 48 months from the date of closing, 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 6,000 finders warrants entitling the holder to acquire one common share at a price of $0.30 at any time prior to the date 48 months from the date of closing.

As part of the November 27, 2020 financing (see Note 8), the Company issued 3,840,183 warrants entitling the holder to acquire one common share at a price of $0.30 per share for 48 months from the date of issuance. The Company issued 141,333 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 Company also issued 8,000 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.

As part of the December 4, 2020 financing (see Note 8), the Company issued 1,333,334 warrants 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 issued 106,666 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.

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. The value of options 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 December 31, 2020.

Expressed in Canadian dollars, unless otherwise indicated

10. SHARE OPTIONS

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

	Dec. 31, 2020		Dec. 31, 2019	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance, beginning	**---**	**$ ---**	**---**	**$ ---**
Granted – replacement options [1]	296,148	0.51	---	---
Balance, ending	**296,148**	**$ 0.51**	**---**	**$ ---**

The average remaining life of the options is 3.77 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.

11. INCOME TAXES

Income tax provision

The provision for income taxes reflects an effective rate that differs from the combined federal and provincial tax rates for the following reasons:

	2020	2019
Loss and comprehensive loss before income taxes	**$ (2,756,372)**	$ (372,357)
Combined statutory income tax rate	**26.50%**	26.50%
Income tax recovery using statutory income tax rates	**(730,400)**	(98,675)
Share issue costs	**(149,700)**	(7,950)
Revaluation of investment and other	**23,012**	12,850
Cost of listing	**223,000**	---
Impact of RTO	**(3,785,400)**	---
Valuation allowance	**4,171,130**	74,638
Deferred tax recovery	**$ (248,358)**	$ (19,137)

Deferred income taxes

Significant components of the Company's deferred income tax asset (liability) are as follows:

	2020	2019
Non-capital losses	**$ 2,602,134**	$ 105,663
Canadian exploration and development expense pools	**1,702,286**	148,313
Share issuance costs	**128,271**	7,585
Deferred income tax asset	**4,432,691**	261,561
Valuation allowance	**(4,432,691)**	(261,561)
Deferred tax asset	**$ ---**	$ ---

11. INCOME TAXES (CONT'D)

The Company has non-capital loss carry forward amounts available for income tax purposes of $9,819,900 that expire $1,451,000 in 2031, $1,007,000 in 2032, $2,451,000 in 2033, $1,665,000 in 2034, $743,300 in 2035, $423,300 in 2036, $407,000 in 2037, $429,100 in 2038, $260,000 in 2039 and $983,200 in 2040. The Company has $7,446,574 (December 31, 2019 - $559,671) of unused cumulative Canadian exploration and development costs available to offset future taxable income. The tax benefits pertaining to these expenses are available for carry forward indefinitely.

12. RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities is amounts owed to the Company's Chairman and CEO of $5,000 at December 31, 2020 (December 31, 2019 – loan payable of $220,000). This liability is non-interest bearing, unsecured and repayable on demand.

During the year ended December 31, 2020, the Company's CEO was paid $20,000 (2019 - $nil) in compensation. During the year ended December 31, 2020, the Company's CFO was paid $55,000 (2019 - $25,000) in compensation.

During the year ended December 31, 2020, two of the Company's directors received compensation for services totaling $115,000 (2019 - $nil). Included in accounts payable and accrued liabilities is $nil (2019 - $2,130) owed to directors of the Company for expenses paid on behalf of the Company.

The loan receivable as at December 31, 2019 of $428,233 was due from a company under common management, and was non-interest bearing, unsecured, and repayable on demand.

13. CAPITAL MANAGEMENT

The Company's total capital balance of $2,102,161 (December 31, 2019 - capital balance of $622,706) consists of $$nil (December 31, 2019 - $220,000) loan payable, $30,000 (December 31, 2019 - $nil) Canadian Emergency Business Account, $3,882,775 (December 31, 2019 - $1,368,750) of share capital, warrants reserve of $1,987,833 (December 31, 2019 - $244,389), and a deficit of $3,798,447 (December 31, 2019 - $1,210,433).

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.

14. 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:

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

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 assets exceed its current liabilities by $2,102,161 (December 31, 2019 – current assets exceed its current liabilities by $336,198).

Receivables, loan receivable, accounts payable and accrued liabilities, dividend payable and loan 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. Receivables relate to amounts due from the Government of Canada for Goods and Services Tax recoverable.

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 as its investment in Aston Minerals Ltd. is held in Australian dollars (Note 6).

The impact on loss and comprehensive loss for the year if the Australian dollar would have been 1% higher or lower, would be approximately $39,340 (2019 - $nil). As a direct result in the change in valuation of the investment the offsetting dividend payable would have been adjusted in the opposite direction by $38,390 (2019 - $nil) with the adjustment as a charge to equity as a dividend. The limitations in the sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represent the Company's view of possible near-term market changes that cannot be predicted with any certainty and the assumption that all currency rates move in an identical fashion.

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. The Company is exposed to interest rate risk price risk with its GIC and Canadian Emergency Business Loan held at fixed rates.

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.

Expressed in Canadian dollars, unless otherwise indicated

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

Fair values

The fair values of the Company's financial assets and liabilities consisting of cash, receivables, loan receivable, accounts payable and accrued liabilities and dividends payable approximate their recorded values as at December 31, 2020 and December 31, 2019 due to their short-term nature. The fair value of the Canadian Emergency Business Account is impacted by changes in market interest rates which can result in differences between the carrying value of the instruments. The fair value of the Canadian Emergency Business Account has been estimated based on a loan with an interest rate of 5% with a term of 2 years. The estimated fair value at December 31, 2020 is $27,211 (2019 - $nil).

The Company's financial assets are classified as level 1 except for its GIC investment which is classified as level 2 (2019 - level 1 except for investments which is classified as level 2). The Company's financial liabilities are classified as level 2 (2019 – 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.

15. LOSS PER SHARE

The calculation of basic and diluted loss per share for the years ended December 31, 2020 and 2019, was based on total loss attributable to common shareholders of $2,508,014 (2019 - $353,220) and a weighted average number of common shares outstanding of 76,945,971 (2019 - 57,183,819).

16. FLOW-THROUGH SHARE PREMIUM LIABILITY

Balance, December 31, 2018	**$**	**17,225**
Flow-through share premium liability incurred		212,007
Settlement of flow-through share liability on incurring expenditures		(19,137)
Balance, December 31, 2019	**$**	**210,095**
Flow-through share premium liability incurred		567,104
Settlement of flow-through share liability on incurring expenditures		(248,358)
Balance, December 31, 2020	**$**	**528,841**

During the years ended December 31, 2020 and 2019, the Company incurred qualified flow through funded exploration expenditures, fulfilling its commitment under the flow through financing from the year ended December 31, 2020 and 2019. The Company must spend $1,995,624 (2019 - $792,810) on qualified flow through funded exploration expenditures before December 31, 2021 (2019 - December 31, 2020).

17. SUBSEQUENT EVENTS

Subsequent to year-end 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.

17. SUBSEQUENT EVENTS (CONT'D)

Subsequent to year-end, the 100,000,000 Aston Minerals shares were sold, and the Australian dollar net proceeds were converted to Canadian dollars. These funds, net of transfer agent fees amount to C$6,657,311 are to be paid as an eligible dividend to shareholders of record on July 11, 2020 and expected to be distributed the week of May 2, 2021.

On April 15, the Company received formal notice from the CSE that its shares were approved for listing. The Company's shares began trading on the CSE on April 20, 2021 under the symbol FFF.

Subsequent to year-end, 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.