



NORTHERN VERTEX  
MINING CORP

**Management's Discussion and Analysis  
for the Year Ended June 30, 2020**

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## **NORTHERN VERTEX MINING CORP.**

### **Management's Discussion and Analysis for the Year Ended June 30, 2020**

The Management's Discussion and Analysis ("MD&A") of Northern Vertex Mining Corp. ("Northern Vertex" or the "Company"), has been prepared by management as of October 28, 2020 and provides information that management believes is relevant to assessing and understanding the financial condition of the Company and the results of its operations and cash flows for the year ended June 30, 2020. This MD&A provides information on the operations of the Company for the year ended June 30, 2020 and should be read in conjunction with the audited annual consolidated financial statements for the year ended June 30, 2020 and 2019 and related notes thereto (the "Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). **All dollar amounts in this MD&A are expressed in thousands of USD, except as otherwise noted.**

Unless otherwise indicated, the technical disclosure contained within this MD&A has been reviewed and approved by Mr. L.J. Bardswich, P.Eng., President of Golden Vertex Corp. ("Golden Vertex") and a Qualified Person for the purpose of National Instrument 43-101 ("NI 43-101"), Standards of Disclosure for Mineral Projects.

#### **1. Business Overview**

Northern Vertex is a gold producer engaged in the acquisition, exploration, development and operation of mineral properties located in the United States. The Company's principal operation is the 100% owned Moss Mine in Mohave County, Arizona which commenced commercial production as of September 1, 2018 after construction and commissioning were completed. The Company's management and technical team are proven professionals with extensive experience in all aspects of mineral exploration, mine development, operations and capital markets. Key strategic priorities for the Company, now that the Moss Mine has entered commercial production, are to generate positive cashflow from operations, growth of the Moss mine reserve and to acquire accretive assets with long term growth potential.

The Company is listed on the TSX Venture Exchange ("TSXV") and its common shares trade under the symbol NEE.

#### **2. Fourth Fiscal Quarter 2020 Operating and Financial Highlights**

- The Company made extensive and successful preparations to avoid the impacts of COVID-19 and is pleased to report no known or suspected cases of infection at the Moss Mine nor at its office in Vancouver. While the impacts of the pandemic increased the all-in sustaining cost ("AISC") during the quarter, the business continuity measures will provide benefits in all subsequent quarters. For more details see COVID-19 update below.
- During the quarter the Moss Mine produced a record 10,530 gold ounces and 87,470 silver ounces.
- Record gold and silver sales of 9,716 gold ounces and 89,321 silver ounces with average realized prices per ounce of \$1,716 and \$16.84 respectively. Record revenue of \$18,176.
- The crushing plant processed 621,689 tonnes of ore with an average gold grade of 0.72 g/t and an average silver grade of 15.21 g/t.
- Moss mine AISC for the quarter was \$1,082 per ounce sold, which included a heap leach write-up of \$988. Excluding the adjustment, AISC was \$1,184 per ounce sold, which included the impacts of COVID-19 expenses.
- Cash costs for the quarter were \$966 per ounce sold.
- Operating income from mine operations, before depreciation and depletion, was \$7,285.
- Net profit for the quarter was \$3,943, driven off operating income from mine operations of \$4,527.

### **3. COVID-19 Update**

The COVID-19 pandemic has significantly impacted the global economy, disrupted global supply chains, and it has created significant volatility in the financial markets. While the impact of the COVID-19 pandemic on Northern Vertex's operational performance to-date has been minimized, future impacts depend on duration and severity, and related restrictions. The Company has not incurred any disruptions in sales of gold, however, it has incurred additional costs in purchasing extra maintenance and operating supplies, as well as advancing preventative maintenance programs to ensure business continuity over an extended period.

To maintain business continuity plans, the Company has implemented controls at our mine and offices to put the health, safety of our people and community above all else. We have implemented strict safety protocols related to:

- Physical distancing of all staff in work locations,
- Implementation of remote work and video conferencing,
- Cancellation of non-essential travel in early March,
- Monitor employee and contractor temperatures,
- Questionnaire screening prior to arrival or entry to our mine, and
- Daily deep cleaning and sanitization of surfaces;

The economic impact of the pandemic and related government stimuli packages have served to strengthen gold prices. The Company expects gold prices to remain strong while uncertainty in global financial markets continue, interest rates remain at historical lows and as governments continue stimulus efforts. Given the continuing uncertainty, management has worked to maximize liquidity, it the Company is confident that it has sufficient liquidity on hand to continue business operations during this volatile period.

#### 4. Operating Statistics

		Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Year Ended June 30, 2020	Year Ended June 30, 2019 <sup>1,2,3</sup>
<b>Mining</b>					
Ore mined	t	587,379	418,819	2,133,730	1,842,709
Waste mined	t	1,314,186	1,321,887	4,062,764	3,930,283
Total mined	t	1,901,575	1,740,706	6,196,494	5,772,992
Strip ratio	waste/ ore	2.24	3.16	1.90	2.13
<b>Crushing</b>					
Tonnes stacked	t	621,689	465,643	2,115,313	1,749,491
Tonnes stacked per day (average)	tpd	6,832	5,117	5,780	4,793
Contained gold ounces stacked	oz.	14,439	10,880	48,269	40,475
Contained silver ounces stacked	oz.	303,966	176,599	869,840	603,317
Gold grade	g/t	0.72	0.73	0.71	0.72
Silver grade	g/t	15.21	11.80	12.79	10.73
<b>Processing</b>					
Merrill Crowe recovery – gold	%	97	81	97	81
Gold ounces produced <sup>4</sup>	oz.	10,530	7,842	33,500	24,311
Silver ounces produced <sup>4</sup>	oz.	87,470	45,876	273,333	113,080
<b>Sales</b>					
Gold ounces sold <sup>5</sup>	oz.	9,716	6,910	33,222	23,920
Silver ounces sold <sup>5,6</sup>	oz.	89,321	29,971	312,465	79,767

<sup>1</sup> The Moss Mine commenced commercial production effective September 1, 2018. In relation to this, only financial operating results from this date are recognized in the Company's Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) for the year ended June 30, 2019. Financial operating results from the Moss Mine prior to September 1, 2018 were capitalized to property, plant and equipment.

<sup>2</sup> The operating statistics for the year ended June 30, 2019 include pre-commercial production results.

<sup>3</sup> Crushing statistics for the year ended June 30, 2019 were adjusted from previously released statistics due to a change in the Company's estimate of tonnes and contained ounces stacked during the year.

<sup>4</sup> The year ended June 30, 2019 statistics includes 3,672 gold ounces and 12,009 silver ounces that were produced pre-commercial production being the two months ended August 31, 2018.

<sup>5</sup> The year ended June 30, 2019 statistics includes 4,924 gold ounces and 16,376 silver ounces that were produced during pre-commercial production being the ten months ended June 30, 2019.

<sup>6</sup> Includes silver ounces purchased and on-sold to final customer to deliver deferred ounces relating to silver streaming agreement.

#### 5. Operations Discussion

The Company operates an open pit mine and extracts precious metals with a heap leach and Merrill Crowe circuit to produce gold and silver dore.

##### Mining

During the three months ended June 30, 2020 a total of 587,379 tonnes (2019: 418,819) of ore was mined at a strip ratio of 2.24 (2019: 3.16), and for the full year ended June 30, 2020 a total of 2,133,730 tonnes (2019: 1,842,709) of ore were mined at a strip ratio of 1.90 (2019: 2.13). The March 2020 approval by the Bureau of Land Management for the expansion of the Moss mine operations, combined with mature mine planning/sequencing and blasting processes now support higher mining rates when comparing the quarterly and annual tonnes moved. Ore loss and dilution is well managed due to disciplined ore control which is informed by blasting and excavation procedures.

Ore supply in 2020 has now expanded from the Center pit to include an East pit, and a West pit will come into operation later in 2020. Operations in the Center pit are well advanced, and mining rates and grades are as planned. The mining team is encountering more competent/hard rock with the increasing depth of the pit, which reduces the life of wear components in the crusher. Operations in the East pit progressed very well during the quarter, with the completion of a first bench, and mining rates continue to closely follow modelled ore distribution, grade, and metallurgy. Pioneering work in the West Pit commenced in April and will continue through September 2020 to ensure that the area is ready for mining operations during the final quarter of 2020.

The Moss mine ore model was updated in the quarter ended March 31, 2020, and reconciliation efforts have allowed for better integration of the model into mine plans, and the Life-Of-Mine plan was adjusted accordingly in June. A new ore model is expected by the end of calendar year 2020, which will include the information from the current exploration program, and anticipated growth in resources.

Subsequent to the quarter ended June 30, 2020, a new three-year mining and blasting contract was awarded to McCoy and Sons, which is expected to further improve mining performance and reduce mining cost per tonne.

### **Crushing Operations**

During the three months ended June 30, 2020 the average daily crushing rate was 6,832 tonnes (2019: 5,117), resulting in a total of 621,689 crushed tonnes (2019: 465,643) at an average gold grade of 0.72g/t (2019: 0.73 g/t) and an average silver grade of 15.21 g/t (2019: 11.80 g/t). A new record one day crusher throughput of 11,545 tonnes was set during the quarter. Stacked gold ounces for the quarter were 14,439 (2019: 10,880).

The Company's maintenance programs continue to pay dividends, with excellent mechanical availability of 98% for the primary crushing system. The crushing rate was higher quarter over quarter, and year over year, due to continued improvements in mechanical availability, operating procedures, and control systems. However, as the center pit advances into harder rock, the rate of wear of key crushing components has increased, resulting in more frequent changeouts, and leading to various design changes to increase equipment life.

During the year ended June 30, 2020 total ore crushed improved by 21% over FY 2019, with daily crushing rates of 5,780 tonnes (2019: 4,793). A total of 2,115,313 tonnes (2019: 1,749,491) of ore was crushed at an average gold grade of 0.71 g/t (2019: 0.72 g/t) and an average silver grade of 12.79 g/t (2019: 10.73 g/t). Stacked gold ounces for the year ended June 30, 2020 were 48,269 (2019: 40,475) and contained silver ounces of 869,840 (2019: 603,317).

### **Processing Operations**

During the current quarter, a record total of 10,530 Au ounces (2019: 7,842) and 87,470 Ag ounces (2019: 45,876) were produced. During the year ended June 30, 2020 a total of 33,500 Au ounces (2019: 24,311) and 273,333 Ag ounces (2019: 113,080) were produced.

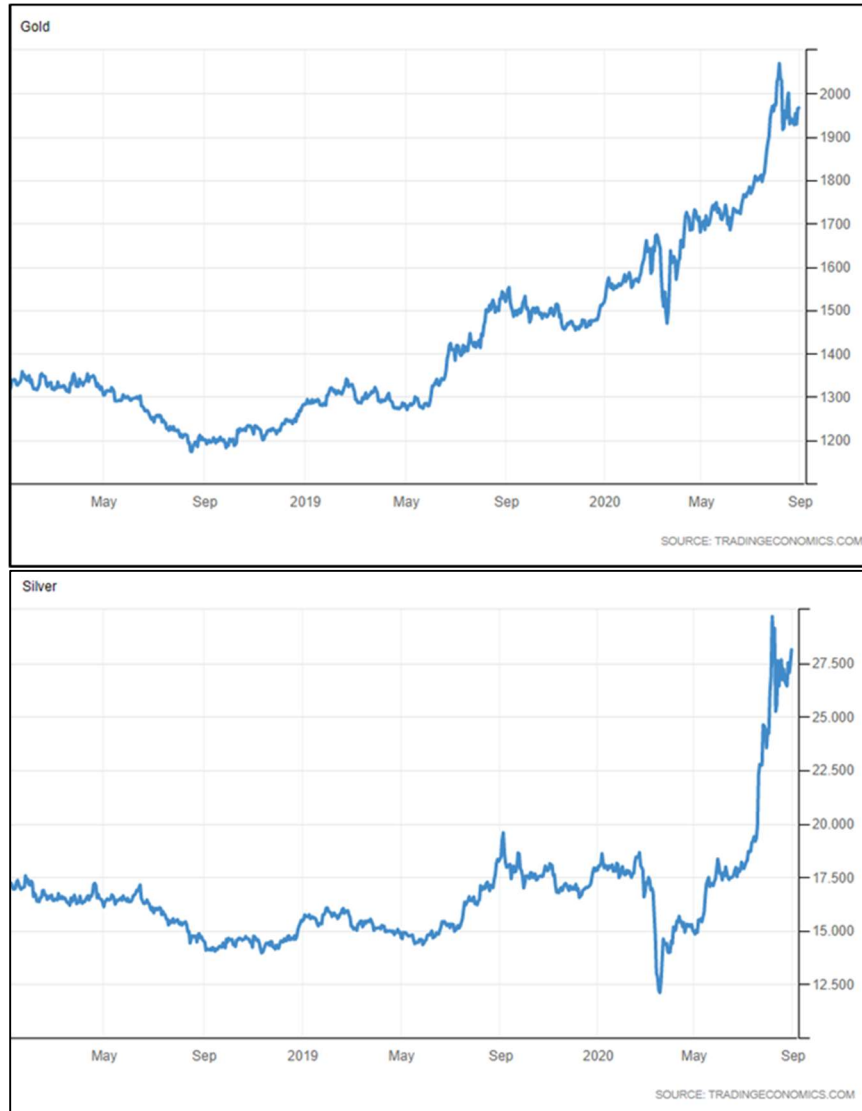
During the quarter, new records were set for daily, weekly, monthly, quarterly and year end gold and silver production. Continued improvements related to operator training, solution application strategies, heap pad cyanide soluble inventory reduction and Merrill Crowe capacity/performance have generated outstanding results. Merrill Crowe recoveries and processed solution flows continue to rise with recovery rates for both the quarter and fiscal year-to-date of 97% (2019: 81%), while solution flows were increased to 2800gpm, which is 140% of nameplate capacity. This increased flowrate will result in accelerated gold recoveries. The increased plant flows have also driven an increase in the ratio of solution tons to stacked ore tons, and this is resulting in a rising life-to-date gold recovery, and a reduction in gold inventory and associated working capital. The ratio of solution tons applied through irrigation to ore tons placed has risen from 1.4 to 2.4 year over year despite the record tonnages being placed. Ultimate gold recoveries beyond 80% are on schedule tied to a Life of Mine final solution application rate of 12 tons of solution per ton of ore (12:1).

Engineering and installation of an Intermediate Leach System (ILS) is scheduled to be fully commissioned by September of 2020, which will further increase this ratio and draw cyanide soluble pad inventory down further throughout FY2021.

A 40,000 ton panel of larger crushed ore (3/8 inch) was placed on leach as at the end of June, and this panel will be run out for 120 days to confirm the columns test work. If results continue to demonstrate the economic viability of moving to a larger crush size, the operation will be changed over in early 2021 along side of a new resource estimate and mine operations strategy.

## Sales

Northern Vertex continues to benefit from a rising trend in gold prices and increasing production volumes. Average gold and silver prices for the current quarter were \$1,716 and \$16.84 respectively, in comparison to \$1,293 and \$17.37 respectively for the comparative quarter. Fiscal year-to-date average realized prices for gold and silver per ounce were \$1,563 and \$16.96 compared to \$1,272 and \$14.91 for the same respective periods.



During the quarter, the Company sold a total of 9,716 gold ounces and 89,321 silver ounces for a record revenue of \$18,176, versus 6,910 gold ounces and 29,971 silver ounces sold, for total sales of \$9,459 during the same quarter of 2019. Fiscal year-to-date sales were 33,222 gold ounces and 312,465 silver ounces for total sales for \$57,235, compared to 2019 sales of 23,920 gold ounces and 79,767 silver ounces sold for \$25,117. 2019 sales include ounces produced and sold prior to commercial production on September 1, 2018, for total sales of \$31,302.

## 6. Summary of quarterly results

	Three Months Ended June 30, 2020	Three Months Ended March 31, 2020	Three Months Ended December 31, 2019	Three Months Ended September 30, 2019	Three Months Ended June 30, 2019	Three Months Ended March 31, 2019	Three Months Ended December 31, 2018	Three Months Ended September 30, 2018
Revenue	\$ 18,070	\$ 13,088	\$ 11,253	\$ 14,550	\$ 9,382	\$ 8,577	\$ 5,792	\$ 1,184
Operating income before depreciation and depletion	7,285	5,214	2,343	3,786	542	2,397	532	210
Profit (loss) for the period	3,944	7,511	(5,080)	(5,645)	(6,232)	(1,334)	(5,266)	(1,147)
Basic profit (loss) per share	0.02	0.03	(0.02)	(0.02)	(0.02)	(0.01)	(0.03)	(0.01)
Cash provided by (used in) operating activities	3,932	2,445	393	3,348	103	(2,275)	(2,915)	(579)

Profit of \$3,944 for the current quarter was driven by increasing gold production and strengthening gold prices.

Cash provided from operating activities was \$3,932, which was a \$3,829 improvement over the same quarter of 2019 (cash provided of \$103), was a result of higher gold production and partially offset by higher production costs that are linked to expenditures for contract mining and tonnes moved.

Further information relating to factors which have caused period to period variations is included in the Financial Operating Results, and *Results of Operations* sections of this MD&A.

### Cash Costs & All-in sustaining costs (AISC)

AISC includes total cash costs, sustaining capital expenditures, accretion on decommissioning and restoration provision, treatment and refinery charges netted against revenue and corporate administrative expenses, all divided by gold ounces sold to arrive at a per ounce amount. Other companies may calculate this measure differently as a result of differences in underlying principles and policies applied. Differences may also arise due to a different definition of sustaining versus non-sustaining capital. Please refer to section 24 for a complete explanation on non-GAAP measures.

	Three Months Ended June 30, 2020	Year Ended June 30, 2020
Gold ounces produced	10,530	33,500
Gold ounces sold	9,716	33,222
AISC reconciliation		
Cash costs	\$ 9,386	\$ 33,292
Sustaining capital expenditures <sup>1</sup>	1,027	3,349
Accretion on reclamation obligation	101	351
	10,514	36,992
<b>Moss Mine Cash Cost per ounce produced</b>	<b>891</b>	<b>994</b>
<b>Moss Mine AISC per ounce produced</b>	<b>998</b>	<b>1,104</b>
<b>Moss Mine Cash Cost per ounce sold</b>	<b>966</b>	<b>1,002</b>
<b>Moss Mine AISC per ounce sold</b>	<b>\$ 1,082</b>	<b>\$ 1,113</b>

Moss mine AISC for the quarter was \$1,082 per ounce sold, which included a heap leach write-up of \$988. Excluding the adjustment, AISC was \$1,184 per ounce sold, which included the impacts of COVID-19 expenses.



## 7. Selected Annual Information

The following selected annual financial information is derived from the audited Financial Statements of the Company for the three most recently completed financial years:

	<b>Year Ended June 30, 2020</b>	<b>Year Ended June 30, 2019</b>	<b>Year Ended June 30, 2018</b>
Revenue	\$ 56,961	\$ 24,935	\$ -
Net profit (loss)	730	(13,979)	(3,652)
Basic and diluted loss per share	0.00	(0.07)	(0.02)
Total assets	103,749	98,757	92,899
Total non-current financial liabilities	26,557	30,513	21,707

Factors which caused total assets to increase year over year include additional gold inventory in the heap leach pad tied to increasing production, along with higher cash balances.

The \$14,709 improvement in net profit year over year was a result of higher gold production, and the successive improvements in mine and heap leach operations. In addition, a fair value gain of \$665 on derivatives relating to the silver stream embedded derivative and warrants contributed to the net profit for the year ended June 30, 2020.

## 8. Financial Operating Results

The Company had quarterly and yearly operating income before depreciation and depletion for 2020 of \$7,285 and \$18,628 respectively, versus \$542 and \$3,681 for the quarter and year ended June 30, 2019. The year ended June 30, 2019 included ten months of commercial production at the Moss Mine, and the improvements to income on both the three and twelve month basis were also driven by higher gold and silver production/sales and higher metals prices.

### Earnings from Mine Operations

Earnings from mine operations for the three months and year ended June 30, 2020 and 2019 are comprised of the following:

	<b>Three Months Ended June 30,</b>		<b>Year Ended June 30,</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
Revenue	\$ 18,070	\$ 9,382	\$ 56,961	\$ 24,935
Production costs	(9,756)	(8,230)	(34,921)	(19,669)
Royalties	(1,029)	(610)	(3,412)	(1,585)
Operating income before depreciation and depletion	7,285	542	18,628	3,681
Depreciation and depletion	(2,757)	(2,546)	(10,718)	(5,906)
<b>Earnings (loss) from mine operations</b>	<b>\$ 4,528</b>	<b>\$ (2,004)</b>	<b>\$ 7,910</b>	<b>\$ (2,225)</b>

<sup>1</sup> The Moss Mine commenced commercial production effective September 1, 2018. In relation to this, figures shown in the table above for the year ended June 30, 2020 reflect financial operating results for the ten months ended June 30, 2019, with September 2018 being the first month of commercial production. Financial operating results from the Moss Mine prior to September 1, 2018 were capitalized to property, plant and equipment.

Operating income excluding depreciation and depletion was \$7,285 for the three months, and \$18,628 for the year ended June 30, 2020, in comparison to \$542 and \$3,681 for the three months and year ended June 30, 2019. The Company sold 9,716 gold ounces (2019: 6,910) at an average realized gold price of \$1,716 (2019: \$1,304). For the year ended June 30, 2020, the Company sold 33,222 gold ounces (2019: 18,966 gold ounces which were produced after commercial production commenced on September 1, 2018) with an average realized gold price of \$1,563 (2019: \$1,272). Revenue is presented net of treatment and refining costs which were \$274 for the year ended June 30, 2020 (2019: \$182).

Production costs are comprised of mining, processing, maintenance, site administration and site share-based compensation net of inventory changes and include write-downs of inventories due to net realizable value. The increase in production costs for both the quarter and fiscal year-to-date are directly related the number of days in operation. Moss mine reached commercial production in September 2018 and continued to ramp up over a significant portion of fiscal 2019.

Depreciation and depletion were \$2,757 for the three months ended June 30, 2020 (2019: \$2,546) and \$10,718 for the year ended June 30, 2020 (2019: \$5,906). Depletable mineral properties and most assets included in plant and equipment are depleted on a units of production basis over the life of the mine, and Depreciation and depletion was capitalized until September 2018.

Increases in royalty expenses is directly related to higher revenue. Refer to Note 7 of the Company's June 30, 2020 Consolidated Financial Statements for details relating to the Company's royalty obligations.

## Net Profit

The profit (loss) for the three months and year ended June 30, 2020 and 2019 is comprised of the following items:

	Three Months Ended		Year Ended	
	June 30		June 30	
	2020	2019	2020	2019
Operating income before depreciation and depletion	\$ 7,285	\$ 542	\$ 18,628	\$ 3,681
Depreciation and depletion	(2,757)	(2,546)	(10,718)	(5,906)
Earnings (loss) from mine operations	4,528	(2,004)	7,910	(2,225)
Corporate administrative expenses	(484)	(802)	(2,501)	(3,054)
Finance costs	(639)	(3,312)	(5,691)	(8,682)
Foreign exchange gain (loss)	(226)	(114)	247	(18)
Other income	765	-	765	-
<b>Net profit (loss) for the period</b>	<b>\$ 3,944</b>	<b>\$ (6,232)</b>	<b>\$ 730</b>	<b>\$ (13,979)</b>

<sup>1</sup> The Moss Mine commenced commercial production effective September 1, 2018. In relation to this, figures shown in the table above for the year ended June 30, 2019 reflect financial operating results for the ten months ended June 30, 2019, with September 2018 being the first month of commercial production. Financial operating results from the Moss Mine prior to September 1, 2018 were capitalized to property, plant and equipment.

Profit for the quarter ended June 30, 2020 of \$3,944 (2019: -\$6,232), was \$10,176 favourable over the prior quarter due to the improvement in earnings from mine operations, and a reduction in finance costs. The profit at year end 2020 also included \$2,088 of non-cash gains included in finance costs, which was a result of a fair value gain for the silver stream embedded derivative due to declining silver prices during the last fiscal quarter of 2020. A decrease in finance costs for the year ended June 30, 2020, compared to the prior year, was due to a decrease in interest expense. Fiscal year 2019 had six months of interest expenditures for the senior secured credit facility, and was repaid in December 2018. This variance was mostly offset by an increase in interest accretion relating to the silver stream obligation, as well the non-cash fair value gain relating to the silver stream embedded derivative discussed above.

## Corporate Administrative Expenses

Corporate administrative expenses of \$484 for the three months ended June 30, 2020 was \$318 better than the three months ended June 30, 2019, due to a decrease in share-based compensation relating to options granted in February 2019 and a decrease in marketing and investor relations expenditure. A decrease in corporate administrative expenses of \$553 for the year ended June 30, 2020 versus the prior year was due to a decrease in marketing and investor relations expenditures.

## Cash Flows

Cash provided from operating activities during the year ended June 30, 2020 was \$10,118, which was \$15,784 improvement over the previous year (2019: cash used: \$5,666). Increased production and a rising gold price year over

year were the principal drivers of positive cashflow from operations, partially offset by higher operating costs tied to mining costs.

Cash used in financing activities during the year ended June 30, 2020 was \$1,058 (2019: cash provided: \$10,026) which consisted of principal repayments of debt, interest on debt and principal repayments of equipment leases, offset by drawdowns of debt related to the construction of the powerline and a loan from the US Small Business Association (SBA) under the Paycheck Protection Program (PPP). The PPP loan is fully forgivable if all employees are kept on payroll for an eight-week period and the funds drawn down are used for payroll, rent, mortgage interest or utilities. The Company anticipates the loan would be forgiven during fiscal 2020. Fiscal 2019 financing included cash funding from the silver stream agreement.

Cash used in investing activities during the year ended June 30, 2020 was \$5,789 (2019: \$6,644) and consisted primarily of expenditures relating to the construction of a leach pad expansion, powerline construction, and permitting activities relating to Phase III expansion onto unpatented claims compared with Mine construction payments in the previous year.

## **9. Mine Permitting**

The Company is fully permitted to operate an open pit, heap leach operation with gold and silver recovery on patented claims owned by the Company.

On March 18th, 2020, the Bureau of Land Management issued a Decision Record announcing the completion of the National Environmental Policy Act review of an expansion at Moss Mine. An Environmental Assessment (EA) was used to analyze the Company's Mine Plan of Operation (MPO) which resulted in a Finding of No Significant Impact (FONSI). The Moss Mine incorporated Environmental Protection Measures into the MPO that protect natural resources and habitat and prevent impacts to BLM-administered public land. The permitting approval allows the Company to expand its current operations from its patented claims onto its surrounding unpatented claims on public lands. The expansion along with our recently announced resource update (see press release dated March 17, 2020) is expected to significantly extend the life of the Moss Mine.

## **10. Exploration**

A multi-phase reverse circulation exploration drilling program kicked off in early May. Thirty-six (36) reverse circulation holes totaling 11,405 feet were completed during the quarter. Five different mine development and exploration targets were investigated including the Gold Bridge area adjacent to the western side of the center pit, the Ruth vein which runs parallel to the moss vein, 150 meters to the south of the center pit, the West Extension, East Extension, and West Oatman deposit which is approximately 2km to the south of the operation.

Infill drilling in the West pit area resulted in a new Resource model that was received during February 2020. The current drill program is expected to result in a new resource model during Q4, 2020, and potentially, an updated NI 43-101 Technical Report in early 2021.

## **11. Liquidity and Capital Resources**

As at June 30, 2020, the Company had cash of \$6,785 (June 30, 2019: \$3,444). The increase in cash compared to the year ended June 30, 2019 was primarily due to increased production and a rising gold price year over year, partially offset by cash expenditures on the construction of a leach pad expansion and principal and interest repayments, and non-routine COVID related expenditures which included an early bonding payment, additional supplies and a crusher overhaul.

During the year ended June 30, 2020, working capital increased by \$3,456. The increase in working capital was primarily due to an increase in heap leach gold inventory as production ramped up during the year and higher cash balances, mostly offset by trade payables tied to capital projects and non-cash derivatives.

The Company is in compliance with externally imposed debt covenants relating to its debt facilities and lease obligations as at June 30, 2020.

## 12. Subsequent Events

Subsequent to June 30, 2020:

- The Company issued a notice of redemption in respect of the 2016 C\$6,700 subordinated unsecured convertible debentures, with holders of the debentures being given the opportunity to subscribe for a new subordinated unsecured C\$6,700 convertible debentures. To date, holders of C\$6,270 of the 2016 debentures have entered into binding subscription agreements for C\$6,270 of the new debentures. The outstanding debentures will be redeemed for cash equal to the principal amount of the outstanding debentures, plus accrued and unpaid interest thereon, with such redemption to be effective on July 31, 2020. The new debentures mature on June 30, 2025, bear interest at 5% per annum, payable on June 30 and December 31 of each year while outstanding, which interest, subject to regulatory approval, may at the option of the Company be settled in common shares. The principal amount of the New Debentures will be convertible into common shares of the Company at the price of C\$0.40 per Conversion Share. The Company may redeem the New Debentures in cash on or after July 31, 2022, in whole or in part from time to time, upon required prior notice at a redemption price equal to their principal amount plus accrued and unpaid interest, if any, provided that the trading price of the common shares for the 20 consecutive trading days ending five trading days prior to the date of the redemption notice must be less than the Conversion Price. Additionally, the Company has the option to repay the principal amount of the New Debentures in common shares, provided certain circumstances are met including but not limited to; no default has occurred and is continuing at such time, and the trading price of the common shares for the 20 consecutive trading days ending five trading days prior to the date of the redemption notice or maturity date (as the case may be) is at least 150% of the Conversion Price.
- The Company amended the expiration date of 14,624,074 outstanding common share purchase warrants by a further 2 years. The Extended Warrants were issued pursuant to a non-brokered unit private placement that closed in two tranches, with an initial tranche closing on February 20, 2019, in which a total of 11,112,500 warrants were issued that expire on February 20, 2021, and a subsequent tranche closing on February 27, 2019, in which a total of 3,511,574 warrants were issued that expire on February 27, 2021. The expiry dates will be extended to February 20, 2023 and February 27, 2023 for the respective tranches.
- The Company granted 525,000 stock options to employees at an exercise price of C\$0.35 with a five-year expiry period.

## 13. Contractual Obligations

At June 30, 2020, the Company had the following contractual obligations outstanding:

	<b>Within 1 year</b>	<b>2-3 years</b>	<b>4-5 years</b>	<b>5+ years</b>	<b>Total</b>
Debt <sup>(1)</sup>	\$ 10,515	\$ 1,926	\$ 5,154	\$ 1,727	\$ <b>19,322</b>
Trade and other payables	10,735	-	-	-	<b>10,735</b>
Lease commitments <sup>(2)</sup>	3,000	1,396	15	-	<b>4,411</b>
Provision for reclamation <sup>(3)</sup>	-	-	-	2,880	<b>2,880</b>
	<b>\$ 24,250</b>	<b>\$ 3,322</b>	<b>\$ 5,169</b>	<b>\$ 4,607</b>	<b>\$ 37,348</b>

<sup>(1)</sup> Includes interest due on convertible debenture and debt.

<sup>(2)</sup> Includes lease obligation and operating lease commitments.

<sup>(3)</sup> Represents the undiscounted value of the reclamation provision.

## 14. Off-Balance Sheet Arrangements

At the date of this MD&A, there were no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company.

## 15. Related Party Transactions

Related party transactions were incurred in the normal course of business and measured at their fair value as determined by management.

Related party balances are as follows:

	<b>June 30, 2020</b>	June 30, 2019
Shared office expenses receivable	\$ 8	\$ 9
Consulting fees payable	\$ 7	\$ 8

Related party transactions are as follows:

	Note	<b>Three Months Ended June 30,</b>		<b>Year Ended June 30,</b>	
		<b>2020</b>	2019	<b>2020</b>	2019
Consulting fees	(i)	\$ 21	\$ 24	\$ 89	\$ 269
Shared office recovery	(ii)	\$ (9)	\$ (12)	\$ (24)	\$ (48)

- (i) Consulting fees charged by companies controlled by certain directors of the Company are included in employee compensation and benefits expense, mineral properties, plant and equipment, and financing costs netted against debt.
- (ii) Shared office expenses charged to and from a company with directors in common are included in marketing and travel, and other general expenses.

## Commitments with Related Parties

The Company has entered into a corporate services agreement with a related company for clerical, accounting, regulatory filing and geological services. The minimum monthly fee under the agreement is \$8 (C\$10) and renews annually.

## Debt with a significant shareholder

As at June 30, 2020, the Company has an outstanding convertible debenture with a significant shareholder. The facility can be converted into common shares at the holder's option.

Balances due to the significant shareholder are as follows:

	<b>June 30, 2020</b>	June 30, 2019
Convertible debentures – 2018	\$ -	\$ 5,961
Debt facility - 2019	\$ -	\$ 2,973
Convertible debentures – 2019	\$ 8,119	\$ -

Transactions with the significant shareholder are as follows:

	<b>Three Months Ended June 30,</b>		<b>Year Ended June 30,</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
Principal repayments	\$ -	\$ -	\$ 500	\$ -
Interest expense	\$ 510	\$ 451	\$ 1,329	\$ 1,161

## 16. Key Management Personnel Compensation

The remuneration of the Company's directors and other key management personnel for the three months and year ended June 30, 2020 and 2019 is as follows:

	Three Months Ended		Year Ended	
	2020	June 30, 2019	2020	June 30, 2019
Salaries and short-term benefits	\$ 187	\$ 375	\$ 786	\$ 940
Directors fees	-	-	127	-
Share-based payments	418	228	769	583

## 17. Conflicts of Interest

The Company's directors and officers may serve as directors or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act (BC) ("Corporations Act") dealing with any conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company.

## 18. Proposed Transactions

As of the date of this MD&A, there were no proposed asset or business acquisitions or dispositions.

## 19. Adoption of New Accounting Standards

Adoption of new accounting standards have been disclosed in Note 3 of the Company's Consolidated Financial Statements for the year ended June 30, 2020 and 2019.

## 20. Future Accounting Policy Changes Issued but not yet in Effect

Pronouncements that may have a significant impact to the Company have been included in the Company's Consolidated Financial Statements for the year ended June 30, 2020 and 2019.

## 21. Corporate Governance

The Company's Board of Directors and its committees adhere to recommended corporate governance guidelines for public companies listed on the TSX-V to ensure transparency and accountability to shareholders. The current Board of Directors is comprised of seven individuals, five of whom are independent of management as they are neither executive officers nor employees of the Company. The Audit Committee is currently comprised of three directors who are independent of management.

The Audit Committee's role is to ensure the integrity of the Company's reported financial results through its review of the interim and audited annual Consolidated Financial Statements prior to their submission to the Board of Directors for approval. The Audit Committee meets with management quarterly to review the Consolidated Financial Statements, as well as the MD&A, and to discuss financial, operating and other matters.

## 22. Outstanding Share Data

The total number of outstanding common shares, stock options, and warrants as of the date of this MD&A are 251,475,988, 13,475,000 and 93,287,409 respectively.

## 23. Fair Value Measurements and Financial Risk Management

The carrying values of cash, trade and other receivables, and trade and other payables approximate their fair values due

to the short-term nature of these instruments.

In evaluating fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and different valuation techniques may have a material effect on the estimated fair value amounts. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value in the fair value hierarchy.

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

Level 3 – Inputs that are not based on observable market data. The Company has no financial instruments classified in Level 3.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments.

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout the consolidated financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has implemented and monitors compliance with risk management policies.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations. The Company has credit risk in respect of its cash, trade and other receivables, and reclamation deposits. The Company considers the risk of loss relating to cash and reclamation deposits to be low because these instruments are held only with a Canadian Schedule I financial institution, a US-chartered commercial bank and a US government agency. Accounts receivable at June 30, 2020 related primarily to gold and silver sales which are expected to be collectible in full due to the nature of the counterparties and previous history of collectability.

(b) Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation. A summary of contractual maturities of financial liabilities is included in Note 24 of the Company's Consolidated Financial Statements for the year ended June 30, 2020 and 2019.

The Company manages its liquidity risk through the preparation of budgets and forecasts, which are regularly monitored and updated as management considers necessary and through the Company's capital management activities.

(c) Market risk

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns.

(i) Currency risk

Foreign currency exchange rate risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate as a result of changes in foreign exchange rates. Some of the Company's operating and corporate administration expenditures are incurred in Canadian dollars and the fluctuation of the USD in relation to CAD will have an impact on the Company's profitability and the Company's financial assets and liabilities. The Company has assessed the impact to be low. The Company has not entered into any formal arrangements to hedge currency risk but does maintain cash balances within each currency.

(ii) Commodity price risk

The Company is subject to commodity price risk from fluctuations in the market prices for gold and silver. Commodity price risks are affected by many factors that are outside the Company's control including global or regional consumption patterns, the supply of and demand for metals, speculative activities, the availability and costs of metal substitutes, inflation and political and economic conditions.

The value of the silver stream embedded derivative will fluctuate with changes in the price of silver which will affect future earnings. Management closely monitors trends in commodity prices of gold and other precious and base metals as part of its routine activities, as these trends could significantly impact future cash flows.

(iii) Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate as a result of changes in market interest rates. Interest rate risk arises from the interest rate impact on cash, which are held at variable market rates, and is exposed to interest rate risk on its outstanding borrowings. With other variables unchanged, a 1% increase on the Company's floating rate debt would increase annual interest expense by \$53. The Company closely monitors its exposure to interest rate risk and has not entered into any derivative contracts to manage this risk.

## **24. Non-IFRS Performance Measures**

The Company has included certain non-IFRS measures in this MD&A. The Company believes that these measures, in addition to measures prepared in accordance with IFRS, provide investors an improved ability to evaluate the underlying performance of the Company and to compare it to information reported by other companies. The non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to other issuers. All dollar amounts are expressed in thousands of USD, with the exception of amounts expressed as USD per ounce.

### **Total cash costs**

Total cash costs is a common financial performance measure in the gold mining industry but has no standard meaning. The Company reports total cash costs on a gold ounce sold basis. The Company believes that, in addition to measures prepared in accordance with IFRS, such as revenue, certain investors can use this information to evaluate the Company's performance and ability to generate operating earnings and cash flow from its mining operations. Management uses this metric as an important tool to monitor the Moss mine's operating cost and performance.

Total cash costs include cost of sales such as mining, processing, maintenance, site administration, royalties, selling costs and changes in inventories as well as site-based share compensation less non-cash depreciation and depletion and silver revenue divided by gold ounces sold to arrive at total cash costs per ounce of gold sold. Other companies may calculate this measure differently. The following table reconciles this non-IFRS measure to the most directly comparable IFRS measure disclosed in the financial statements.



	<b>Three Months Ended June 30, 2020</b>	<b>Three Months Ended June 30, 2019</b>	<b>Year Ended June 30, 2020</b>	<b>Ten Months Ended June 30, 2019</b>
Gold ounces sold <sup>1</sup>	9,716	6,910	33,222	18,996
Cost of sales per ounce sold reconciliation				
Cost of sales	\$ 13,543	\$ 11,386	\$ 49,051	\$ 27,160
<b>Cost of sales per ounce of gold sold</b>	<b>\$ 1,394</b>	<b>\$ 1,648</b>	<b>\$ 1,476</b>	<b>\$ 1,430</b>
Cash costs reconciliation				
Cost of sales	\$ 13,543	\$ 11,386	\$ 49,051	\$ 27,160
Less: Depreciation and depletion	(2,757)	(2,546)	(10,718)	(5,906)
Add: Refining and transportation	105	77	274	182
Less: Silver revenue	(1,504)	(446)	(5,315)	(943)
Cash costs	9,387	8,471	33,292	20,493
<b>Cash costs per ounce of gold sold</b>	<b>\$ 966</b>	<b>\$ 1,226</b>	<b>\$ 1,002</b>	<b>\$ 1,079</b>

<sup>1</sup> Gold ounces sold for the ten months ended June 30, 2019 excludes 557 ounces produced prior to commercial production but sold subsequent to September 1, 2018.

### All-in sustaining costs (AISC)

The Company believes that AISC more fully defines the total costs associated with the operation of the Moss mine and producing gold. The Company calculates AISC as the sum of total cash costs (as described above), sustaining capital expenditures, accretion on decommissioning and restoration provision, treatment and refinery charges netted against revenue and corporate administrative expenses, all divided by gold ounces sold to arrive at a per ounce amount. Other companies may calculate this measure differently as a result of differences in underlying principles and policies applied. Differences may also arise due to a different definition of sustaining versus non-sustaining capital.

The following tables reconcile this non-IFRS measure to the most directly comparable IFRS measure disclosed in the financial statements.

	<b>Three Months Ended June 30, 2020</b>	<b>Three Months Ended June 30, 2019</b>	<b>Year Ended June 30, 2020</b>	<b>Ten Months Ended June 30, 2019</b>
Gold ounces sold	9,716	6,910	33,222	18,996
AISC reconciliation				
Cash costs	\$ 9,387	\$ 8,471	\$ 33,292	\$ 20,493
Sustaining capital expenditures <sup>1</sup>	1,027	36	3,349	105
Accretion on reclamation obligation	101	67	351	243
Waste capitalization	-	1,326	-	1,974
	10,515	9,900	36,992	22,815
<b>Moss Mine AISC per ounce sold</b>	<b>\$ 1,082</b>	<b>\$ 1,433</b>	<b>\$ 1,113</b>	<b>\$ 1,201</b>

<sup>1</sup> Excludes capital prior to commercial production.

Cash costs and AISC for the three months and year ended June 30, 2020 are lower than the three and ten months ended June 30, 2019 due to increased production in 2020, which is somewhat offset by significant sustaining capital expenditure for the expansion of the heap leach pad and powerline construction. In addition, AISC in the current quarter included a heap leach write-up of \$988. Excluding the adjustment, AISC was \$1,184 per ounce sold, which included the impacts of COVID-19 expenses.

	<b>Three Months Ended June 30, 2020</b>	<b>Three Months Ended June 30, 2019</b>	<b>Year Ended June 30, 2020</b>	<b>Ten Months Ended June 31, 2019</b>
Gold ounces sold	9,716	6,910	33,222	18,996
Moss Mine AISC	10,515	9,900	36,992	22,815
Corporate administrative expenses	484	802	2,501	2,619
	10,999	10,702	39,493	25,434
<b>Consolidated AISC per ounce sold</b>	<b>\$ 1,132</b>	<b>\$ 1,549</b>	<b>\$ 1,189</b>	<b>\$ 1,339</b>

### Average realized price and average realized cash margin

Average realized price and average realized cash margin per ounce sold are used by management and investors to better understand the gold price and cash margin realized throughout a period.

Average realized price is calculated as revenue per the Company's Statements of Income (Loss) and Comprehensive Income (Loss) in the Company's June 30, 2020 Consolidated Financial Statements with adjustments as noted below, less silver revenue divided by gold ounces sold. Average realized cash margin represents average realized price per gold ounce sold less total cash costs per ounce sold.

	<b>Three Months Ended June 30, 2020</b>	<b>Three Months Ended June 30, 2019</b>	<b>Year Ended June 30, 2020</b>	<b>Ten Months Ended June 30, 2019</b>
Gross Revenue	16,671	9,013	51,920	24,174
Gold ounces sold	9,716	6,910	33,222	18,996
Average realized price per ounce sold	1,716	1,304	1,563	1,273
Less: cash cost per ounce sold <sup>1</sup>	(966)	(1,226)	(1,002)	(1,079)
<b>Average realized margin per gold ounce sold</b>	<b>750</b>	<b>78</b>	<b>561</b>	<b>194</b>

### Adjusted EBITDA

The Company defines adjusted EBITDA as net earnings/loss before finance costs, finance income, income taxes, mineral property and capital asset depletion/depreciation and amortization, equity-settled share-based compensation expense and gains/losses on assets, liabilities and investment dispositions. Adjusted EBITDA is a common financial measure used by investors, analysts and lenders as an indicator of cash operating performance, as well as a valuation metric and as a measure of a company's ability to incur and service debt. The calculation of adjusted EBITDA excludes items that do not reflect ongoing cash operations, including equity-settled share-based compensation and charges related to funding decisions that the Company believes should not be reflected in a metric used for valuation and debt servicing evaluation purposes.

While adjusted EBITDA is a common financial measure widely used by investors to facilitate the valuation of an entity, they do not have a standardized definition prescribed by IFRS and therefore, other issuers may calculate adjusted EBITDA differently. The following is a reconciliation of our net earnings (loss) to adjusted EBITDA.

	<b>Three Months Ended June 30, 2020</b>	<b>Three Months Ended June 30, 2019</b>	<b>Year Ended June 30, 2020</b>	<b>Year Ended June 30, 2019</b>
Net profit (loss)	3,944	(6,232)	730	(13,979)
Depreciation and depletion	2,757	2,545	10,718	5,906
Finance costs (income)	639	3,313	5,691	8,682
Share-based compensation	315	332	1,078	848
Foreign exchange (gain) loss	226	113	(247)	18
Adjusted EBITDA	7,881	71	17,970	1,475

## **25. Risks and Uncertainties**

The Company is in the business of acquiring, developing and operating mineral properties. It is exposed to a number of risks and uncertainties that are common to other mining companies. The industry is capital intensive at all stages and is subject to variations in commodity prices, market sentiment, exchange rates for currency, inflation and other risks.

The risks and uncertainties described in this section are not inclusive of all the risks and uncertainties to which the Company may be subject.

### **Need for Additional Funds**

The Company is subject to many risks common to other companies in the same business, including under-capitalization and resource limitations. The Company may require additional capital to continue the operations of the Moss Mine or to continue as a going concern. There can be no assurance that such capital will be available or, if available, will be on reasonable terms.

### **Exploration and Development**

Exploration for and development of gold properties involves significant financial risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish mineral reserves by drilling, constructing mining and processing facilities at a site, developing metallurgical processes and extracting gold from ore. We cannot ensure that our current exploration and development programs will result in profitable commercial mining operations.

The economic feasibility of the mine is based upon many factors, including the accuracy of mineral resource and mineral reserve estimates; metallurgical recoveries; capital and operating costs; government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting and environmental management and protection; and gold prices, which are highly volatile. Development projects are also subject to the successful completion of feasibility studies, issuance of necessary governmental permits and availability of adequate financing.

### **Metal Prices**

The mining industry, in general, is intensely competitive and there is no assurance that a profitable market will exist for the sale of metals produced even if commercial quantities of precious and/or base metals are discovered. Factors beyond the control of the Company may affect the marketability of metals discovered. Pricing is affected by numerous factors beyond the Company's control, such as international economic and political trends, global or regional consumption and demand patterns, increased production and smelter availability. There is no assurance that the price of metals recovered from any mineral deposit will be such that they can be mined at a profit.

### **Title Risks**

The Company has taken steps to verify title to mining interests in which it has or is in the process of earning an interest in, including review of condition of title reports, vesting deeds, mining claim location notices and filings, and property tax and other public records and is not presently aware of any title defects. The procedures the Company has undertaken and may undertake in the future to verify title provide no assurance that the underlying properties are not subject to prior agreements or transfers of which the Company is unaware.

### **Environmental Regulations, Permits and Licenses**

The current operations of the Company require permits from various federal and state authorities and such operations are subject to laws and regulations governing prospecting, exploration, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental, mine safety and other matters. Environmental legislation in the State of Arizona provides restrictions and prohibition on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from process ponds, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact statements. Environmental legislation is evolving in a direction of stricter standards and enforcement and higher fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies, directors, officers and employees. The cost of compliance with changes in governmental

regulations has the potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

The Company believes that it is in substantial compliance with all material laws and regulation which currently apply to its activities. There can be no assurance that all permits which the Company may require for its exploration activities and operations will be obtainable on reasonable terms or on a timely basis or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake.

### **Taxation Risk**

Due to the complexity and nature of the Company's operations various income tax positions are required to be taken. No assurance can be given that applicable tax authorities will not issue a reassessment or challenge these positions.

### **Competition and Agreements with Other Parties**

The mining industry is intensely competitive in all its phases and the Company competes with other companies that have greater financial resources and technical capacity. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future.

The Company may, in the future, be unable to meet its share of costs incurred under such agreements to which it is party, and it may have its interest in the properties subject to such agreements reduced as a result. Also, if other parties to such agreements do not meet their share of such costs, the Company may not be able to finance the expenditures required to complete recommended programs.

### **Economic Conditions**

Unfavourable economic conditions may negatively impact the Company's financial viability. Unfavourable economic conditions could also increase the Company's financing costs, decrease net income or increase net loss, limit access to capital markets and negatively impact the availability of credit facilities to the Company.

### **Dependence on Management**

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result and other persons would be required to manage and operate the Company.

## **26. Disclosure Controls and Procedures and Internal Controls Over Financial Reporting**

Management is responsible for the preparation and integrity of the Financial Statements and maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable.

Management is also responsible for the design of the Company's internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with IFRS.

Readers are cautioned that the Company is not required to certify the design and evaluation of its disclosure controls and procedures and internal controls over financial reporting and has not completed such an evaluation. The inherent limitations on the ability of the Company's certifying officers to design and implement on a cost-effective basis disclosure controls and procedures and internal controls over financial reporting for the Company may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## **27. Cautionary Note Regarding Forward-Looking Information**

The Company's consolidated financial statements and this accompanying MD&A contain statements that constitute "forward-looking statements" within the meaning of National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators. Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions. Forward-

looking statements in this MD&A include but are not limited to statements regarding the Company's future exploration and development plans and expenditures, the satisfaction of rights and performance of obligations under agreements to which the Company is a party, the ability of the Company to hire and retain employees and consultants and estimated administrative and other expenditures. The forward-looking statements that are contained in this MD&A involve a number of risks and uncertainties. As a consequence, actual results might differ materially from results forecast or suggested in these forward-looking statements. Some of these risks and uncertainties are identified under the heading "RISKS AND UNCERTAINTIES" in this MD&A. Additional information regarding these factors and other important factors that could cause results to differ materially may be referred to as part of forward-looking statements. The forward-looking statements are qualified in their entirety by reference to the important factors discussed under the heading "RISKS AND UNCERTAINTIES" and to those that may be discussed as part of forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause the actual results to differ include market prices, exploration success, continued availability of capital and financing, inability to obtain required regulatory approvals and general market conditions. These statements are based on a number of assumptions, including assumptions regarding general market conditions, the timing and receipt of regulatory approvals, the ability of the Company and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

## **28. Approval**

The Board of Directors of the Company has approved the disclosure contained in this MD&A.

## **29. Additional Information**

Additional information related to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.northernvertex.com](http://www.northernvertex.com).