

# SIXTY NORTH GOLD MINING LTD.

## MANAGEMENT DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED JULY 31, 2019

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The following is a discussion and analysis of the financial condition and operating results of Sixty North Gold Mining Ltd. ("Sixty North" or "the Company") and factors that are reasonably expected to impact future operations and results. This discussion and analysis should be read in conjunction with the Company's unaudited condensed interim financial statements for the nine months ended July 31, 2019 and its audited financial statements for the year ended October 31, 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts are expressed in Canadian dollars unless otherwise indicated. Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com). This management's discussion and analysis is dated September 25, 2019.

Some of the statements set forth are forward-looking statements relating to the Company's expected future operating results. The forward-looking information reflects the Company's current expectations and assumptions and are subject to a variety of risks and uncertainties. Although the Company believes that the assumptions on which the forward-looking information is based are reasonable, no assurance can be given that these assumptions will prove correct. Investors are advised to consider the risk factors identified under the heading "Risks and Uncertainties" in this report for a discussion of the factors that could cause the Company's actual results, performance and achievements to be materially different from any anticipated future results, performance or achievements expressed or implied by the forward-looking information.

### **Description of Business and Overview**

The Company was incorporated on July 7, 2016, pursuant to the *Business Corporations Act* (British Columbia). On November 9, 2017, the Company also became registered as an extra-territorial corporation under Part XXI of the Business Corporations Act of the Northwest Territories.

The Company's head office is located at Suite 280 – 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7, and its registered and records offices are located at Suite 3200 - 650 West Georgia Street, Vancouver, British Columbia, V6B 4P7.

The principal business carried on and intended to be carried on by the Company is the acquisition, exploration and development of natural resource properties. Its principal exploration target is the exploration of gold in the Northwest Territories, where the Company holds an option to purchase an 80% interest in the Mon Gold Property (the "Mon Gold Property" or "Property").

The Company's shares are listed on the Canadian Securities Exchange under the symbol "SXTY". The Company also trades on the Frankfurt Stock Exchange under the symbol "2F4" and, on the OTC Pink Market in the United States under the symbol "SXNTF".

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## Changes in Management

On May 15, 2019, the Company announced that Gavin Kirk had been appointed as President, CEO and Director of the Company, effective immediately. As part of the management changes, former and founding CEO Ronald Handford has agreed to step down as CEO and Director and take on the roles of Vice-President, Corporate Development and Corporate Secretary. Chairman and Chief Financial Officer, John Campbell has stepped down from the roles of President and Corporate Secretary.

On September 4, 2019, Ian Klassen resigned as a member of the Board of Directors.

## The Mon Gold Property

The Mon Gold Property is located 45 kilometres north of Yellowknife, Northwest Territories, Canada, and consists of 11 contiguous mining leases and 3 mineral claims comprising an aggregate of 1,536.92 acres.

By a restated mineral property earn-in agreement dated for reference June 14, 2017 (the "Agreement") among Sixty North and New Discovery Mines Ltd. ("NDM"), the Company acquired the exclusive right to earn ("earn-in") an 80% undivided interest in the Mon Gold property, subject to a prior restated royalty agreement between NDM and Giauque Holdings Ltd. (the "Royalty Holder"), which provides for a 2.0% net smelter royalty ("NSR") reserved in favour of the Royalty Holder.

If the Company earns its 80% interest in the property, then NDM will retain a 20% carried interest in the Property, both before as well as after commercial production, which excludes any project financing interest and costs. The 20% "carried interest" to be held by NDM will mean that 100% of the project's exploration and development expenditures will be paid by the Company, in consideration of 80% of the net revenue, after the Corporation's payment of the 2.0% NSR to the underlying Royalty Holder.

In addition, the Royalty Agreement provides for a minimum annual advanced royalty payment to the Royalty Holder of US\$20,000, which commenced in January 2017, and is payable each year within 30 days of each calendar year end. Twenty percent of all advanced royalty payments may be deducted from the first year's NSR payments, and thereafter the balance of the advanced royalty payments may be deducted from future NSR payments.

Pursuant to the Agreement, the Company may exercise the earn-In by incurring:

- 1) a minimum of \$2.0 million in exploration and development expenditures (the "Initial Expenditures") by no later than December 31, 2017 (this date was extended to December 31, 2018), and;
- 2) a total of \$6.0 million in exploration and development expenditures by no later than December 31, 2020.

On December 4, 2018, the Company received written confirmation from NDM that the Company had met the \$2.0 million Initial Expenditures on the Mon Property as required under the earn-in agreement.

As at July 31, 2019, the Company had incurred \$2,260,532 in exploration expenditures towards the earn-in on the Mon Gold Property. The Company has an outstanding amount due to NDM for exploration expenditures

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### **The Mon Gold Property** *(continued)*

incurred on the Mon Property in the amount of \$24,997 at July 31, 2019. This amount is recorded as a current liability on the statement of financial position at July 31, 2019.

The Company authorized NDM to contract out the ice road construction for the winter road to the Mon Property and advanced \$34,000 which was paid by NDM to the contractor and represents 10% of the contract. This amount has been offset by equipment storage fees charged by the contractor, leaving a balance of \$14,110 at July 31, 2019 and is recorded in prepaid expenses. The Company intends to continue its exploration programs in the current year and has postponed the construction of the winter road.

On October 3, 2018, the Company received \$50,551 of a \$59,471 Mining Incentive Program grant from the Government of the Northwest Territories for exploration activities on the Mon Property. The balance of \$8,920 was received on May 9, 2019, following receipt and acceptance of the final report. The purpose of the grant is to provide funding to stimulate and sustain mineral exploration activities throughout the Northwest Territories. The Company used the funds to support its prospecting, biogeochemistry and trenching activities. The grant has been applied as a credit towards the carrying value of the Mon Gold Property.

The Mon Gold Property is an exploration stage property with no mineral reserves or resources as of this report date.

A Technical Report dated December 11, 2017, on the Property was prepared by David DuPre, P. Geo., and Kevin Fitzpatrick, P.Eng., the “qualified persons”, as defined under National Instrument 43-101 (“NI 43-101”) and can be viewed on [www.sedar.com](http://www.sedar.com).

### **Overall Performance and Results of Operations**

#### The nine month period ended July 31, 2019 compared to the nine month period ended July 31, 2018

The Company incurred a net loss of \$390,479 during the nine months ended July 31, 2019 compared to a net loss of \$575,354 in the nine months ended July 31, 2018. Other revenue in the amount of \$25,525 was recorded in the nine months ended July 31, 2019 as a pro-rata reduction of eligible flow-through expenditures incurred to July 31, 2019 on the tax liability relating to the flow-through funds raised in the nine months ended July 31, 2019. Stock-based compensation of \$57,560 was recorded in the three months ended July 31, 2019 compared to \$177,040 for the three months ended July 31, 2018.

Net loss before other revenue and stock-based compensation was \$358,444 for the nine months ended July 31, 2019 compared to \$398,314 for the nine months ended July 31, 2018, a reduction of \$39,870. Costs that increased during the current period were as follows:

- Corporate development costs were \$24,000 in the nine months ended July 31, 2019 compared to \$Nil in the same period last year due to an agreement entered into by the Company with a consultant to provide business development and shareholder and investor communication services subsequent to the third quarter of 2018.

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### **Overall Performance and Results of Operations** *(continued)*

- Accounting and audit fees were higher by \$7,735 in the nine months ended July 31, 2019 compared to the same period last year due to higher audit fees for 2018.
- Management fees were \$128,000 for the nine months ended July 31, 2019 compared to \$79,000 for the nine months ended July 31, 2018. The fees were higher in the nine months ended July 31, 2019 as the board of directors approved a change in compensation for the Chief Executive Officer from \$5,000 to \$10,000 per month effective from the date of the IPO, April 19, 2018 to June 14, 2019 and established compensation for the Chief Financial Officer in the amount of \$5,000 per month, effective from the date of the IPO, April 19, 2018.

Costs that decreased during the nine months ended July 31, 2019 compared to the same period last year were:

- A contract extension fee in the amount of \$20,000 was paid in the first quarter of 2018 to extend the date of the required initial expenditures from December 31, 2017 to December 31, 2018.
- Investor relation costs were \$102,797 for the nine months ended July 31, 2019 compared to \$166,025 for the nine months ended July 31, 2018. A reduction of \$63,228 is due to the termination of a consulting agreement in the first quarter of 2019 and one-time payments that were made in 2018 to provide market awareness and shareholder and investor communication services.
- Professional fees were higher in the first quarter of 2018 by \$37,962 for services relating to the Company's Initial Public Offering. Approximately \$40,000 of legal fees incurred in 2018 relating to the IPO were re-classified as share issue costs at year-end.

### The three month period ended July 31, 2019 compared to the three month period ended July 31, 2018

The Company incurred a net loss of \$124,904 during the three months ended July 31, 2019 compared to a net loss of \$376,267 in the three months ended July 31, 2018. Other revenue in the amount of \$4,299 was recorded in the three months ended July 31, 2019 as a pro-rata reduction of eligible flow-through expenditures incurred in the quarter ended July 31, 2019 on the tax liability relating to the flow-through funds raised in the current year. Stock-based compensation of \$56,978 was recorded for the three months ended July 31, 2019 compared to \$177,040 for the three months ended July 31, 2018.

Net loss before other revenue and stock-based compensation was \$72,225 for the three months ended July 31, 2019 compared to \$199,227 for the three months ended July 31, 2018. The lower net loss of \$127,002 is mainly due to:

- Investor relations costs were lower by \$132,189 for the three months ended July 31, 2019 for the same reasons provided above for the nine month period.

During the nine months ended July 31, 2019, \$550,000 was raised through a flow-through and unit financing. During the nine months ended July 31, 2018, \$1,275,000 was raised through the IPO.

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### Overall Performance and Results of Operations *(continued)*

The Company does not have any long term debt; current liabilities at July 31, 2019 were \$143,377 (including a flow-through share premium liability of \$18,875) compared to \$39,388 at July 31, 2018.

#### Summary of Quarterly Results:

Period Ended	2019 Jul 31	2019 Apr 30	2019 Jan 31	2018 Oct 31	2018 Jul 31	2018 Apr 30	2018 Jan 31	2017 Oct 31
Revenue	4,299	12,925	8,300	Nil	Nil	Nil	Nil	Nil
Expenses	(129,203)	(160,151)	(126,649)	(324,284)	(376,267)	(105,060)	(94,026)	(354,609)
Net earnings (loss)	(124,904)	(147,226)	(118,349)	(324,284)	(376,267)	(105,060)	(94,026)	(354,609)
(Loss) earnings per share, basic and diluted	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.00)	(0.00)	(0.00)

### Liquidity and Solvency

As at July 31, 2019, the Company had cash of \$99,300 and working capital of \$(4,348). The Company does not expect to generate revenues in the near future and will require additional funds to meet its commitments under the earn-in agreement with NDM and to continue operations. If the Company does not raise the required funds, it may not be able to meet its ongoing obligations. These circumstances may cast significant doubt as to the Company's ability to continue as a going concern and the appropriateness of the use of accounting principles applicable to a going concern.

On December 28, 2018, the Company closed both a Unit and a Flow-Through Unit financing consisting of 2,220,000 flow-through units at \$0.10 per unit and 4,100,000 units at \$0.08 per unit to raise gross proceeds of \$550,000. The agent was paid a 7% commission and was issued compensation options to purchase 222,000 units at an exercise price of \$0.10 per unit and another 410,000 units at an exercise price of \$0.08 per unit until December 28, 2020. The Company issued 3,160,000 share purchase warrants comprising a part of the flow-through Units and Units, exercisable at \$0.15 per share until December 28, 2020, subject to acceleration provisions. The securities of the offering restrict resale until April 29, 2019.

The gross proceeds from the flow-through financing will be used to incur qualifying Canadian exploration expenditures on the Mon Property; the balance of the funds raised will be used for general and administrative costs and for advancing exploration and development on the Mon Property.

On August 30, 2019, the Company closed a non-brokered private placement of 6,360,000 units at \$0.05 per unit for gross proceeds of \$318,000. Each unit consists of one common share and one non-transferable share purchase warrant exercisable at \$0.10 per common share until August 31, 2021, subject to accelerated exercise provisions if the closing price of the shares is greater than \$0.30 per share for a period of at least ten consecutive trading days. The finder was paid a cash commission of \$20,000 and issued compensation warrants to purchase up to 500,000 common shares. The securities have a hold period, restricting resale until December 31, 2019.

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## **Liquidity and Solvency** *(continued)*

The net proceeds will be used to finance further exploration expenditures on the Mon Property and for general and administrative expenses.

During the nine months ended July 31, 2019, funds were mainly used for expenses relating to exploration expenditures, corporate development, investor relations and administrative expenses. As at July 31, 2019, a total of \$2,318,884 had been spent on exploration and acquisition, net of the MIP grant, on the Mon Property (\$117,823 of this related to acquisition costs).

The Company has completed the Initial Expenditures requirement of the earn-in agreement which specified that \$2,000,000 be spent on the Property by December 31, 2018.

There is no guarantee that the Company will obtain further future funding, and the amount, timing and nature of financing may be materially impacted by the economic climate in capital markets.

## **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements other than those described elsewhere in this report.

## **Critical Accounting Policies and Estimates**

Certain carrying amounts of assets and liabilities require judgements, assumption and estimates as the basis for determining the stated amounts. Examples of significant estimates made by management include the determination of mineralized reserves, estimating the fair values of financial instruments, impairment of long-lived assets, reclamation and rehabilitation provisions, valuation allowances for future income tax assets and assumptions used for valuation of warrants and share-based compensation. Actual results may differ from those estimates.

A detailed summary of all of the Company's significant accounting policies is included in Note 3 to the annual audited financial statements for the year ended October 31, 2018.

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## Changes in Accounting Policies

There are no changes in accounting policies. Standards issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

### New Accounting Standards Effective for Annual Periods Beginning on or After January 1, 2019

#### IFRS 16 - Leases

In January 2016, the IASB issued this standard which establishes principles for recognition, measurement, presentation and disclosure of leases. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a services contract based on whether the customer controls the assets being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that have also adopted IFRS 15.

The Company is currently evaluating the impact of this standard on the Company's financial statements.

## Risks and Uncertainties

The Company does not own the Mon Gold Property, and only has a right to earn an interest therein pursuant to an option agreement. The Company must expend a total of \$6.0 million on the Mon Gold Property in order to acquire an 80% in the project, subject to a 20% carried interest and a 2.0% net smelter returns royalty. There is no assurance that the Company's mineral exploration and development activities will result in any discoveries of commercial bodies of ore.

There is no assurance that additional funding will be available for further operations or to fulfill its obligations under the applicable agreements. If the Company is unsuccessful in raising further funds, it may not earn any interest in the Mon Gold Property.

Companies in the mineral and exploration and development industry are subject to many risks including, but not limited to, infrastructure, government regulations, environmental issues, metal prices and currency fluctuations and uninsured and litigation risks. There is no assurance that the Company will be able to establish a practical working relationship with any First Nations in the area which would allow it to ultimately develop the Property.

Furthermore, the availability of services such as drilling contractors and geological service companies, and/or the terms on which these services are provided, may be adversely affected by global economic impacts on such service providers. Adverse effects on the capital markets generally may make the raising of capital by equity or debt financing much more difficult, and the Company is dependent upon the capital markets to raise further financing.

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### **Related Party Transactions**

Key management includes directors and officers of the Company.

Of the 4,100,000 units issued in the private placement on December 28, 2018, 625,000 units at \$0.08 were purchased by Mr. Campbell, a director and the Chief Financial Officer of the Company.

During the nine months ended July 31, 2019, management fees of \$82,500 (July 31, 2018: \$62,000) were paid or payable to a corporation controlled by Mr. Handford, the Company's Vice-President, Corporate Development (former Chief Executive Officer) and \$45,000 (July 31, 2018: \$17,000) to Mr. Campbell, the Chief Financial Officer of the Company.

On May 14, 2019, the Company entered into a revised agreement with Mr. Handford to reflect the changes in his roles with the Company. Mr. Handford would continue to receive \$10,000 per month to June 14, 2019 and \$5,000 per month from June 15, 2019 thereafter.

On May 23, 2019, the Company settled the sum of \$15,000 owed to Mr. Campbell for three months' accrued management consulting fees (January 15 to April 15, 2019), and the sum of \$40,000 owed to Mr. Handford for four months' accrued management consulting fees (January 15 to May 15, 2019), paid by the issuance and delivery of 300,000 common shares and 800,000 common shares respectively at a deemed price of \$0.05 per share. At July 31, 2019, an amount of \$17,500 is included in accrued liabilities for Mr. Campbell for services provided from April 15 to July 31, 2019 and \$17,500 is included in accrued liabilities for Mr. Handford for services provided from May 15 to July 31, 2019. At their election, these accrued fees may be settled by way of further common share issuance or payment in cash.

On June 20, 2019, 500,000 options at an exercise price of \$0.05 per share expiring June 20, 2024, were granted to Mr. Kirk, the newly appointed Chief Executive Officer of the Company.

On September 24, 2019, the Company arranged debt settlements with Mr. Campbell, and a corporation controlled by Mr. Handford, to settle the sums of \$22,500 owed to each of them for accrued management consulting fees (April 15 to August 31, 2019 and May 15 to August 31, 2019, respectively), to be paid by the issuance and delivery of a total of 600,000 common shares in the aggregate at a deemed value of \$0.075 per share, plus GST.

### **Guarantees and Commitments**

Any contractual commitments and guarantees provided to third parties are discussed in the Mon Property and Related Party sections.

In addition, on September 1, 2019, the Company entered into an agreement to rent office space for \$805 per month and pay-per-use services for any office equipment, communications facilities, receptionist or other administrative services required. The Company will pay a one-month security deposit of \$805 and a one-time setup fee of \$150 for office supplies and equipment, if required. The agreement is in effect until March 31, 2020

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### **Guarantees and Commitments** *(continued)*

and renewed automatically for additional successive terms of six months unless a 60-day written notice is provided by either party.

### **Investor Relations**

During the nine months ended July 31, 2019, the Company spent \$102,797 on Investor Relations, of which \$33,807 was spent on shows and conferences, \$17,766 on advertising and promotion, and \$26,143 related to consulting fees, as described below.

On July 17, 2018, the Company entered into an agreement with MarketSmart Communications (the "Consultant") for a period of six months, with an option for renewal, to provide shareholder and investor communication services. The consultant was paid \$6,000 per month and was granted 100,000 stock options at a price of \$0.25 per common share, which shall vest and be exercisable as to 25% on each of October 17, 2018, January 17, 2019, April 17, 2019 and July 17, 2019. The options expire on July 17, 2021 and will be exercisable in accordance with the Company's Stock Option Plan. Either party may terminate the agreement without cause on one months' written notice. Subsequent to October 31, 2018, the Company and the Consultant agreed to revise the terms of the agreement whereby, the monthly fee would be adjusted from \$6,000 per month to \$3,000 per month for the balance of the remaining three months under the agreement and to extend a further three months. In addition, the Company paid \$18,000 in advance to the Consultant for this contract extension following their purchase of 225,000 units at \$0.08 in the unit private placement. The agreement with the Consultant was terminated on April 17, 2019. Due to the termination of the agreement, 100,000 unexercised options granted to the Consultant at a price of \$0.25 expired on May 17, 2019.

### **Corporate Development**

On August 28, 2018, the Company entered into an agreement with 558396 BC Ltd. (the "Consultant") whereby the Consultant will provide independent consulting services relating to business development matters. The agreement will terminate six months from the date of the agreement but may be extended or amended by mutual written consent. In consideration, the Company will pay the Consultant cash compensation of a one-time upfront payment of \$105,000 inclusive of GST, conditional on receipt of funds in this amount by the Company from the exercise of Mackie Research Capital Corporation broker warrants, plus \$6,300 inclusive of GST per month. The Company had received to date, and advanced \$65,000 from the exercise of warrants. The two principals of the Consultant also received 300,000 options each at a price of \$0.21 per share, expiring on August 28, 2020. Effective February 28, 2019, the Company terminated its contract with 558396 BC Ltd. An aggregate of 600,000 options granted at a price of \$0.21 per share expired, unexercised on March 30, 2019.

### **Financial Instruments and Risks**

Financial instruments consist primarily of cash and cash equivalents and accounts payable. The fair values of cash and cash equivalents and accounts payable approximate their respective carrying values because of their immediate or short-term nature.

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## **Financial Instruments and Risks** *(continued)*

The Company's financial instruments are exposed to certain financial risks, including credit risk, currency risk and liquidity risk. Where material, these risks are evaluated and monitored by the Company's management and Board of Directors.

### (a) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and accounts receivable. The carrying amount of the financial assets represents the maximum credit exposure. The Company limits its exposure to credit risk on cash by placing these financial instruments with reputable and major financial institutions.

### (b) Currency risk

The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada and current exposure to rate fluctuations is minimal. The Company does not have significant foreign currency denominated monetary liabilities.

### (c) Liquidity risk

Liquidity risk is associated with the inability to meet obligations as they become due and is minimized by maintaining sufficient cash and deposit balances to cover operating and exploration costs over a reasonable future period.

## **Outstanding Share Data**

The Company has authorized an unlimited number of common shares without par value. At September 25, 2019, 59,633,333 common shares were issued and outstanding. 4,980,000 of these shares are held in escrow. There are 4,180,000 options outstanding with exercise prices ranging from of \$0.05 to \$0.20 per share and 26,662,166 warrants outstanding with exercise prices ranging from \$0.08 to \$0.25 per share. On a fully diluted basis there would be 90,475,499 common shares outstanding.