



NORTHERN VERTEX
MINING CORP

Consolidated Financial Statements

For the Six Months Ended December 31, 2020 and the Year Ended June 30, 2020

(Expressed in United States Dollars)

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 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.

PriceWaterhouseCoopers 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.

"Michael Allen"

Michael Allen
President

"David Splett"

David Splett
Chief Financial Officer

April 13, 2021



Independent auditor's report

To the Shareholders of Northern Vertex Mining Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Northern Vertex Mining Corp. and its subsidiaries (together, the Company) as at December 31, 2020, and its financial performance and its cash flows for the period from July 1, 2020 to December 31, 2020 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2020;
- the consolidated statement of income (loss) and comprehensive income (loss) for the period from July 1, 2020 to December 31, 2020;
- the consolidated statement of changes in equity for the period from July 1, 2020 to December 31, 2020;
- the consolidated statement of cash flows for the period from July 1, 2020 to December 31, 2020; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Comparative information

The financial statements of the Company for the year ended June 30, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on October 30, 2020.

Other information

Management is responsible for the other information. The other information comprises the 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 audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



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

The engagement partner on the audit resulting in this independent auditor's report is Dean Larocque.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 13, 2021

NORTHERN VERTEX MINING CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	Note	December 31 2020	June 30 2020
ASSETS			
Current assets			
Cash and cash equivalents		\$ 8,285	\$ 6,785
Trade and other receivables	5	57	346
Inventory	6	24,157	27,223
Prepaid expenses and deposits		408	272
Total current assets		32,907	34,626
Non-current assets			
Restricted cash		2,340	1,430
Plant and equipment	7	40,608	40,266
Mineral properties	7	30,526	27,427
Deferred transaction costs		53	-
Total assets		\$ 106,434	\$ 103,749
LIABILITIES			
Current liabilities			
Trade and other payables	8	\$ 10,719	\$ 10,735
Current portion of debt	9	191	9,778
Current portion of leases	10	2,070	2,119
Current portion of silver stream	11	2,843	4,469
Current portion of derivatives	14	6,164	3,128
Total current liabilities		21,987	30,229
Non-current liabilities			
Debt	9	5,712	6,784
Leases	10	441	1,310
Silver stream	11	13,519	14,402
Provision for reclamation	13	2,756	2,720
Derivatives	14	14,344	1,341
Total liabilities		58,759	56,786
SHAREHOLDERS' EQUITY			
Share capital	15	65,518	56,821
Equity reserves		23,570	24,447
Deficit		(41,413)	(34,305)
Total shareholders' equity		47,675	46,963
Total liabilities and shareholders' equity		\$ 106,434	\$ 103,749
Nature of operations	1		
Commitments	27		
Subsequent Events	29		

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

"Douglas Hurst"
Douglas Hurst

"David Farrell"
David Farrell

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)

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

	Note	Six Months Ended December 31, 2020	Year Ended June 30, 2020
Revenue	16	\$ 52,739	\$ 56,961
Cost of sales			
Production costs	17	(26,085)	(34,921)
Depletion and depreciation	7	(6,844)	(10,718)
Royalties		(2,892)	(3,412)
		(35,821)	(49,051)
Earnings from mine operations		16,918	7,910
Corporate administrative expenses	18	(2,115)	(2,501)
Operating Income		14,803	5,409
Finance costs	19	(6,725)	(6,436)
Loss on revaluation of derivative liabilities	20	(16,265)	745
Foreign exchange gain (loss)		(509)	247
Government grants	9	1,588	-
Other revenue		-	765
Income (loss) and comprehensive income (loss) for the period		\$ (7,108)	\$ 730
Income (loss) per share			
Basic		\$ (0.03)	\$ 0.00
Diluted		(0.03)	0.00
Weighted average number of shares outstanding			
Basic		253,668,048	247,953,337
Diluted		253,668,048	248,749,919

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	Share Capital	Equity Reserves				Total Equity Reserves	Deficit	Total Equity
				Share Option Reserve	Warrant Reserve	Equity Component of Convertible Debentures	Other Comprehensive Income (Loss)			
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
Directors fees	9	704,166	127	-	-	-	-	-	-	127
Share-based payments	15	-	-	706	-	-	-	706	-	706
Net income for the period		-	-	-	-	-	-	-	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
Balance, June 30, 2020		251,310,988	\$ 56,821	\$ 7,249	\$ 21,928	\$ 1,013	\$ (5,743)	\$ 24,447	\$ (34,305)	\$ 46,963
Shares issued for:										
Exercise of warrants	15	19,654,341	8,638	-	-	-	-	-	-	8,638
Exercise of stock options	15	150,000	59	(23)	-	-	-	(23)	-	36
Redemption of convertible debentures	9	-	-	-	-	(1,013)	-	(1,013)	-	(1,013)
Share-based payments	15	-	-	159	-	-	-	159	-	159
Net loss for the period		-	-	-	-	-	-	-	(7,108)	(7,108)
Balance, December 31, 2020		271,115,329	\$ 65,518	\$ 7,385	\$ 21,928	\$ -	\$ (5,743)	\$ 23,570	\$ (41,413)	\$ 47,675

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

NORTHERN VERTEX MINING CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Note	Six Months Ended December 31, 2020	Year Ended June 30, 2020
Cash flows from operating activities			
Net income (loss) for the period		\$ (7,108)	\$ 730
Items not affecting cash:			
Share-based compensation		175	1,078
Other share-based payments		-	127
Loss on disposal of plant and equipment		144	-
Depletion and depreciation		6,848	10,724
Fair value (gain) loss on gold call options	12	-	613
Fair value change on derivative liabilities	14	16,265	(745)
Interest expense, including accretion and issue costs		2,434	6,986
Loan recognized as government grant	9	(1,578)	-
Drawdown of silver stream obligation		(4,138)	(5,588)
Unrealized foreign exchange loss (gain)		462	(351)
Changes in non-cash working capital:			
Trade and other receivables		289	(321)
Inventory	17	1,421	(5,944)
Prepaid expenses and deposits		(232)	198
Trade and other payables		(1,374)	2,611
Cash provided by operating activities		13,608	10,118
Cash flows from financing activities			
Proceeds of debt, net		1,139	3,660
Proceeds of lease obligation		478	-
Repayment of debt		(9,417)	(1,537)
Repayment of lease obligation		(1,354)	(1,605)
Proceeds from exercise of stock and warrant options		6,209	-
Interest paid		(934)	(1,576)
Cash used by financing activities		(3,879)	(1,058)
Cash flows from investing activities			
Mineral property expenditures		(4,790)	(1,632)
Restricted cash		(910)	(274)
Plant and equipment expenditures		(2,796)	(3,883)
Proceeds from sale of plant and equipment		315	-
Deferred transaction costs		(53)	-
Cash used in investing activities		(8,234)	(5,789)
Effect of foreign exchange on cash and cash equivalents		5	70
Increase in cash and cash equivalents during the period		1,500	3,341
Cash and cash equivalents, beginning of the period		6,785	3,444
Cash and cash equivalents, end of the period		\$ 8,285	\$ 6,785

Supplemental disclosure of non-cash activities 22

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

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended December 31, 2020 and the year ended June 30, 2020

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

1 Nature of Operations

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 common shares are listed on the Toronto Stock Venture Exchange in Canada under the ticker symbol NEE and on the NASDAQ OTC in the United States under the ticker symbol NHVCF.

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

Impact of Covid-19

The global response to the COVID-19 pandemic has resulted in, among other things, border closures, severe travel restrictions, as well as quarantine, self-isolation, and other emergency measures imposed by various governments. Additional government or regulatory actions or inactions around the world in jurisdictions where the Company operates may also have potentially significant economic and social impacts. The COVID-19 virus and efforts to contain it may have a significant effect on commodity prices, and the possibility of a prolonged global economic downturn may further impact commodity demand and prices. If the Company's business operations are disrupted or suspended as a result of these or other measures, it may have a material adverse effect on the Company's business, results of operations and financial performance. Factors that may be impacted, among other things, are the Company's operating plan, production, supply chain, construction, and maintenance activities. The Company continues to monitor the situation closely, including any potential impact on its operations. The extent to which COVID-19 may impact the Company's business and operations will depend on future developments that are highly uncertain and cannot be accurately estimated, at this time, including new information which may emerge concerning the severity of and the actions required to contain COVID-19 or remedy its impact.

2 Statement of compliance

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

These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on April 13, 2021.

Change of year-end

During the six months ended December 31, 2020, the Company approved a change of its year end from June 30th to December 31st. The Company's transition period is the six months ended December 31, 2020. The comparative period is the twelve months ended June 30, 2020.

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended December 31, 2020 and the year ended June 30, 2020

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

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 periods 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 intercompany balances, and gains or losses on intercompany transactions, have been eliminated for consolidation purposes.

Foreign currency translation

Items included in the financial statements of each of the subsidiaries of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). These consolidated financial statements are presented in United States dollars which are also the functional currency of the parent company and its subsidiaries.

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).

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are classified as financial assets and subsequently measured at amortized cost.

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 Six Months Ended December 31, 2020 and the year ended June 30, 2020

(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 estimated 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.

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. If no mineable ore body is discovered, such costs are expensed in the period in which it is determined the property has no future economic value. 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.

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended December 31, 2020 and the year ended June 30, 2020

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

3 Significant accounting policies (continued)

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 using the units of production ("UOP") method, based on recoverable ounces from the estimated proven and probable reserves and a portion of measured and indicated resources that are reasonably expected to be converted to proven and probable reserves.

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:

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended December 31, 2020 and the year ended June 30, 2020

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

3 Significant accounting policies (continued)

	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.

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.

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).

As the exercise price 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.

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended December 31, 2020 and the year ended June 30, 2020

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

3 Significant accounting policies (continued)

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.

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).

Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance expense. The finance expense is charged to the statements of operations over the lease period. The right-of-use asset is depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the statement of loss. Short-term leases are leases with a lease term of 12 months or less.

Certain leases contain variable payment terms. Variable lease payments are recognized in the statement of loss in the period in which the condition that triggers those payments occurs.

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3 Significant accounting policies (continued)

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.

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.

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.

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3 Significant accounting policies (continued)

Share-based payments

The Company measures equity settled share-based payments based on their fair value at grant date and recognizes compensation expenses 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 may 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.

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 has 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.

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3 Significant accounting policies (continued)

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.

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

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.

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.

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.

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3 Significant accounting policies (continued)

New and amended policies not yet adopted

On May 14, 2020, the IASB published a narrow scope amendment to IAS 16 - Property, Plant and Equipment - Proceeds before Intended Use. The amendment prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, amounts received will be recognized as sales proceeds and related cost in profit or loss. The effective date is for annual periods beginning on or after January 1, 2022, with early adoption permissible. The Company is assessing the effect of the narrow scope amendment on its consolidated financial statements and the possibility of early adoption.

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 expected costs of reclamation and remediation;
- the fair value of derivative liabilities;
- the fair value of the silver stream obligation and associated embedded derivative.
- the portion of convertible debentures directly apportioned to equity;
- 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 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; and
- recognition of deferred tax assets.

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) 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.

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4 Significant accounting estimates and judgments (continued)

ii) 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.

iii) 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 the date of warrant issuance at each subsequent period end based on certain assumptions. Those assumptions are described in Note 15(e) and include, among others, expected volatility, expected life and number expected to vest.

iv) 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.

v) 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.

vi) 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.

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4 Significant accounting estimates and judgments (continued)

vii) 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.

viii) 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.

ix) 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.

5 Trade and other receivables

	December 31, 2020	June 30, 2020
Trade accounts receivable	\$ 11	\$ 334
Value-added taxes receivable	46	12
	\$ 57	\$ 346

6 Inventory

	December 31, 2020	June 30, 2020
Heap leach ore	\$ 21,591	\$ 25,349
Dore	1,509	294
Stockpiled ore	667	1,279
Consumables and supplies	390	301
	\$ 24,157	\$ 27,223

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7 Mineral properties, plant and equipment

Mineral properties, plant and equipment for the six months ended December 31, 2020 and the year ended June 30, 2020 were as follows:

	Depletable mineral properties	Non- depletable mineral properties	Plant and equipment	Total
Cost				
Balance at June 30, 2020	\$ 30,394	\$ 4,145	\$ 56,099	\$ 90,638
Additions	27	4,790	4,198	9,015
Disposals	-	-	(634)	(634)
Balance at December 31, 2020	\$ 30,421	\$ 8,935	\$ 59,663	\$ 99,019
Accumulated Depreciation				
Balance at June 30, 2020	\$ 7,112	\$ -	\$ 15,833	\$ 22,945
Depletion and depreciation	1,718	-	3,397	5,115
Disposals	-	-	(175)	(175)
Balance at December 31, 2020	\$ 8,830	\$ -	\$ 19,055	\$ 27,885
Net book value at December 31, 2020	\$ 21,591	\$ 8,935	\$ 40,608	\$ 71,134

	Depletable mineral properties	Non- depletable mineral properties	Plant and equipment	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	4,061	-	7,428	11,489
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 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 totalling approximately 6% of net revenue to various royalty holders - 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, and amended June 28, 2017 and August 2, 2019 the Company secured an option on the Silver Creek property, located adjacent to the Moss Mine from 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 and had certain exploration expenditure requirements. Details are as follows:

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7 Mineral properties, plant and equipment (continued)

- 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 (paid to date).

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

	December 31, 2020	June 30, 2020
Trade accounts payable	\$ 7,120	\$ 7,883
Accrued liabilities	1,816	1,764
Royalties	1,407	728
Restricted Share Units	376	360
	\$ 10,719	\$ 10,735

9 Debt

	Note	December 31, 2020	June 30, 2020
Convertible debentures – 2016	(i)	-	4,425
Convertible debenture – 2019	(ii)	-	8,119
Convertible debentures - 2020	(iii)	3,195	-
Gold call option facility	(iv)	-	327
Multiple advance promissory note	(v)	2,708	2,039
Payroll protection loan	(vi)	-	1,578
Equipment loans, net of costs	(vii)	-	74
		\$ 5,903	\$ 16,562
Current portion of debt	26	(191)	(9,778)
		\$ 5,712	\$ 6,784

(i) Convertible debentures – 2016:

In June 2020, the Company issued a notice of redemption in respect of the 2016 convertible debentures, with holders of the 2016 debentures being given the opportunity to subscribe for subordinated unsecured CAD\$6,710 worth of 2020 convertible debentures. The outstanding 2016 debentures were redeemed for cash equal to the principal amount of the outstanding 2016 debentures, plus accrued and unpaid interest thereon, with such redemption effective on July 31, 2020.

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9 Debt (continued)

	December 31, 2020		June 30, 2020
Balance, beginning of period	\$ 4,425	\$	4,134
Interest accretion	43		462
Foreign exchange movement	75		(171)
Repayment	(4,543)		-
Balance, end of period	\$ -	\$	4,425

(ii) 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 “the convertible debenture 2019”. The convertible debenture 2019 bore interest at 12% per annum, was payable quarterly in arrears in cash, and could be converted at a price of CAD\$0.30 per common share and included an arrangement fee of 3%. The Company determined the consolidation and extension of the 2018 convertible debentures and the 2019 debt facility to the convertible debenture 2019 resulted in a substantial modification of the financial instruments and therefore an extinguishment of the 2018 convertible debentures and the 2019 debt facility occurred with the resulting loss on extinguishment of \$37 recorded in the consolidated statements of income (loss) and comprehensive income (loss).

On December 1, 2020 the Company repaid in full the principal outstanding of \$8,500. The debenture holder and the Company entered into an agreement under which the debenture holder would not exercise their conversion right in consideration for a cash payment of \$2,000 (Note 19).

The convertible debenture 2019 contained multiple embedded derivatives (the “Conversion Component”) relating to the conversion option and a conversion price fixed in CAD. Upon full repayment of the debenture, the conversion component derivative liability was reversed through the consolidated statements of income (loss) and comprehensive income (loss) (Note 20).

	December 31, 2020		June 30, 2020
Balance, beginning of period	\$ 8,119	\$	-
Consolidation of convertible debentures	-		7,783
Financing costs	-		(274)
Interest accretion	381		610
Repayment	(8,500)		-
Balance, end of period	\$ -	\$	8,119

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9 Debt (continued)

(iii) Convertible debenture - 2020

In June 2020, the Company issued a notice of redemption in respect of the 2016 CAD\$6,700 subordinated unsecured convertible debentures (Note 9i), with holders of the debentures being given the opportunity to subscribe for new subordinated unsecured CAD\$6,710 worth of 2020 convertible debentures. The 2020 debentures mature on June 30, 2025, bear interest at 5% per annum, are 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 2020 debentures is convertible into common shares of the Company at the price of CAD\$0.40 per share. The Company may redeem the 2020 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, on or after July 31, 2022, the Company has the option to repay the principal amount of the 2020 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 convertible debenture 2020 contains an embedded derivative (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 \$2,822 using the Black Scholes option-pricing model (Note 14). Fair value gains and losses at each reporting period are recorded in the consolidated statements of income (loss) and comprehensive income (loss).

	December 31, 2020	June 30, 2020
Balance, beginning of period	\$ -	\$ -
Issuance of convertible debenture	3,005	-
Financing costs	(86)	-
Interest accretion	119	-
Foreign exchange movement	157	-
Balance, end of period	\$ 3,195	\$ -

(iv) Gold call option facility

During the year ended June 30, 2020 6,000 Gold Call Options (Note 12) were exercised by the option holder at a strike price of \$1,200 per ounce and a market price of \$1,526 per ounce. After exercise, there were no outstanding calls. 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.

	December 31, 2020	June 30, 2020
Balance, beginning of period	\$ 327	\$ -
Issued	-	1,962
Principal payments	(327)	(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.

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9 Debt (continued)

(v) Multiple advance promissory note

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

	December 31, 2020	June 30, 2020
Balance, beginning of period	\$ 2,039	\$ -
Issued	787	2,082
Principal payments	(83)	-
Financing costs	(35)	(43)
Balance, end of period	\$ 2,708	\$ 2,039

(vi) 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.

	December 31, 2020	June 30, 2020
Balance, beginning of period	\$ 1,578	\$ -
Note issued	-	1,578
Recognition as government grant	(1,578)	-
Balance, end of period	\$ -	\$ 1,578

(vii) Equipment loans

At December 31, 2020, the Company had equipment loans outstanding totalling \$nil (June 30, 2020 - \$74) 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. The security deposit was to be repaid to the lessor in three instalments of \$288, \$288 and \$291 due no later than April 1, 2020 (paid), July 1, 2020 (paid) and October 1, 2020 respectively. During the six months ended December 31, 2020 an additional \$498 of the security deposit was used to pay principal and interest obligations, with the deposit to be repaid in equal instalments on January 1, 2021 (paid) and April 1, 2021.

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10 Leases (continued)

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

	December 31, 2020		June 30, 2020
Balance, beginning of period	\$ 3,429	\$	4,877
Minimum lease payments	478		-
IFRS 16 lease obligation recognition (Note 3)	-		190
Principal payments	(1,354)		(1,605)
Financing costs	(42)		(33)
Balance, end of period	2,511		3,429
Current portion of leases	(2,070)		(2,119)
Non-current portion of leases	\$ 441	\$	1,310

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% of payable silver into the agreement until 3.5 million ounces are delivered, thereafter, 50% of payable ounces will be supplied into the agreement over the life of the mine on a monthly basis. To date 630,246 ounces of silver have been credited against the agreement.

Deliveries are subject to a ratio of silver to actual gold produced whereby, 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.

The Company receives 20% of the five-day 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 liability's 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 December 31, 2020, the fair value of the embedded derivative was \$15,599 (Note 14).

	December 31, 2020		June 30, 2020
Balance, beginning of period	\$ 18,871	\$	20,669
Silver deliveries	(5,057)		(4,238)
Settlement loss (gain)	919		(1,350)
Interest accretion	1,629		3,790
	16,362		18,871
Current portion of silver stream	(2,843)		(4,469)
Balance, end of period	\$ 13,519	\$	14,402

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12 Gold call options

	December 31, 2020	June 30, 2020
Balance, beginning of period	\$ -	\$ 1,349
Gold Call Options revaluation	-	613
Exercise of gold call options (Note 9)	-	(1,962)
Balance, end of period	\$ -	\$ -

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).

13 Provision for reclamation

	December 31, 2020	June 30, 2020
Balance, beginning of period	\$ 2,720	\$ 2,198
Change in estimate	27	484
Accretion	9	38
Balance, end of period	\$ 2,756	\$ 2,720

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 0.93% 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 based on land disturbance. Accretion expense is recognized in the consolidated statements of income (loss) and comprehensive income (loss).

The total undiscounted amount of the Company's estimated obligation, based on land disturbances at the Moss Mine as of December 31, 2020, was \$2,986.

14 Derivatives

	Note	December 31, 2020	June 30, 2020
Warrants	(i)	\$ 2,087	\$ 2,025
Silver stream embedded derivative	(ii)	15,599	1,808
Conversion component of 2019 convertible debenture	(iii)	-	636
Conversion component of 2020 convertible debenture	(iv)	2,822	-
		\$ 20,508	\$ 4,469
Current portion of derivatives	(ii)	(6,164)	(3,128)
		\$ 14,344	\$ 1,341

(i) Warrants:

The Company's functional currency is the 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 derivatives at fair value through profit or loss. The fair value of warrants issued is estimated using the Black-Scholes option-pricing model. The warrants have an exercise price of C\$0.40 with remaining lives of 2.2 years.

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14 Derivatives (continued)

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

	December 31, 2020	June 30, 2020
Risk-free interest rate	0.20%	0.28%
Expected life of warrants	2.2 years	0.5 – 0.7 years
Dividend rate	Nil	Nil
Expected share price volatility	43%	83 - 87%
Fair value per warrant issued and/or amended (CAD)	\$0.18	\$0.04-\$0.06

	December 31, 2020	June 30, 2020
Balance, beginning of period	\$ 2,025	\$ 2,609
Exercise of warrants	(2,465)	-
Change in fair value	2,288	(516)
Foreign exchange movement	239	(68)
Balance, end of period	2,087	2,025
Current portion of warrant derivative	(2,087)	(2,025)
Non-current portion of warrant derivative	\$ -	\$ -

(ii) Silver stream embedded derivative:

The silver stream embedded derivative is valued using a Monte Carlo simulation valuation model. The key inputs used by the Monte Carlo simulation are 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.

	December 31, 2020	June 30, 2020
Balance, beginning of period	\$ 1,808	\$ 1,956
Change in fair value	13,791	(148)
Balance, end of period	15,599	1,808
Current portion of silver stream embedded derivative	(4,077)	(467)
Non-current portion of silver stream embedded derivative	\$ 11,522	\$ 1,341

(iii) Conversion component of 2019 convertible debenture:

The 2019 convertible debenture (Note 9) contained 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 using the Black Scholes option-pricing model and volatility. Fair value gains and losses at each reporting period were recorded in the consolidated statements of income (loss) and comprehensive income (loss). On December 1, 2020 the Company repaid the convertible debenture in, resulting in the conversion component derivative liability being reversed through the consolidated statements of income (loss) and comprehensive income (loss).

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14 Derivatives (continued)

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

	December 31, 2020	June 30, 2020
Risk-free interest rate	-	0.28%
Expected life	-	0.4 years
Dividend rate	-	Nil
Share price volatility	-	23%

	December 31, 2020	June 30, 2020
Balance, beginning of period	\$ 636	\$ -
Consolidation of convertible debentures	-	717
Change in fair value	(636)	(81)
Balance, end of period	-	636
Current portion of conversion component	-	(636)
Non-current portion of conversion component	\$ -	\$ -

(iv) Conversion component of 2020 convertible debenture:

The 2020 convertible debenture (Note 9) is deemed to contain an embedded derivative (the "Conversion Component") relating to the conversion option and a conversion price fixed in CAD. The Conversion Component's fair value was estimated using the Black Scholes option-pricing model and volatility. 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 for the Black-Scholes valuation of the Conversion Component:

	December 31, 2020	June 30, 2020
Risk-free interest rate	0.25%	-
Expected life	4.8 years	-
Dividend rate	Nil	-
Share price volatility	35%	-

	December 31, 2020	June 30, 2020
Balance, beginning of period	\$ -	\$ -
Issuance of convertible debentures	2,000	-
Change in fair value	822	-
Balance, end of period	\$ 2,822	\$ -

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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.

b) Share-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.

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

	December 31, 2020		June 30, 2020	
	Number of options	Weighted average exercise price (C\$)	Number of options	Weighted average exercise price (C\$)
Outstanding, beginning of period	13,225,000	\$ 0.29	14,154,583	\$ 0.30
Granted	525,000	0.35	1,400,000	0.25
Exercised	(150,000)	0.32	-	-
Forfeited	(200,000)	0.33	(1,029,583)	0.42
Expired	-	-	(1,300,000)	0.25
Outstanding, end of period	13,400,000	\$ 0.29	13,225,000	\$ 0.29

As at December 31, 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)
0.46	1,050,000	July 15, 2021	1,050,000	0.54
0.46	250,000	September 14, 2021	250,000	0.70
0.46	200,000	October 26, 2021	200,000	0.82
0.68	450,000	September 29, 2022	450,000	1.75
0.52	100,000	May 20, 2023	100,000	2.38
0.24	8,325,000	February 27, 2024	8,212,500	3.16
0.24	1,200,000	May 21, 2024	1,200,000	3.39
0.25	1,300,000	February 10, 2025	766,667	4.12
0.35	525,000	July 8, 2025	128,750	4.52
	13,400,000		12,357,917	2.99

The weighted-average remaining contractual life of options outstanding at June 30, 2020 was 3.65 years. The weighted average trading price for options exercised was C\$0.60.

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 expenses relating to equity-settled awards recognized in the consolidated statements of income (loss) and comprehensive income (loss) for the six months ended December 31, 2020 totalled \$159 (June 30, 2020: \$261).

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

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

	December 31, 2020	June 30, 2020
Risk-free interest rate	0.37%	1.39%
Expected life of options	5.0 years	5.0 years
Dividend rate	Nil	Nil
Expected forfeiture rate	0%	0%
Expected volatility	90%	95%

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 as such are recognised as a liability of \$376 on the Consolidated Statements of Financial Position. The RSUs 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. Continuity of the Company's RSUs issued and outstanding is as follows:

	December 31, 2020	June 30, 2020
Outstanding, beginning of period	3,000,000	-
Granted	-	3,000,000
Vested	(1,500,000)	
Outstanding, end of period	1,500,000	3,000,000

As at December 31, 2020, the following RSUs were outstanding and exercisable:

Number of share units outstanding	Expiry date	Remaining contractual life (years)
1,500,000	October 9, 2021	0.77
1,500,000		0.77

Share-based compensation expense relating to cash settled-awards recognized in the consolidated statements of income (loss) and comprehensive income (loss) for the six months ended December 31, 2020 totalled \$690 (June 30, 2020: \$372).

e) Warrants

Share purchase warrants enable the holders to acquire common shares of the Company upon exercise. Continuity of warrants issued and outstanding for the six months ended December 31, 2020 and the year ended June 30, 2020 were as follows:

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

	December 31, 2020		June 30, 2020	
	Number of warrants	Weighted average exercise price (C\$)	Number of warrants	Weighted average exercise price (C\$)
Outstanding, beginning of period	93,377,409	\$ 0.58	96,205,547	\$ 0.58
Issued	-	-	-	-
Exercised	(19,654,341)	0.40	-	-
Expired	(25,085,625)	0.40	(2,828,138)	0.65
Outstanding, end of period	48,637,443	\$ 0.85	93,377,409	\$ 0.58

As at December 31, 2020, the Company had outstanding share purchase warrants as follows:

Number of warrants	Exercise price (C\$)	Expiry date
11,112,500	0.40	February 20, 2023
3,368,274	0.40	February 27, 2023
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
48,637,443	\$ 0.85	

The weighted average remaining life of the outstanding warrants as at December 31, 2020 was 1.8 years (June 30, 2020: 0.98 years).

f) 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 six months ended December 31, 2020, 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:

	December 31, 2020	June 30, 2020
Profit (loss) for the year	\$ (7,108)	\$ 730
Basic weighted average number of common shares outstanding	253,668,048	247,953,337
Effective impact of dilutive securities:		
Share options	-	796,582
Diluted weighted average number of shares outstanding	253,668,048	248,749,919
Earnings (loss) per share		
Basic	\$ (0.03)	\$ 0.00
Diluted	(0.03)	0.00

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16 Revenue

Revenue by metal for the six months ended December 31, 2020 and year ended June 30, 2020 were as follows:

	December 31, 2020	June 30, 2020
Gold sales	\$ 46,513	\$ 51,920
Silver sales	6,466	5,315
	52,979	57,235
Treatment and refining charges	(240)	(274)
	\$ 52,739	\$ 56,961

17 Production costs

	December 31, 2020	June 30, 2020
Contractors and outside services	\$ 12,547	\$ 20,851
Employee compensation and benefits expense	4,349	8,463
Materials and consumables	3,292	7,683
Other expenses	3,688	3,277
Share-based compensation	788	591
Changes in inventories	1,421	(5,944)
	\$ 26,085	\$ 34,921

18 Corporate administrative expenses

	December 31, 2020	June 30, 2020
Direct general and administrative	\$ 1,097	\$ 1,210
Employee general and administrative	953	798
Share-based compensation	61	487
Depreciation and depletion	4	6
	\$ 2,115	\$ 2,501

19 Finance costs

	December 31, 2020	June 30, 2020
Interest on debt	\$ (786)	\$ (1,936)
Accretion on streaming obligation (Note 11)	(1,629)	(3,790)
Gain on redemption of convertible debenture	556	-
Amortisation of debt issuance costs	(24)	(44)
Other interest accretion	(551)	(1,216)
Interest expense, including accretion and issue costs	(2,434)	(6,986)
Fair value loss on gold call options (Note 12)	-	(613)
Conversion rights waiver (Note 9)	(2,000)	-
Settlement gain (loss) on silver stream (Note 11)	(919)	1,350
Finance costs – silver stream	(1,267)	(238)
Finance costs – gold sales	(116)	-
Interest income	11	51
	\$ (6,725)	\$ (6,436)

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20 Gain (loss) on revaluation of derivative liabilities

	December 31, 2020	June 30, 2020
Warrants	\$ (2,288)	\$ 516
Silver stream embedded derivative	(13,791)	148
Conversion component of 2019 convertible debenture	636	81
Conversion component of 2020 convertible debenture	(822)	-
	\$ (16,265)	\$ 745

21 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 six months ended December 31, 2020 and the year ended June 30, 2020:

	December 31, 2020	June 30, 2020
Net profit (loss) before taxes	\$ (7,108)	\$ 730
Statutory tax rate	27%	27%
Expected income tax expense (recovery)	\$ (1,919)	\$ 197
Non-deductible items	1,023	307
Foreign exchange	(803)	(78)
Foreign tax rate difference	16	79
Change in estimate	2,551	(2,558)
Change in deferred tax assets not recognized	(868)	2,053
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 December 31, 2020 and June 30, 2020 are as follows:

	December 31, 2020	June 30, 2020
Tax loss carryforwards	\$ 12,418	\$ 13,320
Convertible debentures	(596)	(217)
Property and equipment	(1)	(9,806)
Mining interests	(13,390)	(3,469)
Silver stream obligation	808	-
Gold Call Options	761	172
Net deferred tax asset (liability)	\$ -	\$ -

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21 Income taxes (continued)

The unrecognized deductible temporary differences are as follows:

	December 31, 2020	June 30, 2020
Property and equipment	\$ -	\$ 2,840
Financing costs	599	778
Provision for reclamation and remediation	-	2,720
Streaming obligation	28,713	18,870
Derivatives	-	1,808
Other	246	188
Tax loss carryforwards	6,991	12,507
Unrecognized deductible temporary differences	\$ 36,549	\$ 39,711

As at December 31, 2020, the Company had non-capital tax loss carryforwards in Canada of \$7,009 which can be applied to reduce future Canadian taxable income and will expire between 2032 and 2040. In addition, the Company had net operating tax loss carryforwards in the United States of \$49,910 which can be applied to reduce future US taxable income which have an unlimited expiry period.

22 Supplemental cash flow information

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

	December 31, 2020	June 30, 2020
Accounts payable and accrued liabilities	\$ 1,402	\$ (164)

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

	December 31, 2020	June 30, 2020
Balance, beginning of year	\$ 38,862	\$ 38,740
Proceeds from loan facilities, net	1,139	3,659
Repayment of debt	(9,344)	-
Repayment of lease obligation	(1,354)	(1,605)
Silver stream deliveries & settlement gain	(4,138)	(2,162)
Payroll protection loan recognized as government grant	(1,588)	-
Other non-cash movements	1,199	230
Balance, end of period	\$ 24,776	\$ 38,862

23 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:

	December 31, 2020	June 30, 2020
Shared office expenses receivable	\$ 11	\$ 8
Consulting fees payable	\$ -	\$ 7

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23 Related party transactions (continued)

Related party transactions are as follows:

	December 31, 2020	June 30, 2020
Consulting fees	\$ 48	\$ 89
Shared office recovery	\$ (23)	\$ (24)

- (i) Consulting fees charged by companies controlled by certain directors of the Company are included in employee compensation and benefits expenses, 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.

Debt with a significant shareholder

On December 1, 2020, the Company repaid a convertible debenture (Note 9) with a significant shareholder.

Balances due to the significant shareholder are as follows:

	December 31, 2020	June 30, 2020
Convertible debenture – 2019 (Note 9)	-	8,119

Transactions with the significant shareholder for the six months ended December 31, 2020 and the year ended June 30, 2020 were as follows:

	December 31, 2020	June 30, 2020
Principal repayments	\$ 8,500	\$ 500
Conversion rights waiver	2,000	-
Interest expense	426	1,329

24 Key management personnel compensation

Key management includes the Company's directors (executive and non-executive) and executive officers including its Chief Executive Officer, Chief Financial Officer and General Manager of the Moss Mine. The remuneration of the Company's key management personnel for the six months ended December 31, 2020 and the year ended June 30, 2020 is as follows:

	December 31, 2020	June 30, 2020
Salaries and short-term benefits	\$ 1,112	\$ 786
Directors fees – full year	141	127
Share-based payments	311	769

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25 Fair value measurements and financial risk management

The carrying values of cash, trade and other receivables, and trade and other payables approximate their fair values due to the short-term nature of these instruments.

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

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

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

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

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

The 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 December 31, 2020	Carrying value			Fair value		
	Fair value through profit or loss	Amortized cost	Fair value through OCI	Level 1	Level 2	Level 3
Financial assets						
Cash	-	8,285	-	8,285	-	-
Restricted cash	-	2,340	-	2,340	-	-
	\$ -	\$ 10,625	\$ -	\$ 10,625	\$ -	\$ -
Financial liabilities						
Current and long term debt	-	(5,903)	-	-	(5,903)	-
Leases	-	(2,511)	-	-	(2,511)	-
Silver stream	-	(16,362)	-	-	(16,362)	-
Derivatives	(20,508)	-	-	-	-	(20,508)
	\$ (20,508)	\$ (24,776)	\$ -	\$ -	\$ (24,776)	\$ (20,508)

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	Level 3
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)	\$ -	\$ -	\$ (38,862)	\$ (4,469)

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.

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25 Fair value measurements and financial risk management (continued)

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 December 31, 2020 related primarily to goods and services tax which is expected to be collectible in full due to the nature of the counterparties and previous history of collectability.

(b) Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

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 27.

(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 December 31, 2020 the Company held cash denominated in USD of \$4,955 and CAD of \$4,241 (June 30, 2020: USD6,667 and CAD160). With other variables unchanged, a 1% increase on the USD/CAD exchange rate would increase debt by \$32. 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.

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25 Fair value measurements and financial risk management (continued)

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 is 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.

26 Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern 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 December 31, 2020.

27 Commitments

At December 31, 2020, the Company had the following contractual obligations outstanding:

	Within 1 year	2-3 years	4-5 years	5+ years	Total
Debt ⁽¹⁾	\$ 498	\$ 996	\$ 4,060	\$ 2,296	\$ 7,850
Trade and other payables	10,719	-	-	-	10,719
Lease commitments ⁽²⁾	2,311	468	127	-	2,906
Silver stream	2,843	4,189	3,130	1,020	11,182
Provision for reclamation ⁽³⁾	-	-	-	2,986	2,986
	\$ 16,371	\$ 5,653	\$ 7,317	\$ 6,302	\$ 35,643

⁽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.

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28 Segmented information

The Company has one reportable operating segment, being the acquisition, exploration, development and production of precious metals. The consolidated statements of income (loss) and comprehensive income (loss) are 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:

	December 31, 2020		
	Canada	USA	Total
Mineral properties	\$ -	\$ 30,526	\$ 30,526
Plant and equipment	10	40,596	40,608
Restricted cash	-	2,340	2,340
	\$ 10	\$ 73,462	\$ 73,474

	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

Profit and loss by geographic location is as follows:

	Six Months Ended December 31, 2020		
	Canada	USA	Total
Revenue	\$ -	\$ 52,739	\$ 52,739
Cost of sales	-	(35,821)	(35,821)
Earnings from mine operations	-	16,918	16,918
Corporate administrative expenses	(2,115)	-	(2,115)
Finance costs	(2,545)	(4,180)	(6,725)
Loss on revaluation of derivative liabilities	(2,474)	(13,791)	(16,265)
Foreign exchange loss	(509)	-	(509)
Government grants	-	1,588	1,588
Net profit (loss) for the period	\$ (7,643)	\$ 535	\$ (7,108)

	Year Ended June 30, 2020		
	Canada	USA	Total
Revenue	\$ -	\$ 56,961	\$ 56,961
Cost of sales	-	(49,051)	(49,051)
Loss from mine operations	-	7,910	7,910
Corporate administrative expenses	(2,501)	-	(2,501)
Finance costs	(2,515)	(3,921)	(6,436)
Gain on revaluation of derivative liabilities	597	148	745
Foreign exchange gain	247	-	247
Other revenue	-	765	765
Net profit (loss) for the period	\$ (4,172)	\$ 4,902	\$ 730

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29 Subsequent events

Subsequent to December 31, 2020:

- Effective February 12, 2021, Northern Vertex Mining Corp. acquired Eclipse Gold Mining Corp. ("Eclipse") in exchange for consideration of 1.09 of a common share of the Company for each common share of Eclipse (the "share exchange ratio").

All outstanding stock options, restricted share units and warrants of Eclipse were exchanged for stock options or warrants of Northern Vertex on the same basis as the share exchange ratio for the common shares. The transaction was closed on February 12, 2021.

Shares, stock options and warrants issued totalled 108.96 million, 3.47 million and 23.75 million respectively, with the warrants having expected lives ranging between 0.4 and 1.9 years.

As part of the transaction, Maverix Metals Inc sold 19.5 million of the Company's shares to Eclipse for C\$0.50 per Warrant Share for a total purchase price of C\$9,756. These shares will be returned to Northern Vertex for cancellation once regulatory approvals have been received.

The transaction was accounted for as an asset acquisition of exploration and evaluation assets and related assets and liabilities using the purchase method, rather than as a business combination, as the net assets acquired did not represent a business.

The total purchase price of \$39,129 has been preliminarily allocated to net assets as follows:

Total consideration	\$ 39,129
Allocation of net assets:	
Cash and cash equivalents	13,083
Trade and other receivables	46
Investment in Northern Vertex	7,061
Prepaid expenses and deposits	346
Plant and equipment	5
Mineral properties	19,040
Trade and other payables	(435)
Provision for reclamation	(17)
	\$ 39,129

- 5,356,804 warrants of the Company with an exercise price of C\$1.00 expired on March 24, 2021.