

# SIXTY NORTH GOLD MINING LTD.

## MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED OCTOBER 31, 2018

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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 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 February 19, 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 under the name of 1082138 B.C. Ltd. on July 7, 2016, pursuant to the *Business Corporations Act* (British Columbia). On February 20, 2017, the Company changed its name to Sixty North Gold Mining Ltd. On November 9, 2017, the Company 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 1750 - 1185 West Georgia Street, Vancouver, British Columbia, V6E 4E6.

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").

On April 18, 2018, the Company completed its Initial Public Offering ("IPO") and began trading on the Canadian Securities Exchange under the symbol "SXTY". The Company also began trading on the Frankfurt Stock Exchange under the symbol "2F4" on May 8, 2018 and on the OTCQB Venture Market in the United States under the symbol "SXNTF", effective June 21, 2018.

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## 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 (including the new NDM3 claim). On May 18, 2018, the Company announced that it had expanded the land package by an additional 315.68 acres with mineral claim NDM3 added to the southwest side of the existing property. The total aggregate area of the Mon Property is now 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 which have been paid by the Company to date, including January 2019 as at the date of this report), 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 had been 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.

As at October 31, 2018, the Company had incurred \$1,969,880 (including \$751,352 for the purchase of mining equipment and \$174,710 in camp equipment) in exploration expenditures towards the earn-in on the Mon Gold Property.

In addition, at October 31, 2018, the Company had an exploration advance of \$34,573 to NDM on the Mon Property, for ongoing expenditures (not included in the amount incurred towards the earn-in above).

Subsequently, on December 4, 2018, the Company received written confirmation from New Discovery Mines Ltd. that the Company had met the \$2.0 million Initial Expenditures on the Mon Property as required under the earn-in agreement. On December 28, 2018, the Company advanced a further \$60,000 to NDM for ongoing operating expenses.

Out of the advances made to NDM, NDM has made the following deposit, which is not yet included in exploration costs, but recorded in prepaid and deposits:

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

The Company authorized NDM to contract out the 2018 ice road construction for the winter road to the Mon Property. On November 3, 2017, \$34,000 was paid by NDM to the contractor, which represents 10% of the contract. The deposit is refundable in the event that the permits are not granted and the work does not proceed.

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 will be paid following receipt and acceptance of final report submission which is due on May 31, 2019. The purpose of the grant is to provide funding to stimulate and sustain mineral exploration activities throughout the Northwest Territories. The Company has used the funds to support its 2018 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 year ended October 31, 2018 compared to the year ended October 31, 2017

The Company incurred a net loss of \$899,637 during the year ended October 31, 2018 compared to a net loss of \$620,384 in the year ended October 31, 2017. The increase in net loss by \$279,253 is mainly due to:

- Investor relations costs were \$263,391 for the year ended October 31, 2018 compared to \$37,696 for the same period last year. An amount of \$218,424 was spent on advertising and promotion in the current year of which \$177,425 was paid to media and research agencies to bring greater market awareness to the European market;
- Management fees were \$124,000 for the year ended October 31, 2018 compared to \$76,000 for the year ended October 31, 2017. The fees are higher in the current year as the board of directors approved a change in compensation for the Chief Executive Officer from \$5,000 to \$10,000 per month and the establishment of compensation for the Chief Financial Officer in the amount of \$5,000 per month, effective from the date of the IPO, April 19, 2018;

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

- Corporate development costs were \$74,205 for the year ended October 31, 2018 compared to \$25,964 for the year ended October 31, 2017. This is due to an agreement entered into by the Company with a consultant to provide independent consulting services relating to business development matters. The Company has paid \$65,000 of a \$105,000 one-time upfront payment (inclusive of GST) and \$6,000 per month effective September 1, 2018 (see the Corporate Development section below for details). In 2017, corporate development costs related to a potential merger and property acquisition;
- transfer agent and regulatory fees in the year ended October 31, 2018 were \$58,822 compared to \$24,480 in 2017 due to initial escrow fees, listing and IPO related costs incurred in the current year;

Offsetting these increases was a reduction of approximately \$107,993 in legal and professional fees in the year ended October 31, 2018. In 2018, a settlement of account was negotiated with a legal firm which resulted in a reduction of fees by approximately \$21,000. Legal fees relating to the filing of the prospectus and general corporate costs were incurred in the current year. During the year ended October 31, 2017, legal fees were higher due to start-up costs, earn-in agreement, prospectus and other general costs. In addition, an amount of \$40,000 was recorded as professional fees relating to 400,000 shares issued at \$0.10 for services whereby introductions were made to certain individuals to serve as officers and directors of the Company.

During the year ended October 31, 2018, \$1,275,000 was raised through the IPO. During the year ended October 31, 2017, \$500,000 was raised through a private placement of units.

The Company does not have any long term debt; current liabilities at October 31, 2018 were \$39,388 compared to \$135,889 at October 31, 2017.

The following is a summary of financial information from the Company's audited financial statements:

	October 31, 2018	October 31, 2017	October 31, 2016
Total Revenues	\$ Nil	\$ Nil	\$ Nil
Total Expenses	899,637	620,384	162,690
Net loss	(899,637)	(620,384)	(162,690)
(Loss) per share, basic and diluted	(0.02)	(0.02)	(0.02)
Total Assets	2,360,837	1,957,131	1,779,035
Total Long-term Liabilities	Nil	Nil	Nil
Working Capital (deficiency)	188,322	461,610	1,073,720

The Company does not produce any revenues. Net loss was higher in 2018 due to the costs associated with the Company becoming publicly listed and its focus on expansion and market awareness.

Working capital decreased in the current year as a result of the increase in administrative costs and the Company's successful efforts to meet the \$2.0 million earn-in Initial Expenditures on the Mon Property.

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

The three month period ended October 31, 2018 compared to the three month period ended October 31, 2017

Net loss for the three month period ended October 31, 2018 was \$392,012 compared to \$356,364 for the three months ended October 31, 2017.

Share-based payments for the three months ended October 31, 2018 were \$100,455 compared to \$254,650 for the three months ended October 31, 2017, a reduction of \$154,195 due to fewer options being granted in the fourth quarter of 2018 compared to the same period in 2017.

Investor relations costs were \$97,366 in the current quarter compared to \$12,856 for the three months ended October 31, 2017, and legal and professional fees were lower by approximately \$25,997. Corporate development increased by \$73,767 compared to the same period last year. These changes occurred for the same reasons as described above for the yearly comparison.

Management fees were higher by \$31,800 in the three months ended October 31, 2018 compared to the previous year due to increases in compensation as described in the Related Party section.

#### Summary of Quarterly Results:

Period Ended	2018 Oct 31	2018 Jul 31	2018 Apr 30	2018 Jan 31	2017 Oct 31	2017 Jul 31	2017 Apr 30	2017 Jan 31
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expenses	(324,284)	(376,267)	(105,060)	(94,026)	(354,609)	(116,735)	(73,904)	(75,136)
Net earnings (loss)	(324,284)	(376,267)	(105,060)	(94,026)	(354,609)	(116,735)	(73,904)	(75,136)
(Loss) earnings per share, basic and diluted	(0.01)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

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### Liquidity and Solvency

As at October 31, 2018, the Company had cash of \$127,021 and working capital of \$188,322. 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 April 18, 2018, the Company completed its initial public offering of 8,500,000 units at a price of \$0.15 per unit for gross proceeds of \$1,275,000. Each unit consists of one common share and one-half transferable purchase warrant. Each whole warrant will entitle the holder to purchase one common share at a price of \$0.25 per share until April 18, 2020. These funds were used for exploration expenditures on the Mon Property towards the earn-in, and for general and administrative expenses. On August 29, 2018, 650,000 brokers' warrants were exercised at \$0.10 per warrant for proceeds of \$65,000 (see section on Corporate Development). On September 10, 2018, the Company announced that it had received a \$59,471 Mining Incentive Program grant ("MIP grant") from the Government of the Northwest Territories. On October 3, 2018, the Company received \$50,551 of the \$59,471 total grant and used these funds to support its 2018 prospecting, biogeochemistry and trenching activities.

During the year ended October 31, 2018, funds were mainly used for expenses relating to the prospectus filing, the IPO as well as for exploration expenditures, extension fee, the advance royalty payment on the Mon Property, market awareness and administrative expenses. As at October 31, 2018, the Company had spent a total of \$2,045,127 on exploration and acquisition, net of the MIP grant, on the Mon Property (\$68,498 of this related to acquisition costs). A total of \$2,004,453 was spent on exploration (including an advance of \$34,573 to NDM for ongoing expenditures).

The Company has completed the Initial Expenditures requirement of the earn-in agreement which specified that \$2,000,000 be spent on the Property. On December 12, 2017, the Company had provided NDM notice of its election to extend the deadline for completion of the Initial Expenditures of \$2,000,000 from December 31, 2017 to December 31, 2018, and paid the required amount of \$20,000 as stipulated under the mineral property earn-in agreement. On December 4, 2018, New Discovery Mines Ltd. provided written notice that the Company had met its Initial Expenditure obligation of \$2,000,000 to be incurred on the Mon Property.

On December 28, 2018, the Company closed the first tranche of 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. Of the 4,100,000 units issued, 625,000 units were purchased by a director and officer of the Company. 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 will bear legends restricting resale until April 29, 2019.

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

These 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.

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.

## **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, 2018

#### IFRS 2 - Share-based Payments

In June 2016, the IASB issued the final amendments to IFRS 2 that clarify the classification and measurement of share-based payment transactions. This includes the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are to be

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## **Changes in Accounting Policies** *(continued)*

applied prospectively and are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.

### IFRS 9 - Financial Instruments

In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Statements, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. In November 2013 the standard was revised to add the new general hedge accounting requirements. The standard was finalized in July 2014 and was revised to add a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income (FVOTCI) category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics test.

### IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued this standard which supersedes IAS 11 - Construction Contracts, IAS 18 - Revenue, IFRIC 13 - Customer Loyalty Programs, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers, and SIC 31 - Revenue - Barter Transactions involving Advertising Services, IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition.

The adoption of these standards is not expected to have a material impact on the Company's financial statements.

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

#### IFRS 16 - Leases

In June 2016, the IASB issued this standard which establishes principles for recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17.

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



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## 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.

## Related Party Transactions

Key management includes directors and officers of the Company. During the year ended October 31, 2018, management fees of \$92,000 (October 31, 2017: \$66,000) were paid to a corporation controlled by the Company's Chief Executive Officer ("CEO"), and \$32,000 (2017 - \$10,000) was paid to the Chief Financial Officer of the Company.

On May 28, 2018, the board of directors approved a change in compensation for the Chief Executive Officer from \$5,000 to \$10,000 per month and the establishment of compensation for the Chief Financial Officer in the amount of \$5,000 per month, effective from the date of the IPO, April 19, 2018.

On September 22, 2017, the Company granted 1,750,000 options with fair values of \$227,049 to the directors and officers of the Company. The Company also recorded an additional share-based payment of \$28,859, upon vesting, for 100,000 options granted to the CEO.

On June 20, 2018, the Company granted 1,035,000 stock options, of which 1,025,000 were issued to directors and officers of the Company. The exercise price is \$0.20; the options vest immediately and expire on June 20, 2023. The fair values of the options granted to the directors and officers is \$175,329.

On August 31, 2018, 125,000 options were granted to a director, at an exercise price of \$0.20 per share, expiring on August 31, 2023. The fair value of these options is \$15,758.

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## Guarantees and Commitments

See Notes 6 and 13 of the audited financial statements for the year ended October 31, 2018 outlining the contractual commitments and guarantees provided to third parties.

## Investor Relations

During the year ended October 31, 2018, the Company spent \$263,391 on Investor Relations, of which \$177,425 was incurred on market awareness, mainly in Europe.

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 is 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 month's written notice. Subsequent to October 31, 2018, the Company and MarketSmart agreed to revise the terms of the agreement whereby, the monthly fee will 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 MarketSmart for this contract extension following their purchase of 225,000 units at \$0.08 in the unit private placement.

### Investor Relations *(continued)*

On August 13, 2018, the Company entered into an agreement under which Financial Buzz Media Networks and provide financial news media PR services, editorial placements, a corporate landing page and social media services for payment of US\$50,000.

## 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 has received to date, and advanced \$65,000 from the exercise of warrants. The two principals of the Consultant also received 300,000 options at a price of \$0.21 per share, expiring on August 28, 2020.

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## 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.

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 February 19, 2019, 52,173,333 common shares were issued and outstanding. 6,225,000 of these shares are held in escrow. There are 4,387,000 options outstanding with exercise prices ranging from of \$0.08 to \$0.25 per share and 19,486,166 warrants outstanding with exercise prices ranging from \$0.10 to \$0.25 per share. On a fully diluted basis there would be 76,046,499 common shares outstanding.