



NORTHERN VERTEX
MINING CORP

Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019

(Expressed in United States Dollars)

Management's Responsibility

To the Shareholders of Northern Vertex Mining Corp.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards ("IFRS"). This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors and the Audit Committee is composed primarily of Directors who are neither management nor employees of Northern Vertex Mining Corp. ("Northern Vertex"). The Board is responsible for overseeing management in the performance of its financial reporting responsibilities and for approving the financial statements. The Audit Committee has the responsibility of meeting with management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of Northern Vertex's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the consolidated financial statements in accordance with Canadian Generally Accepted Auditing Standards and provide an independent auditor's opinion. Their report is presented with the consolidated financial statements. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

"Kenneth Berry"

Kenneth Berry
Chief Executive Officer

"David Splett"

David Splett
Chief Financial Officer

October 28, 2020

Independent Auditor's Report

To the Shareholders of Northern Vertex Mining Corp.:

Opinion

We have audited the consolidated financial statements of Northern Vertex Mining Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2020 and June 30, 2019, and the consolidated statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2020 and June 30, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that ongoing operations are dependent upon the Company's ability to generate sufficient cash flow from production, which is subject to commodity price risk from fluctuations in the market prices for gold and silver. The Company may require additional financing and has an accumulated deficit of \$34,305,000. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jian-Kun Xu.

Vancouver, British Columbia

October 28, 2020

MNP LLP

Chartered Professional Accountants

NORTHERN VERTEX MINING CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

	Note	June 30 2020	June 30 2019
ASSETS			
Current assets			
Cash		\$ 6,785	\$ 3,444
Trade and other receivables	5	346	25
Inventory	6	27,223	20,640
Prepaid expenses and deposits		272	624
Total current assets		34,626	24,733
Non-current assets			
Restricted cash		1,430	868
Plant and equipment	7	40,266	43,786
Mineral properties	7	27,427	29,370
Total assets		\$ 103,749	\$ 98,757
LIABILITIES			
Current liabilities			
Trade and other payables	8	\$ 10,735	\$ 7,453
Current portion of debt	9	9,778	8,989
Current portion of leases	10	2,119	1,551
Current portion of silver stream	11	4,469	4,450
Gold call options	12	-	1,349
Current portion of derivatives	14	3,128	-
Total current liabilities		30,229	23,792
Non-current liabilities			
Debt	9	6,784	4,205
Leases	10	1,310	3,326
Silver stream	11	14,402	16,219
Provision for reclamation	13	2,720	2,198
Derivatives	14	1,341	4,565
Total liabilities		56,786	54,305
SHAREHOLDERS' EQUITY			
Share capital	15	56,821	55,746
Equity reserves		24,447	23,741
Deficit		(34,305)	(35,035)
Total shareholders' equity		46,963	44,452
Total liabilities and shareholders' equity		\$ 103,749	\$ 98,757

Nature of operations and going concern	1
Commitments	26
Subsequent Events	28

Approved and authorized on behalf of the Board (Note 2):

"Kenneth Berry"
Director

"David Farrell"
Director

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

NORTHERN VERTEX MINING CORP.

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

	Note	2020		2019
Revenue	16	\$	56,961	\$ 24,935
Cost of sales				
Production costs	17		(34,921)	(19,669)
Depletion and depreciation	7		(10,718)	(5,906)
Royalties			(3,412)	(1,585)
			(49,051)	(27,160)
Earnings (loss) from mine operations			7,910	(2,225)
Corporate administrative expenses	18		(2,501)	(3,054)
Operating profit (loss)			5,409	(5,279)
Finance costs	19		(5,691)	(8,682)
Foreign exchange gain (loss)			247	(18)
Other revenue			765	-
Net profit (loss) for the year			730	(13,979)
Foreign currency translation			-	(83)
Profit (loss) and comprehensive profit (loss) for the year		\$	730	\$ (14,062)
Earnings (loss) per share				
Basic		\$	0.00	\$ (0.07)
Diluted			0.00	(0.07)
Weighted average number of shares outstanding				
Basic			247,953,337	213,350,612
Diluted			248,749,919	213,350,612

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

NORTHERN VERTEX MINING CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

	Notes	Number of Shares	Equity Reserves				Total Equity Reserves	Deficit	Total Equity	
			Share Capital	Share Option Reserve	Warrant Reserve	Equity Component of Convertible Debentures				Other Comprehensive Income (Loss)
Balance, June 30, 2018* <i>(Restated - Note 3)</i>		180,308,552	\$ 46,893	\$ 5,695	\$ 21,928	\$ 1,052	\$ (5,660)	\$ 23,015	\$ (21,056)	\$ 48,852
Shares issued for:										
Private placements	15	59,220,740	7,501	-	-	-	-	-	-	7,501
Convertible debt interest payment	9	1,605,686	246	-	-	-	-	-	-	246
Long term debt fees	9	4,116,759	933	-	-	-	-	-	-	933
Conversion of convertible debentures	9	500,000	173	-	-	(39)	-	(39)	-	134
Share-based payments	15	-	-	848	-	-	-	848	-	848
Foreign currency translation		-	-	-	-	-	(83)	(83)	-	(83)
Net loss for the year		-	-	-	-	-	-	-	(13,979)	(13,979)
Balance, June 30, 2019		245,751,737	\$ 55,746	\$ 6,543	\$ 21,928	\$ 1,013	\$ (5,743)	\$ 23,741	\$ (35,035)	\$ 44,452
Balance, June 30, 2019		245,751,737	\$ 55,746	\$ 6,543	\$ 21,928	\$ 1,013	\$ (5,743)	\$ 23,741	\$ (35,035)	\$ 44,452
Shares issued for:										
Convertible debt interest payment	9	1,268,196	251	-	-	-	-	-	-	251
Gold call loan payment	9	3,586,889	697	-	-	-	-	-	-	697
Director fees	23	704,166	127	-	-	-	-	-	-	127
Share-based payments	15	-	-	706	-	-	-	706	-	706
Net profit for the year		-	-	-	-	-	-	-	730	730
Balance, June 30, 2020		251,310,988	\$ 56,821	\$ 7,249	\$ 21,928	\$ 1,013	\$ (5,743)	\$ 24,447	\$ (34,305)	\$ 46,963

*Restated due to the Company's change in presentation currency to USD on October 1, 2018 (Note 3)

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

NORTHERN VERTEX MINING CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

	Note	2020	2019
Cash flows from operating activities			
Net profit (loss) for the year		\$ 730	\$ (13,979)
Items not affecting cash:			
Share-based compensation	15	1,078	848
Other share-based payments		127	-
Depletion and depreciation		10,724	5,915
Fair value loss on gold call options	12	613	844
Fair value change on derivative liabilities	14	(745)	1,485
Interest expense, including accretion and issue costs	19	6,986	6,988
Drawdown of silver stream obligation		(5,588)	(1,114)
Unrealized foreign exchange loss		(352)	114
Changes in non-cash working capital:			
Trade and other receivables		(321)	1
Inventory	17	(5,943)	(7,891)
Prepaid expenses and deposits		198	176
Trade and other payables		2,611	947
Cash provided by (used in) operating activities		10,118	(5,666)
Cash flows from financing activities			
Proceeds of debt, net		3,660	4,804
Proceeds from silver stream obligation, net		-	19,615
Repayment of debt		(1,537)	(20,982)
Repayment of lease obligation	10	(1,605)	(1,274)
Issuance of share capital, net		-	10,421
Interest paid		(1,576)	(2,558)
Cash (used in) provided by financing activities		(1,058)	10,026
Cash flows from investing activities			
Mineral property expenditures		(1,632)	(3,665)
Restricted cash		(274)	30
Plant and equipment expenditures		(3,883)	(3,009)
Cash used in investing activities		(5,789)	(6,644)
Effect of foreign exchange on cash		70	8
Increase (decrease) in cash during the year		3,341	(2,276)
Cash, beginning of the year		3,444	5,720
Cash, end of the year		\$ 6,785	\$ 3,444

Supplemental disclosure of non-cash activities 21

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

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

1 Nature of Operations and Going Concern

Nature of operations

Northern Vertex Mining Corp. (the "Company") is incorporated under the laws of the province of British Columbia, Canada and its principal business activity is the exploration, development and production of precious metals. The address of the Company's registered office is Suite 1650 – 1075 West Georgia Street, Vancouver, British Columbia, Canada.

The Company's primary project is the Moss Gold-Silver deposit (the "Moss Mine") located in Mohave County, Arizona which transitioned to commercial production on September 1, 2018.

Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. There are conditions and events, which constitute material uncertainties that may cast significant doubt on the validity of this assumption.

Ongoing operations of the Moss Mine are dependent on the Company's ability to generate sufficient cash flow from production, which are subject to commodity price risk from fluctuations in the market prices for gold and silver. To continue operations at the Moss Mine, the Company may require additional financing. While the Company has been successful at raising funds in the past, there can be no assurance that it will be able to do so in the future.

These consolidated financial statements do not reflect any adjustments, which may be material, to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

As at June 30, 2020 and June 30, 2019 the Company had the following working capital and deficit balances:

	June 30,		June 30,
	2020		2019
Working capital (deficit)	\$ 4,397	\$	941
Deficit	\$ (34,305)	\$	(35,035)

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

2 Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards and Interpretations ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on October 28, 2020.

3 Significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been applied consistently to all of the years presented in these consolidated financial statements, unless otherwise indicated.

Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the Company has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. These consolidated financial statements include the accounts of two wholly-owned subsidiaries, Golden Vertex Corp. ("GVC") and Golden Vertex (Idaho) Corp. ("GVIC"), both incorporated in the United States. GVIC is an inactive subsidiary with less than \$10 in net assets. All inter-company balances, and gains or losses on intercompany transactions, have been eliminated for consolidation purposes.

Foreign currency translation

Functional and Presentation currency

On October 1, 2018, the Company elected to change its functional and presentation currency from Canadian dollars ("CAD") to United States dollars ("USD"). The change in functional and presentation currency was to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the mining industry. The Company applied the change to USD presentation currency retrospectively and restated the comparative financial information as if the new presentation currency had always been the Company's presentation currency. As a result, comparative figures in the consolidated statements of changes in equity have been restated in USD, the Company's new presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are remeasured. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of income (loss) and comprehensive income (loss).

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

3 Significant accounting policies (continued)

Commercial production

During the year ended June 30, 2019 the Company determined commercial production was achieved for the Moss Mine on September 1, 2018. As a result, June 2019 comparative revenue and production cost figures for the year ended June 30, 2019 shown in the statements of income (loss) and comprehensive income (loss) represent transactions for the ten months ended June 30, 2019. Prior to the commencement of commercial production on September 1, 2018 revenue and production costs were capitalized within construction in progress.

Exploration and evaluation assets

Exploration and evaluation assets represent properties on which the Company is conducting exploration to determine whether significant mineralization exists or for which the Company has identified a mineral resource of such quantity and grade or quality that it has reasonable prospects for economic extraction. All costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on an area of interest are expensed as incurred. Once the legal right to explore has been obtained, exploration expenditures are capitalized in respect of each identifiable area of interest until a technical feasibility study has been completed and the commercial viability of extracting a mineral resource is demonstrable. Exploration and evaluation activities include the following:

- acquiring the rights to explore;
- researching and analyzing historical exploration data;
- gathering exploration data through topographical, geochemical and geophysical studies;
- exploratory drilling, trenching and sampling;
- determining and examining the volume and grade of the resource; and
- compiling pre-feasibility and feasibility studies.

Exploration and evaluation assets are carried at historical cost, less any impairment, if applicable.

Exploration and evaluation assets are transferred to development or producing mining interests when technical feasibility and commercial viability of the mineral resource have been demonstrated. Factors taken into consideration include:

- the extent to which mineral reserves or mineral resources have been identified through a feasibility study or similar level document;
- life of mine plan and economic modeling support the economic extraction of such reserves and resources;
- no legal encumbrances exist which would cast significant doubt on the commercial viability of the mineral reserves; and
- operating and environmental permits exist or are reasonably assured as obtainable.

Exploration and evaluation expenditures do not qualify as development or producing mining interests until the above criteria are met.

Mining interests

Exploration, development and field support costs directly related to mining interests are deferred until the property to which they directly relate is placed into production, sold, abandoned or subject to a condition of impairment. The deferred costs are amortized over the useful life of the mine following commencement of production or impaired if the property is abandoned.

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

3 Significant accounting policies (continued)

Stripping costs

Capitalization of stripping costs requires the Company to make judgments and estimates in determining the amounts to be capitalized. In open pit mining it may be required to incur costs to remove overburden and other mine waste materials in order to access the ore body ("stripping costs"). During the development of a mine, stripping costs are capitalized and included in the carrying amount of the related mining property and depleted over the productive life of the mine using the unit-of-production method. During the production phase of a mine, stripping costs incurred to provide access to gold and silver which will be produced in future periods that would not have otherwise been accessible are capitalized and included in the carrying amount of the related mineral property. Stripping costs incurred and capitalized during the production phase are depleted using the unit-of-production method over the estimated contained proven and probable reserves and measured and indicated resources that directly benefit from the specific stripping activity. Costs incurred for regular waste removal that do not give rise to future economic benefits are considered as costs of sales and included in production costs.

Plant and equipment

Plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset includes the purchase price or construction cost, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and borrowing costs related to the acquisition or construction of the qualifying assets.

Depreciation of plant and equipment commences when the asset is in the condition and location necessary for it to operate in the manner intended by management. Plant and equipment assets are depreciated or depleted using either the straight-line or units-of-production method over the shorter of the estimated useful life of the asset or the expected life of mine. Where an item of plant and equipment comprises of major components with different useful lives, the components are accounted for as separate items of plant and equipment. A majority of mine and site infrastructure assets are depleted using a unit-of-production method over the life of the mine. Depletion is determined each period using gold ounces mined over the estimated contained proven and probable reserves and measured and indicated resources of the mine. Depreciation and depletion is recognized in the consolidated statement of income (loss) and comprehensive income (loss) upon commercial production having been achieved.

Other ancillary assets are depreciated using the straight-line method to allocate cost over their estimated useful lives, as follows:

	Estimated useful life
Ancillary machinery and equipment	2-5 years
Light vehicles	3-5 years
Office furniture, leaseholds and computer equipment	3-5 years

Asset useful life and residual values are reviewed on an annual basis and adjusted, if required, on a prospective basis.

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

3 Significant accounting policies (continued)

Impairment of non-financial assets

The carrying amounts of assets included in mineral properties, plant and equipment are reviewed for impairment whenever facts and circumstances suggest that the carrying amounts may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash generating unit to which the asset belongs is determined. The recoverable amount of an asset or cash generating unit is determined as the higher of its fair value less costs of disposal and its value in use. An impairment loss exists if the asset's carrying amount exceeds the recoverable amount, and is recorded as an expense immediately.

Value in use is determined as the present value of the future cash flows expected to be derived from continuing use of an asset or cash generating unit in its present form. These estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit for which estimates of future cash flows have not been adjusted.

Fair value is the price that would be received from selling an asset in an orderly transaction between market participants at the measurement date. Costs of disposal are incremental costs directly attributable to the disposal of an asset. Estimated future cash flows are calculated using estimated future prices, mineral reserves and resources and operating and capital costs. All inputs used are those that an independent market participant would consider appropriate.

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

Borrowing costs

Borrowing costs incurred that are attributable to acquiring and developing mining properties and constructing new facilities (qualifying assets) are capitalized and included in the carrying amounts of qualifying assets until those qualifying assets are ready for their intended use, which in the case of mining properties, is when the mining property reaches commercial production. Capitalization commences on the date that expenditures for the qualifying asset are incurred, borrowing costs are incurred by the Company and activities that are necessary to prepare the qualifying asset for its intended use are undertaken. All other borrowing costs are expensed in the period in which they are incurred.

Derivative liabilities

Derivatives are initially recognized at their fair value on the date the derivative contract is entered into and transaction costs are expensed. The Company's derivatives are subsequently re-measured at their fair value at each reporting date with changes in fair value recognized in the consolidated statement of income (loss) and comprehensive income (loss).

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

3 Significant accounting policies (continued)

As the exercise price of certain of the Company's share purchase warrants is fixed in Canadian dollars and the functional currency of the Company is the United States dollars, these warrants are considered a derivative as a variable amount of cash in the Company's functional currency will be received on exercise. Accordingly, these share purchase warrants are classified and accounted for as a derivative liability. The fair value of the warrants is determined using the Black Scholes option pricing model at the period end date.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to their host contracts.

Provision for reclamation and remediation

The Company's activities are subject to laws and regulations relating to the protection of the environment in jurisdictions in which exploration, development and mining activities take place. To comply with such laws and regulations, the Company may be required to make expenditures for reclamation and remediation. In certain cases, the Company could also have a constructive obligation to make such expenditures, where a legal obligation did not otherwise exist. The Company recognizes a provision for reclamation and remediation when: the Company has a present legal or constructive obligation as a result of past events, such as an environmental disturbance; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are measured at the net present value of the expenditures expected to be required to settle the obligation using a risk-free rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Accretion expense, representing the increase in the provision due to the passage of time, has been capitalized to mining interests prior to the commencement of commercial production on September 1, 2018. During commercial production accretion expense is recognized in the consolidated statement of income (loss) and comprehensive income (loss).

Reclamation and remediation provisions include estimates for the costs of restoration activities required under applicable environmental regulations, such as dismantling and demolition of infrastructure, site and land rehabilitation, and security and monitoring. The extent of reclamation and remediation work required is primarily dependent on the prescribed requirements of the applicable environmental authority in the jurisdiction in which the Company's activities take place. Upon initial recognition of the liability, the net present value of the obligation is capitalized as part of the cost of mining interests. Restoration activities will occur primarily upon closure of a mine, but can occur from time to time throughout the life of the mine. As restoration projects are undertaken, their costs are charged against the provision as the costs are incurred.

Reclamation and remediation provisions are reviewed at least quarterly and take into account the effects of inflation and changes in estimates, with any resulting adjustments to the net present value of the provision correspondingly capitalized to mining interests.

Share capital

Common shares are classified as equity. The Company records proceeds from share issuances net of share issuance costs. Share capital issued for non-monetary consideration is recorded at the fair market value of the shares on the date the shares are issued. Proceeds related to the issuance of units are allocated between common shares and warrants on a relative fair value basis where warrants are classified as equity instruments. For warrants classified as derivative liabilities, the fair value of the warrants is determined with the residual amount allocated to common shares.

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

3 Significant accounting policies (continued)

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the profit or (loss) attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is calculated based on the weighted average number of common shares outstanding during the year, plus the effects of dilutive common share equivalents. This calculation requires that the dilutive effect of outstanding options and warrants issued be calculated using the treasury stock method. The treasury stock method assumes that all common share equivalents have been exercised at the beginning of the year (or at the time of issuance, if later), and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of common shares during the year.

The calculation of diluted loss per share excludes the effects of various conversions and exercises of options and warrants that would be anti-dilutive.

Share-based payments

The Company measures equity settled share-based payments based on their fair value at grant date and recognizes compensation expense in profit or loss over the vesting period. Fair value for cash settled share-based payments, including Restricted Share Units ("RSUs") and Performance Share Units ("PSUs"), is determined using the Company's share price at the grant date and the corresponding liability is marked to market at each subsequent reporting date.

Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures many vary from the original estimate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expenses reflect the revised estimate.

Financial instruments

Classification and measurement of financial assets and financial liabilities

Financial assets are classified into three measurement categories on initial recognition: (i) measured as amortized cost; (ii) measured at fair value through other comprehensive income ("FVOCI"); and (iii) measured at fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated and instead, the financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

3 Significant accounting policies (continued)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

Fair value changes on liabilities are presented as follows: (i) the amount that is attributable to changes in the credit risk of the liabilities is presented in other comprehensive income ("OCI") and (ii) the remaining amount of change in the fair value is presented in the consolidated statement of income (loss) and comprehensive income (loss). All other financial liabilities are measured at amortized cost unless the fair value option is applied.

Impairment of financial assets

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss ("ECL") model for calculating impairment of financial assets. An entity is required to recognize ECL when financial instruments are initially recognized and to update the amount of ECL recognized at each reporting date to reflect changes in the credit risk of the financial instruments. IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

Cash

Cash presented in assets on the consolidated statements of financial position and the consolidated statements of cash flows at June 30, 2019 and June 30, 2018 consisted entirely of cash on deposit with a Canadian Schedule I financial institution and a US-chartered commercial bank and are subject to negligible risk of changes in value.

Silver stream obligation

The Company has a silver stream obligation which has been accounted for in accordance with IFRS 9. Management has determined that based on the terms of the agreement there is a financial liability component and an embedded derivative component. The financial liability is measured at amortized cost. The Company values the liability at the present value of its expected future cash outflows at each reporting period. The embedded derivative is valued at fair value with changes in fair value at each reporting period being reflected in the consolidated statements of income (loss) and comprehensive income (loss).

Income taxes

Income tax expense comprises current and deferred tax. Income tax expense if applicable, is recognized in the consolidated statements of income (loss) and comprehensive income (loss).

Current tax

Current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period, adjusted for amendments if any, to tax payable from previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established, where appropriate, on the basis of amounts expected to be paid to tax authorities.

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

3 Significant accounting policies (continued)

Deferred tax

Deferred tax is recorded using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not recognized for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable loss, or on differences relating to investments in subsidiaries to the extent that it is probable they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statements of financial position date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Revenue recognition

The Company has adopted IFRS 15, Revenue from Contracts with Customers, effective from the commencement of commissioning at the Moss Mine. Revenue is generated from the sale of gold and silver.

The Company produces doré which contains gold and silver. Doré is further processed by a third party refiner to produce refined metals for sale. The Company's performance obligations relate primarily to an irrevocable sale and delivery of gold and silver to its customers.

Revenue is recognized when control of the refined gold and silver is transferred to the customer. Control is achieved when an irrevocable commitment to sell gold and silver to customers at a specified price occurs upon the Company's third party refiner notifying the customers they have received irrevocable instructions to deliver refined gold and silver to the customers' bullion account. After this point the customers have full discretion over the product and there is no unfulfilled obligation that could affect the acceptance of the product.

For each physical shipment of gold and silver doré, 100% of the estimated contained gold and silver is available to be delivered to the customers' bullion accounts within approximately seventeen business days of arrival at the refinery. Differences between the contained gold estimate, the contained silver estimate and the final outturn from the refiner are maintained through a shortfall/surplus account between the Company and its customers.

Inventory

Inventories include work in progress (ore stockpiles and heap leach ore) as well as finished goods (doré bars including gold and silver) and supplies inventory. Ore stockpiles, heap leach ore or finished goods inventory are valued at the lower of weighted average production cost or net realizable value based on estimated metal content.

The Company allocates direct and indirect production costs to gold and silver on a weighted average production cost basis. Production costs include the cost of raw materials, direct labour, mine-site overhead expenses and applicable depreciation and depletion of mineral properties, plant and equipment. Net realizable value is calculated as the estimated price at the time of sale based on prevailing and long-term metal prices less estimated future production costs to convert inventories into saleable form and estimated costs to sell.

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

3 Significant accounting policies (continued)

Work in process inventory, including ore stockpiles, represents ore on the surface that has been extracted from the mine and is available for further processing. Heap leach ore inventory represents gold and silver ounces contained in ore that has been placed on the heap leach pad for cyanide irrigation. When ore is placed on the heap leach pad, an estimate of recoverable ounces is made based on tonnage, ore grade and estimated recoveries of ore that was placed on the heap leach pad. The estimated recoverable ounces on the heap leach pad are used to determine inventory cost. The estimated recoverable ounces carried on the heap leach pad are adjusted based on actual recoveries being experienced. Actual and estimated recoveries are measured to the extent possible, using various indicators including but not limited to, leach curve recoveries, column tests and current trends in the level of ounces carried on the pad.

Doré inventory represents gold and silver ounces located at the mine, in transit to customers, at the refinery and bullion after it has been refined. Materials and supplies inventories are valued at the lower of weighted average cost and net realizable value. Replacement costs of materials and spare parts are generally used as the best estimate of net realizable value.

Government grants

Government grants are recognized in other revenue in the consolidated statements of income (loss) and comprehensive income (loss) when the grants have been received and the Company has complied with the conditions attached to them. A forgivable loan is treated as a government grant when there is reasonable assurance the Company will meet the terms for forgiveness of the loan.

Changes in significant accounting policies

The Company adopted IFRS 16, Leases ("IFRS 16") on July 1, 2019. IFRS 16 introduced a single, on-balance sheeting accounting model for lessees. As a result, the Company, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. The Company elects to not apply IFRS 16 to leases with a term of less than twelve months or leases where the underlying asset is of low value. Lessor accounting remains similar to previous accounting policies.

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4, Determining Whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company adopted IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2019 has not been restated.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after July 1, 2019.

The Company leases various assets including equipment that had previously been classified as operating leases under IAS 17. On transition, lease liabilities for these leases were measured at the present value of remaining lease payments, discounted at the Company's incremental borrowing rate as of July 1, 2019. The average incremental borrowing rate at July 1, 2019 was 9.46%. The Company elected to measure the right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

3 Significant accounting policies (continued)

On initial adoption, the Company used the following practical expedients as permitted by the standard when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than twelve months of lease term remaining.
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

On transition to IFRS 16, the Company recognized right-of-use assets and lease liabilities for its leases, resulting in an increase to plant and equipment of \$190 at July 1, 2019. A corresponding lease liability was recognized for \$190 in leases on the consolidated statement of financial position. Right-of-use assets are presented within plant and equipment and lease liabilities are presented within leases on the consolidated statement of financial position.

A reconciliation of lease commitments as reported at June 30, 2019 to the lease liabilities recorded at July 1, 2019 is as follows:

Operating lease commitments at June 30, 2019	\$	443
Impact of discounting using the incremental borrowing rate at July 1, 2019		(50)
Recognition exemption for leases with less than twelve months of lease term remaining		(203)
Lease liabilities recognized as at July 1, 2019	\$	190

The following is the new accounting policy for leases under IFRS 16:

A contract is or contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The cost of the right of use asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs; and if applicable, an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The incremental borrowing rate reflects the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or, as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

3 Significant accounting policies (continued)

The Company does not recognize right-of-use assets and lease liabilities for leases of low-value assets and leases with lease terms that are less than twelve months. Lease payments associated with these leases are instead recognized as an expense over the lease term on either a straight-line basis, or another systematic basis if more representative of the pattern of benefit.

The Company has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

Right-of-use assets are presented in the same line item as it presents underlying assets of the same nature that it owns. The Company presents lease liabilities within lease obligation in the statement of financial position.

Impact on financial statements

Information about leases for which the Company is a lessee is presented below:

Right of use assets

IFRS 16 lease recognition	\$	190
Depreciation		(52)
Balance – June 30, 2020	\$	138

Impact of COVID-19

The COVID-19 outbreak in 2020 has had significant impact on global economies, including, but not limited to, gold and silver prices, risk-free rates, stock prices and supply chain disruption. Impacts to the Company's consolidated financial statements for the year ended June 30, 2020 include the following:

- A build up of consumables and supplies inventory to mitigate the risk of future supply chain disruption.
- A cash deposit on a surface management surety bond, where typically, no deposit has been required for past surety bonds. Due to greater liquidity risk in the market, the Company's bonding agent required a 30% deposit.

4 Significant accounting estimates and judgments

Significant estimates and judgments used in the preparation of the consolidated financial statements include, but are not limited to:

- those relating to the assessment of the Company's ability to continue as a going concern;
- inventory valuation which includes contained and recoverable ounces and allocation of costs;
- the economic recoverability of exploration expenditures incurred and the probability of future economic benefits from the expenditures;
- asset carrying values and impairment charges;
- useful life of property, plant and equipment;
- the expected costs of reclamation and remediation;
- the calculation of share-based compensation, which includes the assumptions used in the Black-Scholes option pricing model such as volatility, estimated forfeiture rates and expected time until exercise;
- the portion of convertible debentures directly apportioned to equity;
- the fair value of gold call options;
- the fair value of derivative liabilities; and
- the fair value of the silver stream obligation and associated embedded derivative.

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

4 Significant accounting estimates and judgments (continued)

The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the amounts recognized in the consolidated financial statements are as follows:

i) Mining interests

The Company makes certain estimates and assumptions regarding the recoverability of the carrying values of mining interests. The amounts shown for mining interests do not necessarily represent present or future values.

The recoverability of asset carrying values is dependent upon economically recoverable reserves and resources, the ability of the Company to obtain the necessary financing and permits to complete development and profitable production or proceeds from the disposition. The Company estimates its reserves and resources based on information compiled and reviewed by qualified persons as defined in accordance with NI 43-101 requirements. Depletion of mining interests is calculated using a unit-of-production method over the life of the mine, which is dependent upon economically recoverable reserves and resources.

The Company has taken steps to verify title to mining interests in which it has or is in the process of earning an interest, 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.

ii) Share-based payments

The Company has an incentive stock option plan for employees, consultants, directors and officers. Services received and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The fair value of share options is estimated by using the Black-Scholes valuation model on the date of stock option grant based on certain assumptions. Those assumptions are described in Note 15 and include, among others, expected volatility, expected life and number expected to vest.

iii) Provision for reclamation and remediation

The amounts recorded for reclamation and remediation provisions are based on a number of factors, including technical reports prepared by third-party specialists for anticipated remediation activities and costs, the expected timing of cash flows, anticipated inflation rates and pre-tax risk-free interest rates on which the estimated cash flows have been discounted. Actual results could differ from these estimates. The estimates require considerable judgment about the nature, cost and timing of the work to be completed and may change with future changes to costs, environmental laws and regulations and remediation practices.

iv) Useful life of plant and equipment

The useful life of plant and equipment is based on management estimates at the time of acquisition with information obtained from vendors and engineer guidance, where required. Management estimates may change due to technological developments, market conditions, expectation for replacement of assets and other factors. The Company depreciates assets on either a straight-line or units-of-production basis over the shorter of the estimated useful life of the asset or the expected life of mine. The units-of-production basis calculates depreciation by dividing gold-equivalent ounces mined during the period over the estimated remaining economically recoverable reserves and resources. The Company estimates its reserves and resources based on information compiled and reviewed by qualified persons as defined in accordance with NI 43-101 requirements. Estimates of residual values, useful lives and depreciation methods are reviewed periodically by management. Any changes that arise from periodic reviews are accounted for and adjusted prospectively.

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

4 Significant accounting estimates and judgments (continued)

v) Fair value of gold call options

The fair value of the gold call options, which are not traded in an active market are determined using the Black-Scholes valuation model. Management uses its judgment to make estimates of specific model inputs that are based on conditions, including market conditions, existing at the end of each reporting period.

vi) Capitalization of borrowing costs

The capitalization of borrowing costs involves the determination of a capitalization rate, which is subject to judgment by management.

vii) Convertible debentures

Convertible debentures are financial instruments accounted for in two separate components, a debt instrument and equity instrument or a derivative liability. The identification of the respective components is based on interpretations of the substance of the contractual arrangement and thus requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the debt component. The determination of the fair value of the debt component is based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

viii) Deferred taxes

The Company recognizes the deferred tax benefit related to deferred tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant judgment of future taxable profit. Management is required to assess whether it is probable that the Company will benefit from its deferred tax assets. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred tax assets.

ix) Inventories

The allocation of costs to inventories and the determination of net realizable value involves the use of estimates. There is significant judgment used in estimating future costs, future production levels, contained gold and silver ounces, gold and silver recovery levels and market prices. Actual results may differ significantly from estimates used in the determination of the carrying value of inventories. The Company allocates direct and indirect production costs to gold and silver on a systematic and rational basis. With respect to ore stockpiles, heap leach ore and doré inventory, production costs are allocated based on ounces recoverable within each category of inventory. Inventory is stated at the lower of weighted average cost or net realizable value with cost being determined using a weighted average cost method. The ending inventory value of ounces associated with the leach pad is equal to opening recoverable ounces plus recoverable ounces placed, less ounces produced, with ounce adjustments related to current estimates of contained ounces and recovery levels being experienced.

x) Derivative liabilities

The Company issues share purchase warrants in connection with certain equity financings. The fair value of share purchase warrants is estimated by using the Black-Scholes valuation model on date of warrant issuance based on certain assumptions. Those assumptions are described in Note 15(d) and include, among others, expected volatility, expected life and number expected to vest.

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

4 Significant accounting estimates and judgments (continued)

xi) Silver stream obligation and embedded derivative

The silver stream obligation has been accounted for as a financial liability. The financial liability is measured at amortized cost. The fair value of the silver stream obligation embedded derivative is estimated by using the Monte Carlo simulation valuation models based on certain assumptions. Those assumptions are described in Note 14(ii) and include, among others, the silver forward curve price, long-term silver price volatility, the risk-free interest rate, and the Company's credit spread.

xii) Commercial production

The determination of when a mine is in the condition necessary for it to be capable of operating in the manner intended by management (referred to as "commercial production") is a matter of significant judgement. In making this determination, management considers specific facts and circumstances. These factors include, but are not limited to, whether the major capital expenditures to bring the mine to the condition necessary for it to be capable of operating in the manner intended by management have been completed, completion of a reasonable period of commissioning and consistent operating results being achieved at a pre-determined level of design capacity for a reasonable period of time.

5 Trade and other receivables

	June 30, 2020	June 30, 2019
Trade accounts receivable	\$ 334	\$ 14
Value-added taxes receivable	12	11
	\$ 346	\$ 25

6 Inventory

	June 30, 2020	June 30, 2019
Heap leach ore ⁽¹⁾	\$ 25,349	\$ 18,037
Dore	294	1,787
Stockpiled ore	1,279	389
Consumables and supplies	301	427
	\$ 27,223	\$ 20,640

⁽¹⁾ For the year ended June 30, 2019 heap leach ore inventory was written down by \$3,034. For the year ended June 30, 2020, the heap leach ore inventory write down has been reversed.

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

7 Mineral properties, plant and equipment

Mineral properties, plant and equipment for the year ended June 30, 2020 and 2019 were as follows:

	Depletable mineral properties	Non- depletable mineral properties	Plant and equipment	Construction in progress	Total
Cost					
Balance at June 30, 2019	\$ 29,807	\$ 2,614	\$ 52,191	\$ -	\$ 84,612
Additions	587	1,531	3,908	-	6,026
Balance at June 30, 2020	\$ 30,394	\$ 4,145	\$ 56,099	\$ -	\$ 90,638
Accumulated Depreciation					
Balance at June 30, 2019	\$ 3,051	\$ -	\$ 8,405	\$ -	\$ 11,456
Depletion and depreciation	3,788	-	6,936	-	10,724
Depletion and depreciation charge captured in inventory	273	-	492	-	765
Balance at June 30, 2020	\$ 7,112	\$ -	\$ 15,833	\$ -	\$ 22,945
Net book value at June 30, 2020	\$ 23,282	\$ 4,145	\$ 40,266	\$ -	\$ 67,693

	Depletable mineral properties	Non- depletable mineral properties	Plant and equipment	Construction in progress	Total
Cost					
Balance at June 30, 2018	\$ 21,498	\$ 1,404	\$ 2,573	\$ 53,255	\$ 78,730
Additions	2,529	1,103	1,860	390	5,882
Transfer from construction in progress	5,780	107	47,758	(53,645)	-
Balance at June 30, 2019	\$ 29,807	\$ 2,614	\$ 52,191	\$ -	\$ 84,612
Accumulated Depreciation					
Balance at June 30, 2018	\$ -	\$ -	\$ 1,558	\$ -	\$ 1,558
Depletion and depreciation	1,838	-	4,126	-	5,964
Depletion and depreciation charge captured in inventory	1,213	-	2,721	-	3,935
Balance at June 30, 2019	\$ 3,051	\$ -	\$ 8,405	\$ -	\$ 11,456
Net book value at June 30, 2019	\$ 26,756	\$ 2,614	\$ 43,786	\$ -	\$ 73,156

Depletable mineral properties consist of the Moss Mine. Non-depletable mineral properties consist of exploration on the Moss Property and the Silver Creek Property, which are separate from the Moss Mine.

Moss Mine Property – Mohave County, Arizona

The Company owns 100% of the Moss Mine and has royalty agreements with various parties whereby the Company pays net smelter returns ("NSR") royalties ranging from 1% to 3% on certain patented and unpatented claims related to the Moss Mine.

In addition, a royalty of up to \$15 per troy ounce of gold produced and up to \$0.35 per troy ounce of silver produced is payable to a non-related party.

Silver Creek Property – Mohave County, Arizona

On May 7, 2014, the Company secured an option on the Silver Creek property, located adjacent to the Moss Mine with La Cuesta International, Inc. ("LCI"). To fulfill the terms of the 35 year mineral lease and option agreement, the Company paid LCI \$5 and issued 100,000 common shares of the Company upon execution of the agreement.

On June 28, 2017, the Company entered into an amendment to the mineral lease and option agreement to defer the minimum work commitment of \$200 from May 7, 2017 to May 7, 2019.

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

7 Mineral properties, plant and equipment (continued)

On August 2, 2019, the Company entered into an amendment to the mineral lease and option agreement to reduce the minimum work commitment of \$200 by May 7, 2019 to \$68 (completed). Upon the execution of the amendment the Company must meet the following commitments:

- i. Pay LCI \$10 cash (paid) and fund a minimum of \$15 (completed) on work commitments by May 7, 2015;
- ii. Pay LCI \$20 cash (paid) and fund a minimum of \$20 (completed) on work commitments by May 7, 2016;
- iii. Pay LCI \$30 cash (paid) by May 7, 2017 and \$20 cash (paid) by July 28, 2017;
- iv. Pay LCI \$45 cash by May 7, 2018 (paid);
- v. Pay LCI \$50 cash (paid) by May 7, 2019 and fund a minimum of \$68 on work commitments by May 7, 2019 (completed); and
- vi. Pay LCI \$25 cash every six months, thereafter.

The agreement provides for a production royalty of 1.5% NSR on claims owned 100% by LCI and 0.5% NSR on third party claims within the claim block. To acquire the claims, the Company is required to make payments to LCI totalling \$4,000 in any combination of aggregate royalty payments and lump-sum payments at its sole discretion. All payments other than the work commitments are credited against the royalty. Once \$4,000 has been paid, the NSR rates, on claims not otherwise acquired, reduce by 50%.

8 Trade and other payables

	June 30, 2020	June 30, 2019
Trade accounts payable	\$ 3,972	\$ 5,084
Accrued liabilities	6,763	2,369
	\$ 10,735	\$ 7,453

9 Debt

	Note	June 30, 2020	June 30, 2019
Convertible debentures – 2016	(i)	4,425	4,134
Convertible debentures – 2018	(ii)	-	5,916
Debt facility – 2019	(iii)	-	2,973
Convertible debenture – 2019	(iv)	8,119	-
Gold call option facility	(v)	327	-
Multiple advance promissory note	(vi)	2,039	-
Payroll protection loan	(vii)	1,578	-
Equipment loans, net of costs	(viii)	74	171
		\$ 16,562	\$ 13,194
Current portion of debt	26	(9,778)	(8,989)
		\$ 6,784	\$ 4,205

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

9 Debt (continued)

(i) Convertible debentures – 2016:

The unsecured convertible debentures issued in fiscal 2017 mature on May 31, 2021 and bear interest at 5% per year with interest payable semi-annually on November 30 and May 31. The convertible debentures are convertible into common shares at the option of the holder at any time prior to maturity at a conversion price of CAD0.50 per common share. The debentures may be redeemed in cash on or after July 14, 2018 upon redemption notice at a redemption price equal to their face value plus accrued interest provided the trading price of the common shares for 20 consecutive trading days, ending five trading days prior to the date of the redemption notice, must be less than the conversion price. The Company also has the option, to repay the face value of the debentures in common shares, provided certain circumstances are met including: no default has occurred and the trading price of the common shares for 20 consecutive trading days ending five trading days prior to the date of the redemption notice or maturity date is at least 150% of the conversion price. Interest may be payable in cash or common shares at the option of the Company.

	June 30, 2020	June 30, 2019
Balance, beginning of period	\$ 4,134	\$ 3,847
Converted debentures	-	(137)
Interest accretion	462	398
Foreign exchange movement	(171)	26
Balance, end of period	\$ 4,425	\$ 4,134

During the year ended June 30, 2020, the Company issued 1,268,196 common shares with a fair value of \$251 in payment of interest expense.

In June 2020, the Company issued a notice of redemption in respect of the 2016 CAD6,700 subordinated unsecured convertible debentures, with holders of the debentures being given the opportunity to subscribe for a new subordinated unsecured CAD6,700 convertible debentures. To date, holders of CAD6,270 of the 2016 debentures have entered into binding subscription agreements for CAD6,270 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.

(ii) Convertible debentures – 2018

On January 17, 2018 and March 7, 2018, the Company completed two tranches of an unsecured subordinated non-revolving loan facility in the amount of \$3,000 each for a total of \$6,000.

The convertible debentures matured on January 31, 2020 at which time the principal amount was to be repaid in full, subject to the holder having not elected to convert the principal amount outstanding. The convertible debentures bore interest at 12% per annum, payable quarterly in arrears in cash and are convertible at the holder's option at any time prior to the maturity date.

On October 3, 2019 the Company consolidated and extended the maturity date of the convertible debentures to December 1, 2020 (Note 9 iv).

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

9 Debt (continued)

	June 30, 2020	June 30, 2019
Balance, beginning of period	\$ 5,916	\$ 5,763
Interest accretion	47	153
Consolidation of convertible debentures	(6,000)	-
Loss on consolidation of convertible debentures	37	-
Balance, end of period	\$ -	\$ 5,916

(iii) Debt facility – 2019

On November 5, 2018 the Company entered into a definitive agreement in respect of an unsecured non-revolving loan facility for up to \$10,000, bearing interest at 12% per annum, payable quarterly in arrears in cash, and available to be drawn in up to five tranches. The first two tranches totalling \$5,000 were drawn and were repayable by October 3, 2019 with the first tranche of \$2,500 convertible into common shares of the Company at CAD0.30 per common share.

On October 3, 2019 the Company consolidated and extended the maturity date of the convertible portion of the facility to December 1, 2020 (Note 9 iv) and paid the non-convertible principal payment portion.

	June 30, 2020	June 30, 2019
Balance, beginning of period	\$ 2,973	\$ -
Issued	-	5,000
Financing costs	9	(77)
Principal payments	(500)	(2,000)
Interest accretion	18	50
Consolidation of convertible debentures	(2,500)	-
Balance, end of period	\$ -	\$ 2,973

(iv) Convertible debenture – 2019

On October 3, 2019 the Company consolidated and extended the maturity date of the 2018 convertible debentures (\$6,000) and the convertible portion of the 2019 debt facility (\$2,500) to December 1, 2020 (\$8,500) under a replacement convertible debenture the "Convertible Debenture". The convertible debenture bears interest at 12% per annum, payable quarterly in arrears in cash, can be converted at a price of CAD0.30 per common share and includes an arrangement fee of 3% payable on January 31, 2020. The Company may elect to prepay in cash up to \$4,500 of the convertible debenture if the closing price of the Company's shares is at or above CAD0.45 for 20 consecutive trading days. The Company may exercise this option prior to the maturity date, on ten business days' notice, and subject to the holder electing not to convert such prepayment amount during such ten-business day period. On such prepayment, the Company will be required to pay an amount equal to the interest it would otherwise have incurred had the debenture been repaid at the maturity date, plus the arrangement fee. The Company determined the consolidation and extending of the 2018 convertible debentures and the 2019 debt facility to the convertible debenture did result in a substantial modification of the financial instruments and therefore extinguishes the 2018 convertible debentures and the 2019 debt facility with any resulting gain or loss on extinguishment recorded in the consolidated statements of income (loss) and comprehensive income (loss).

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

9 Debt (continued)

The convertible debenture is deemed to contain multiple embedded derivatives (the "Conversion Component") relating to the conversion option and a conversion price fixed in CAD. The conversion component's fair value was estimated to be \$636 using the Black Scholes option-pricing model and calibrated volatility (Note 14). Fair value gains and losses at each reporting period are recorded in the consolidated statements of income (loss) and comprehensive income (loss). The following assumptions were used when valuing the conversion component:

	June 30, 2020	June 30, 2019
Balance, beginning of period	\$ -	\$ -
Consolidation of convertible debentures	7,783	-
Financing costs	(274)	-
Interest accretion	610	-
Balance, end of period	\$ 8,119	\$ -

(v) Gold call option facility

During the year ended June 30, 2020 6,000 Gold Call Options (Note 12) were exercised at a strike price of \$1,200 per ounce and a market price of \$1,526 per ounce. The Company and the holder agreed to cash repayments in equal instalments over a twelve month period, plus interest at a rate of 10% per annum beginning September 30, 2019.

	June 30, 2020	June 30, 2019
Balance, beginning of period	\$ -	\$ -
Issued	1,962	-
Principal payments	(1,635)	-
Balance, end of period	\$ 327	\$ -

In February 2020 the Company settled \$700 of principal and interest payments relating to the facility through the issuance of 3,586,889 common shares at CAD0.253 per share.

(vi) Multiple advance promissory note

In February 2020, the Company completed a definitive, non-dilutive term loan financing agreement of up to \$2,869 at rates of approximately 1.6% per annum over a fifteen-year amortization period, for the purpose of constructing an electrical powerline.

	June 30, 2020	June 30, 2019
Balance, beginning of period	\$ -	\$ -
Issued	2,082	-
Financing costs	(43)	-
Balance, end of period	\$ 2,039	\$ -

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

9 Debt (continued)

(vii) Payroll protection loan

In May 2020 the Company was approved for and received a loan from the US Small Business Administration under the Paycheck Protection Program. Under the program, the 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.

	June 30, 2020	June 30, 2019
Balance, beginning of period	\$ -	\$ -
Issued	1,578	-
Balance, end of period	\$ 1,578	\$ -

(viii) Equipment loans

At June 30, 2020, the Company had equipment loans outstanding totalling \$74 (June 30, 2019 - \$171) at interest rates ranging from 4.34% to 11.99% with monthly payments of \$9.

10 Leases

During the year ended June 30, 2018, the Company executed a definitive Master Lease Agreement (the "MLA") for up to \$9,000 of equipment purchases. The significant terms and conditions of the MLA include: a maximum of \$9,000 available to fund equipment purchases with 10% to 30% due as advance payments at lease commencement, fixed quarterly payments over a four year lease period, interest rate of 3-month USD LIBOR plus additional interest rates ranging from 5.00% to 6.25% per annum and the right to buy the equipment at the end of the lease period for nominal consideration. The MLA is secured with the acquired assets in favour of the lender and a guarantee from the Company.

During the year ended June 30, 2020, \$291 of an existing security deposit was used to pay principal and interest obligations due to the holder of the lease. During the year ended June 30, 2019, \$538 of an existing security deposit was used to pay principal and interest obligations due to the holder of the lease. The security deposit will be repaid in three instalments of \$288, \$288 and \$291 due no later than April 1 (paid), 2020, July 1 (paid), 2020 and October 1, 2020 respectively.

Minimum lease payments and present value of lease obligations is as follows:

	June 30, 2020	June 30, 2019
Balance, beginning of period	\$ 4,877	\$ 6,595
IFRS 16 lease obligation recognition (Note 3)	190	-
Principal payments	(1,605)	(1,688)
Finance charges	(33)	(30)
	3,429	4,877
Current portion of leases	(2,119)	(1,551)
Balance, end of period	\$ 1,310	\$ 3,326

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

11 Silver stream

During the year ended June 30, 2019, the Company entered into a \$20,000 silver streaming transaction with an effective date of October 1, 2018. Under the terms of the agreement the Company will deliver 100% (reducing to 50% after 3,500,000 ounces are delivered) of payable silver production from the Moss Mine over the life of the mine on a monthly basis. Deliveries are subject to a ratio of silver to actual gold produced which, in the event the ratio is not met, the Company would be required to purchase and deliver silver ounces required to achieve the ratio. The silver stream is secured with a first charge over assets.

In addition to the silver advance of \$20,000, the Company will receive 20% of the average spot silver price at the time each ounce of silver is delivered. The Company recognizes silver revenue for silver ounces delivered under the arrangement at the spot price at the time of delivery. The silver advance is reduced by silver ounces delivered at the forward spot price at the inception of the agreement, offset by the financial liabilities accretion over the life of the mine.

The silver stream has been accounted for as a financial liability with an embedded derivative which relates to changes in silver price and expected production. The financial liability is measured at amortized cost. The embedded derivative is recorded at fair value each reporting period with changes reflected in the consolidated statement of income (loss) and comprehensive income (loss). At June 30, 2020, the fair value of the embedded derivative was \$1,808 (Note 14).

	June 30, 2020	June 30, 2019
Balance, beginning of period	\$ 20,669	\$ -
Silver advance	-	20,000
Financing costs	-	(236)
Silver deliveries	(4,238)	(715)
Settlement gain	(1,350)	(548)
Interest accretion	3,790	2,168
	18,871	20,669
Current portion of silver stream	(4,469)	(4,450)
Balance, end of period	\$ 14,402	\$ 16,219

12 Gold call options

	June 30, 2020	June 30, 2019
Balance, beginning of period	\$ 1,349	\$ 505
Gold Call Options revaluation	613	844
Exercise of gold call options (Note 9)	(1,962)	-
Balance, end of period	\$ -	\$ 1,349

During the year ended June 30, 2017 the Company issued Gold Call Options to purchase 6,000 ounces of gold at an exercise price of \$1,350 per ounce. Pursuant to amendments to the facility agreement, the exercise price was reduced \$1,200 per ounce. During the year ended June 30, 2020 the option holder exercised the options at a price of \$1,200 per ounce and a market price of \$1,526 per ounce. The Company and the holder agreed to cash repayments in equal instalments over a twelve month period, plus interest at a rate of 10% per annum beginning September 30, 2019 (Note 9).

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

12 Gold call options (continued)

The fair value of the Gold Call Options was calculated when issued and are revalued each subsequent reporting period using the Black-Scholes option pricing model with the fair value gain or loss recorded in the consolidated statements of income (loss) and comprehensive income (loss). The following assumptions were used when valuing the options:

	June 30, 2019	At Issue
Exercise price (\$ per ounce)	\$1,200	\$1,350
Gold price (\$ per ounce)	\$1,409	\$1,303
Volatility	9.5%	14.5%
Interest rate	1.47%	0.52%
Expected life of options (years)	0.85	2.5

13 Provision for reclamation

	June 30, 2020	June 30, 2019
Balance, beginning of period	\$ 2,198	\$ 1,766
Change in estimate	484	387
Accretion	38	45
Balance, end of period	\$ 2,720	\$ 2,198

The Company's provision for reclamation relates to the environmental restoration and closure costs associated with the Moss Mine. The provision has been recorded at its net present value using a discount rate of 0.66% and a long-term inflation rate of 2%, with expenditures anticipated over a ten year period beginning in 2028. The provision is remeasured at each reporting date. Accretion expense is recognized in the consolidated statements of income (loss) and comprehensive income (loss). Prior to the commencement of commercial production on September 1, 2018 accretion expense was capitalized to mineral properties.

The total undiscounted amount of the Company's estimated obligation, based on land disturbances at the Moss Mine as of June 30, 2020, was \$2,880.

14 Derivatives

	Note	June 30, 2020	June 30, 2019
Warrants	(i)	\$ 2,025	\$ 2,609
Silver stream embedded derivative	(ii)	1,808	1,956
Conversion Component of 2019 convertible debenture	(iii)	636	-
		\$ 4,469	\$ 4,565
Current portion of derivatives	(ii)	(3,128)	-
		\$ 1,341	\$ 4,565

(i) Warrants:

The Company's functional currency is in USD. As the exercise price of the Company's share purchase warrants is fixed in CAD, a variable amount of cash in the Company's functional currency will be received on warrant exercise. Accordingly, these share purchase warrants are classified and accounted for as a derivatives at fair value through profit or loss. The fair value of warrants issued is estimated using the Black-Scholes option-pricing model.

NORTHERN VERTEX MINING CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

14 Derivatives (continued)

The following assumptions were used for the Black–Scholes valuation of warrants issued:

	June 30, 2020	June 30, 2019
Risk-free interest rate	0.28%	1.47%
Expected life of warrants	0.5 – 0.7 years	1.5 – 1.7 years
Dividend rate	Nil	Nil
Expected share price volatility	83 - 87%	72 - 76%
Fair value per warrant issued and/or amended (CAD)	\$0.04-\$0.06	\$0.05-\$0.07

	June 30, 2020	June 30, 2019
Balance, beginning of period	\$ 2,609	\$ -
Issuance of warrants in private placements (Note 15)	-	2,971
Change in fair value	(516)	(471)
Foreign exchange movement	(68)	109
	2,025	2,609
Current portion of warrant derivative	(2,025)	-
Balance, end of period	\$ -	\$ 2,609

(ii) Silver stream embedded derivative:

The silver stream embedded derivative is valued using Monte Carlo simulation valuation models. The key inputs used by the Monte Carlo simulation is the silver forward curve price, long-term silver production volatility, the risk-free interest rate and the Company's credit spread.

The valuation of the silver stream embedded derivative also required estimation of the Company's anticipated production schedule of silver ounces delivered over the life of mine.

	June 30, 2020	June 30, 2019
Balance, beginning of period	\$ 1,956	\$ -
Change in fair value	(148)	1,956
	1,808	1,956
Current portion of silver stream embedded derivative	(467)	-
Balance, end of period	\$ 1,341	\$ 1,956

(iii) Conversion component of 2019 convertible debenture:

The Conversion Component's (Note 9) fair value was estimated using the Black Scholes option-pricing model and calibrated volatility. Fair value gains and losses at each reporting period are recorded in the consolidated statements of income (loss) and comprehensive income (loss).

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

14 Derivatives (continued)

The following assumptions were used for the Black-Scholes valuation of the Conversion Component:

	June 30, 2020
Risk-free interest rate	0.28%
Expected life	0.4 years
Dividend rate	Nil
Calibrated share price volatility	23%

	June 30, 2020	June 30, 2019
Balance, beginning of period	\$ -	\$ -
Consolidation of convertible debentures	717	-
Change in fair value	(81)	-
	636	-
Current portion of Conversion Component	(636)	-
Balance, end of period	\$ -	\$ -

15 Share capital, share option reserve and warrant reserve

a) Share capital

Authorized share capital consists of an unlimited number of common shares without par value.

No private placements were completed during the year ended June 30, 2020. Private placements completed during the year ended June 30, 2019 were as follows:

In February 2019, the Company closed a non-brokered private placement, issuing an aggregate of 14,624,074 units (each a "Unit") at a purchase price of CAD0.24 per Unit for gross proceeds of \$2,667. Each unit consists of one common share and one transferable common share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price of CAD0.40 per share for a period of two years from the date of issuance and were classified as a derivative liability (Note 14). Cash finder's fees of \$121 were paid to arm's length parties.

In December 2018, the Company closed a non-brokered private placement, raising gross proceeds of \$8,000 and issued an aggregate of 44,596,666 units at a purchase price of CAD0.24 per unit. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant has a term of two years and entitles the holder to acquire one common share of the Company at an exercise price of CAD0.40 until December 12, 2020 and were classified as a derivative liability (Note 14).

b) Shared-based compensation

The Company has adopted an incentive stock option plan under the rules of the TSX Venture Exchange ("TSXV") pursuant to which it is authorized to grant options to employees, consultants, directors and officers, enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option is equal to the market price of the Company's shares on the date of grant. The options can be granted for a maximum term of 10 years with vesting terms determined by the Board of Directors. No individual may be granted options exceeding 5% of the Company's common shares outstanding in any 12-month period.

NORTHERN VERTEX MINING CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

15 Share capital, share option reserve and warrant reserve (continued)

Continuity of the Company's stock options issued and outstanding was as follows:

	June 30, 2020		June 30, 2019	
	Number of options	Weighted average exercise price (C\$)	Number of options	Weighted average exercise price (C\$)
Outstanding, beginning of period	14,154,583	\$ 0.30	5,505,000	\$ 0.47
Granted	1,400,000	0.25	11,200,000	0.24
Forfeited	(1,029,583)	0.42	(1,865,417)	0.31
Expired	(1,300,000)	0.25	(685,000)	0.65
Outstanding, end of period	13,225,000	\$ 0.29	14,154,583	\$ 0.30

As at June 30, 2020, the following stock options were outstanding and exercisable:

Exercise price (C\$)	Number of options outstanding	Expiry date	Number of options exercisable	Remaining contractual life (years)
0.25	75,000	September 30, 2020	75,000	0.50
0.46	1,175,000	July 15, 2021	1,175,000	1.29
0.46	250,000	September 14, 2021	250,000	1.46
0.46	200,000	October 26, 2021	200,000	1.57
0.68	450,000	September 29, 2022	450,000	2.50
0.52	100,000	May 20, 2023	100,000	3.14
0.24	8,375,000	February 27, 2024	6,175,000	3.91
0.24	1,200,000	May 21, 2024	900,000	4.14
0.25	1,400,000	February 10, 2025	383,333	4.87
	13,225,000		9,708,333	3.65

The weighted-average remaining contractual life of options outstanding at June 30, 2019 was 3.49 years.

c) Share-based compensation expense

The fair value of share-based compensation is recognized over the vesting period from the date of grant. Share-based payment expense recognized in the consolidated statements of income (loss) and comprehensive income (loss) for the year ended June 30, 2020 totalled \$706 (2019: \$848).

The fair value of stock options granted was estimated using the Black-Scholes option pricing model with the following assumptions:

	June 30, 2020	June 30, 2019
Risk-free interest rate	1.39%	1.39%-1.80%
Expected life of options	5.0 years	5.0 years
Dividend rate	Nil	Nil
Expected forfeiture rate	0%	0%
Expected volatility	95%	105%-106%

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

15 Share capital, share option reserve and warrant reserve (continued)

d) Share unit plan

The Company has a share unit plan whereby Restricted Share Units (RSUs) and Performance Share Units (PSUs) may be granted to employees, consultants, directors and officers of the Company. The current maximum number of share units authorized for issue under the share unit plan is 6,000,000. Once vested, at the option of the Company, each share unit entitles the participant to receive one common share of the Company at the end of a specified period or a right to receive an amount of cash equal to the market value of the vested share unit on the payment date.

Currently, the Company has granted RSUs. These RSUs are cash settled and vest as follows: one half on the 12 month anniversary of the grant date and one half on the 24 month anniversary of the grant date. During the year ended June 30, 2020 a total of 3,000,000 RSUs were granted to employees of the Company. Continuity of the Company's RSUs and PSUs issued and outstanding is as follows:

	June 30, 2020	June 30, 2019
Outstanding, beginning of period	-	-
Granted	3,000,000	-
Outstanding, end of period	3,000,000	-

As at June 30, 2020, the following RSUs and PSUs were outstanding and exercisable:

Exercise price (CAD)	Number of share units outstanding	Expiry date	Number of share units exercisable	Remaining contractual life (years)
-	3,000,000	October 9, 2021	-	1.28

Share-based compensation expense relating to cash settled-awards recognized in the consolidated statements of income (loss) and comprehensive income (loss) for the year ended June 30, 2020 totalled \$372 (2019: nil).

e) Warrants

Share purchase warrants enable the holders to acquire common shares of the Company upon exercise. Share purchase warrants issued during the year ended June 30, 2019 have been classified as derivative liabilities (Note 14). Continuity of warrants issued and outstanding for the years ended June 30, 2020 and 2019 were as follows:

	June 30, 2020		June 30, 2019	
	Number of warrants	Weighted average exercise price (C\$)	Number of warrants	Weighted average exercise price (C\$)
Outstanding, beginning of period	96,205,547	\$ 0.58	46,682,807	\$ 0.82
Issued	-	-	59,220,740	0.40
Expired	(2,828,138)	0.65	(9,698,000)	0.65
Outstanding, end of period	93,377,409	\$ 0.58	96,205,547	\$ 0.58

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

15 Share capital, share option reserve and warrant reserve (continued)

As at June 30, 2020, the Company had outstanding share purchase warrants as follows:

Number of warrants	Exercise price (C\$)	Expiry date
44,596,666	0.40	December 12, 2020
11,112,500	0.40	February 20, 2021
3,511,574	0.40	February 27, 2021
5,356,804	1.00	March 24, 2021
13,960,000	1.04	June 9, 2022
2,676,250	1.04	July 13, 2022
11,924,615	1.04	July 19, 2022
239,000	1.04	September 14, 2022
93,377,409	\$ 0.63	

The weighted average remaining life of the outstanding warrants as at June 30, 2020 was 0.98 years (June 30, 2019: 2.19 years).

f) Earnings (loss) per share

The calculation of diluted earnings (loss) per share was based on earnings (loss) attributable to ordinary shareholders and the weighted average number of shares outstanding after adjustments for the effect of potential dilutive shares. For the year ended June 30, 2020, potential shares issuances arising from the exercise of shares options were included in the calculation of diluted weighted average shares outstanding as well as their impact on earnings attributable to shareholders of the Company. Potentially dilutive shares associated with the convertible debentures, share options out of the money and warrants were not included in the diluted earnings per share calculation as their effect was anti-dilutive.

The following table summarizes the calculation of basic and diluted earnings per share:

	June 30, 2020	June 30, 2019
Profit (loss) for the year	\$ 730	\$ (13,979)
Basic weighted average number of common shares outstanding	247,953,337	213,350,612
Effective impact of dilutive securities:		
Share options	796,582	-
Diluted weighted average number of shares outstanding	248,749,919	213,350,612
Earnings (loss) per share		
Basic	\$ 0.00	\$ (0.07)
Diluted	\$ 0.00	\$ (0.07)

16 Revenue

Revenue shown below represents revenue for the year ended June 30, 2020, and the ten months ended June 30, 2019, as September 2018 was the first month of commercial production. Prior to the commencement of commercial production on September 1, 2018, gold and silver revenue was recorded as a reduction of costs capitalized within construction in progress.

Revenue by metal for the year ended June 30, 2020 and the ten months ended June 30, 2019 were as follows:

NORTHERN VERTEX MINING CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

16 Revenue (continued)

	June 30, 2020	June 30, 2019
Gold sales	\$ 51,920	\$ 24,174
Silver sales	5,315	943
	57,235	25,117
Treatment and refining charges	(274)	(182)
	\$ 56,961	\$ 24,935

17 Production costs

Production costs shown below represent production costs for the year ended June 30, 2020, and the ten months ended June 30, 2019, as September 2018 was the first month of commercial production. Prior to the commencement of commercial production on September 1, 2018, production costs were capitalized within construction in progress.

	June 30, 2020	June 30, 2019
Contractors and outside services	\$ 20,851	\$ 12,571
Employee compensation and benefits expense	8,463	6,459
Materials and consumables	7,683	5,994
Other expenses	3,277	2,267
Share-based compensation	591	269
Changes in inventories	(5,944)	(7,891)
	\$ 34,921	\$ 19,669

18 Corporate administrative expenses

	June 30, 2020	June 30, 2019
Direct general and administrative	\$ 1,210	\$ 1,790
Employee general and administrative	798	676
Share-based compensation	487	579
Depreciation and depletion	6	9
	\$ 2,501	\$ 3,054

19 Finance costs

	June 30, 2020	June 30, 2019
Interest on debt	\$ (1,936)	\$ (3,015)
Accretion on streaming obligation (Note 11)	(3,790)	(2,168)
Amortisation of debt issuance costs	(44)	(1,288)
Other interest accretion	(1,216)	(517)
Interest expense, including accretion and issue costs	(6,986)	(6,988)
Fair value loss on gold call options (Note 12)	(613)	(844)
Settlement gain on silver stream (Note 11)	1,350	548
Finance costs – silver stream	(238)	-
Fair value gain (loss) on derivatives (Note 14)	745	(1,485)
Interest income	51	87
	\$ (5,691)	\$ (8,682)

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

20 Income taxes

a) Income tax recovery

The following reconciles the expected income tax recovery at Canadian statutory income tax rates to the amounts recognized in the consolidated statements of and comprehensive income (loss) for the years ended June 30, 2020 and 2019:

	June 30, 2020	June 30, 2019
Net profit (loss) before taxes	\$ 730	\$ (13,979)
Statutory tax rate	27%	27%
Expected income tax expense (recovery)	\$ 197	\$ (3,774)
Non-deductible items	307	234
Foreign exchange	(78)	-
Foreign tax rate difference	79	583
Change in estimate	(2,558)	-
Change in deferred tax assets not recognized	2,053	2,957
Total income tax recovery	\$ -	\$ -

b) Deferred tax assets and liabilities

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. Deferred tax assets (liabilities) as at June 30, 2020 and 2019 are as follows:

	June 30, 2020	June 30, 2019
Tax loss carryforwards	\$ 13,320	\$ 10,656
Convertible debentures	(217)	159
Property and equipment	(9,806)	(9,816)
Mining interests	(3,469)	(1,334)
Gold Call Options	172	335
Net deferred tax asset (liability)	\$ -	\$ -

The unrecognized deductible temporary differences are as follows:

	June 30, 2020	June 30, 2019
Property and equipment	\$ 2,480	\$ (1,236)
Mining interests	-	741
Financing costs	778	939
Provision for reclamation and remediation	2,720	2,198
Gold Call Options	-	1,349
Deferred gain or sale of investments	-	2,838
Streaming obligation	18,870	1,645
Derivatives	1,808	(471)
Other	188	-
Tax loss carryforwards	12,507	23,206
Unrecognized deductible temporary differences	\$ 39,711	\$ 31,209

As at June 30, 2020, the Company had non-capital tax loss carryforwards in Canada of \$7,476 which can be applied to reduce future Canadian taxable income and will expire between 2032 and 2041. In addition, the Company had net operating tax loss carryforwards in the United States of \$4,469 which can be applied to reduce future US taxable income which have an unlimited expiry period.

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

21 Supplemental cash flow information

The net change in non-cash working capital items included in mineral properties, plant and equipment were as follows:

	June 30, 2020	June 30, 2019
Accounts payable and accrued liabilities	\$ (164)	\$ (5,478)

The net change in the Company's financing liabilities were as follows:

	June 30, 2020	June 30, 2019
Balance, beginning of year	\$ 38,740	\$ 34,549
Proceeds from loan facilities, net	3,659	4,804
Proceeds of lease obligation, net	-	-
Proceeds of silver stream obligation, net	-	19,615
Repayment of debt	(2,162)	(20,982)
Repayment of lease obligation	(1,605)	(1,274)
Other non-cash movements	230	2,028
Balance, end of year	\$ 38,862	\$ 38,740

22 Related party transactions

Related party transactions were incurred in the normal course of business and initially measured at their fair value which is the amount of consideration established and agreed to by the parties. Amounts due to or from related parties are non-interest bearing, unsecured and due on demand.

Related party balances are as follows:

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

Related party transactions are as follows:

	June 30, 2020	June 30, 2019
Consulting fees	\$ 89	\$ 269
Shared office recovery	\$ (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 recovered from and charged to a company with directors in common are recorded in corporate administrative expenses.

Commitments with related parties

The Company has 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 (CAD10) and renews annually.

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

22 Related party transactions (continued)

Debt with a significant shareholder

As at June 30, 2020, the Company has an outstanding convertible debenture (Note 9) 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:

	June 30, 2020	June 30, 2019
Convertible debentures – 2018 (Note 9)	\$ -	\$ 5,916
Debt facility – 2019 (Note 9)	-	2,973
Convertible debenture – 2019 (Note 9)	8,119	-

Transactions with the significant shareholder for the year ended June 30, 2020 and 2019 were as follows:

	June 30, 2020	June 30, 2019
Principal repayments	\$ 500	\$ -
Interest expense	1,329	1,161

23 Key management personnel compensation

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

	June 30, 2020	June 30, 2019
Salaries and short-term benefits	\$ 786	\$ 940
Directors fees	127	-
Share-based payments	769	583

24 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.

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

24 Fair value measurements and financial risk management (continued)

The following tables present the carrying amounts and fair values of the Company's financial assets and liabilities, including their levels within the fair value hierarchy. Fair value information for financial assets and financial liabilities not measured at fair value is not presented if the carrying amount is a reasonable approximation of fair value.

As at June 30, 2020	Carrying value			Fair value	
	Fair value through profit or loss	Amortized cost	Fair value through OCI	Level 1	Level 2
Financial assets					
Cash	-	6,785	-	6,785	-
Restricted cash	-	1,430	-	1,430	-
	\$ -	\$ 8,215	\$ -	\$ 8,215	\$ -
Financial liabilities					
Current and long term debt	-	(16,562)	-	-	(16,562)
Leases	-	(3,429)	-	-	(3,429)
Silver stream	-	(18,871)	-	-	(18,871)
Derivatives	(4,469)	-	-	-	(4,469)
	\$ (4,469)	\$ (38,862)	\$ -	\$ -	\$ (43,331)

As at June 30, 2019	Carrying value			Fair value	
	Fair value through profit or loss	Loans and receivables	Other financial liabilities	Level 1	Level 2
Financial assets					
Cash	-	3,444	-	3,444	-
Restricted cash	-	869	-	869	-
	\$ -	\$ 4,313	\$ -	\$ 4,313	\$ -
Financial liabilities					
Current and long term debt	-	(13,194)	-	-	(13,194)
Leases	-	(4,877)	-	-	(4,877)
Silver stream	-	(20,669)	-	-	(20,669)
Derivatives	(4,565)	-	-	-	(4,565)
Gold call options	(1,349)	-	-	-	(1,349)
	\$ (5,914)	\$ (38,740)	\$ -	\$ -	\$ (44,654)

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 restricted cash. The Company considers the risk of loss relating to cash and restricted cash 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. Trade and other receivables at June 30, 2020 related primarily to gold and silver sales which is expected to be collectible in full due to the nature of the counterparties and previous history of collectability.

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

24 Fair value measurements and financial risk management (continued)

(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.

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. A summary of contractual maturities of financial liabilities is included in Note 26.

(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 CAD in relation to US\$ 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. At June 30, 2020 the Company held cash denominated in USD6,667 and CAD160 (June 30, 2019: USD2,117 and CAD5,538). 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. A 10% fluctuation in the price of gold would result in an impact of \$5,190 on the consolidated statements of income (loss) and comprehensive income (loss). A 10% fluctuation in the price of silver would result in an impact of \$535 on the consolidated statements of income (loss) and comprehensive income (loss).

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.

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

25 Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern (Note 1) while maximizing the return to stakeholders through the optimization of the debt and equity. The Company manages capital through its operating and financial budgeting and forecasting processes on a regular basis. The Company reviews its working capital and future cash flow forecasts which are reviewed and approved by the Board of Directors. The Company continually makes strategic and financial adjustments according to market conditions to meet its objectives.

The capital structure of the Company consists of debt, convertible debt, share capital, share options, warrants, accumulated other comprehensive loss and deficit.

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

26 Commitments

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

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

⁽¹⁾ Includes interest due on convertible debenture and debt.

⁽²⁾ Includes lease obligation (Note 10) and lease commitments.

⁽³⁾ Represents the undiscounted value of the reclamation provision.

27 Segmented information

The Company has one reportable operating segment, being the acquisition, exploration and future development of mineral properties. The consolidated statements of income (loss) and comprehensive income (loss) is composed substantially of activity in the United States of America (USA) except for corporate administrative expenses. Reporting by geographical area follows the same accounting policies as those used to prepare the consolidated financial statements. Non-current assets (other than financial instruments) by geographic location are as follows:

	June 30, 2020				
	Canada		USA		Total
Mineral properties	\$	-	\$	27,427	\$ 27,427
Plant and equipment		12		40,254	40,266
Restricted cash		-		1,430	1,430
	\$	12	\$	69,111	\$ 69,123

NORTHERN VERTEX MINING CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

27 Segmented information (continued)

	June 30, 2019		
	Canada	USA	Total
Mineral properties	\$ -	\$ 29,370	\$ 29,370
Plant and equipment	12	43,774	43,786
Restricted cash	-	868	868
	\$ 12	\$ 74,012	\$ 74,024

Profit and loss by geographic location is as follows:

	Year Ended June 30, 2020		
	Canada	USA	Total
Revenue	\$ -	\$ 56,961	\$ 56,961
Cost of sales	-	(49,051)	(49,051)
Earnings from mine operations	-	7,910	7,910
Corporate administrative expenses	(2,501)	-	(2,501)
Finance costs	(1,918)	(3,773)	(5,691)
Foreign exchange gain	247	-	247
Other revenue	-	765	765
Net profit (loss) for the period	\$ (4,172)	\$ 4,902	\$ 730

	Year Ended June 30, 2019		
	Canada	USA	Total
Revenue	\$ -	\$ 24,935	\$ 24,935
Cost of sales	-	(27,160)	(27,160)
Loss from mine operations	-	(2,225)	(2,225)
Corporate administrative expenses	(3,054)	-	(3,054)
Finance costs	(1,362)	(7,320)	(8,682)
Foreign exchange gain (loss)	6	(24)	(18)
Net loss for the period	\$ (4,410)	\$ (9,569)	\$ (13,979)

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)

28 Subsequent events

Subsequent to June 30, 2020:

- The Company issued a notice of redemption in respect of the 2016 CAD6,700 subordinated unsecured convertible debentures, with holders of the debentures being given the opportunity to subscribe for a new subordinated unsecured CAD6,700 convertible debentures. To date, holders of CAD6,270 of the 2016 debentures have entered into binding subscription agreements for CAD6,270 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 CAD0.40 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 expiry date of an aggregate 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 CAD0.35 with a five year expiry period.