



NORTHERN VERTEX
MINING CORP

Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2021 and 2020

(Expressed in United States Dollars)
(Unaudited)

NORTHERN VERTEX MINING CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)
(Unaudited)

	Note	March 31 2021	December 31 2020
ASSETS			
Current assets			
Cash and cash equivalents		\$ 13,892	\$ 8,285
Trade and other receivables		517	57
Inventory	5	26,682	24,157
Prepaid expenses and deposits		475	408
Total current assets		41,566	32,907
Non-current assets			
Restricted cash		2,182	2,340
Plant and equipment	6	44,487	40,608
Mineral properties	6	55,070	30,526
Deferred transaction costs		-	53
Total assets		\$ 143,305	\$ 106,434
LIABILITIES			
Current liabilities			
Trade and other payables	7	\$ 12,653	\$ 10,719
Current portion of debt	8	191	191
Current portion of leases	9	1,793	2,070
Current portion of silver stream	10	2,668	2,843
Current portion of derivatives	12	8,149	6,164
Total current liabilities		25,454	21,987
Non-current liabilities			
Debt	8	5,781	5,712
Leases	9	381	441
Silver stream	10	13,236	13,519
Provision for reclamation	11	2,558	2,756
Derivatives	12	16,175	14,344
Total liabilities		63,585	58,759
SHAREHOLDERS' EQUITY			
Share capital	13	100,555	65,518
Equity reserves		23,905	23,570
Deficit		(44,740)	(41,413)
Total shareholders' equity		79,720	47,675
Total liabilities and shareholders' equity		\$ 143,305	\$ 106,434

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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 condensed interim consolidated financial statements.

NORTHERN VERTEX MINING CORP.

CONDENSED INTERIM 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)

(Unaudited)

	Note	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Revenue	14	\$ 16,402	\$ 13,088
Cost of sales			
Production costs	15	(10,203)	(7,102)
Depletion and depreciation	6	(2,177)	(2,195)
Royalties		(902)	(772)
		(13,282)	(10,069)
Earnings from mine operations		3,120	3,019
Corporate administrative expenses	16	(1,573)	(645)
Operating Income		1,547	2,374
Finance costs	17	(1,566)	(1,171)
Gain (loss) on revaluation of derivative liabilities	18	(1,638)	5,760
Foreign exchange gain		82	548
Income (loss) and comprehensive income (loss) for the period		\$ (1,575)	\$ 7,511
Income (loss) per share			
Basic		\$ (0.00)	\$ 0.03
Diluted		(0.00)	0.03
Weighted average number of shares outstanding			
Basic		329,186,003	248,544,892
Diluted		329,186,003	300,579,187

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

NORTHERN VERTEX MINING CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)
(Unaudited)

	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, December 31, 2019		247,125,903	\$ 56,003	\$ 6,958	\$ 21,928	\$ 1,013	\$ (5,743)	\$ 24,156	\$ (45,760)	\$ 34,400
Shares issued for:										
Gold call loan payment		3,586,889	697	-	-	-	-	-	-	697
Share-based payments	13	-	-	186	-	-	-	186	-	186
Net income for the period		-	-	-	-	-	-	-	7,511	7,511
Balance, March 31, 2020		250,712,792	\$ 56,700	\$ 7,144	\$ 21,928	\$ 1,013	\$ (5,743)	\$ 24,342	\$ (38,249)	\$ 42,793
Balance, December 31, 2020		271,115,329	\$ 65,518	\$ 7,385	\$ 21,928	\$ -	\$ (5,743)	\$ 23,570	\$ (41,413)	\$ 47,675
Shares issued for:										
Purchase of Eclipse Gold Mining Corp		108,960,127	39,431	307	-	-	-	307	-	39,738
Convertible debt interest payment	8	269,712	100	-	-	-	-	-	-	100
Mineral property acquisition		1,090,000	385	-	-	-	-	-	-	385
Mining contractor settlement		365,100	150	-	-	-	-	-	-	150
Cancellation of shares held by Eclipse Gold Mining Corp		(19,511,041)	(5,392)	-	-	-	-	-	(1,752)	(7,144)
Exercise of stock options	13	1,045,083	363	(171)	-	-	-	(171)	-	192
Share-based payments	13	-	-	199	-	-	-	199	-	199
Net loss for the period		-	-	-	-	-	-	-	(1,575)	(1,575)
Balance, March 31, 2021		363,334,310	\$ 100,555	\$ 7,720	\$ 21,928	\$ -	\$ (5,743)	\$ 23,905	\$ (44,740)	\$ 79,720

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

NORTHERN VERTEX MINING CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Note	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Cash flows from operating activities			
Net income (loss) for the period		\$ (1,575)	\$ 7,511
Items not affecting cash:			
Share-based compensation		130	231
Other share-based payments		150	-
Depletion and depreciation		2,179	2,198
Fair value change on derivative liabilities	12	1,638	(5,760)
Interest expense, including accretion and issue costs		1,011	1,756
Drawdown of silver stream obligation		(1,204)	(1,842)
Unrealized foreign exchange loss (gain)		95	(673)
Changes in non-cash working capital:			
Trade and other receivables		(415)	1
Inventory	15	(2,449)	(2,879)
Prepaid expenses and deposits		195	60
Trade and other payables		141	1,842
Cash provided by (used in) operating activities		(104)	2,445
Cash flows from financing activities			
Repayment of debt		(48)	(142)
Repayment of lease obligation		(527)	(497)
Proceeds from exercise of stock and warrant options		192	-
Interest paid		(96)	(414)
Cash used by financing activities		(479)	(1,053)
Cash flows from investing activities			
Mineral property expenditures		(1,736)	(188)
Restricted cash		298	(274)
Plant and equipment expenditures		(4,433)	(1,937)
Cash acquired in purchase of Eclipse	4	13,083	-
Eclipse transaction costs		(894)	-
Cash provided by (used in) investing activities		6,318	(2,399)
Effect of foreign exchange on cash and cash equivalents		(128)	153
Increase (decrease) in cash and cash equivalents during the period		5,607	(854)
Cash and cash equivalents, beginning of the period		8,285	3,328
Cash and cash equivalents, end of the period		\$ 13,892	\$ 2,474

Supplemental disclosure of non-cash activities

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

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2021 and 2020

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

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, as well as the Hercules Project ("Hercules"), an exploration property located in Lyon County, Nevada.

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 condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards applicable to the preparation of interim financial statements, including International Accounting Standards 34, Interim Financial Reporting as issued by the International Accounting Standards Board.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on May 20, 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 was the six months ended December 31, 2020. The comparative period is the three months ended March 31, 2020.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended March 31, 2021 and 2020

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

3 Significant accounting policies

The significant accounting policies applied in the preparation of these condensed interim consolidated financial statements are consistent with the accounting policies disclosed in note 3 of the audited consolidated financial statements for the six months ended December 31, 2020. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the six months ended December 31, 2020.

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 condensed interim consolidated financial statements include the accounts of five wholly-owned subsidiaries, Golden Vertex Corp., Golden Vertex (Idaho) Corp., Eclipse Gold Mining Corp., Alcmene Mining Inc. and Hercules Gold USA, LLC. All intercompany balances, and gains or losses on intercompany transactions, have been eliminated for consolidation purposes.

Acquisition accounting

The Company accounted for the acquisition of Eclipse Gold Mining Corp. ("Eclipse") as an asset acquisition. Significant judgement and estimates were required to determine that the application of this accounting treatment was appropriate for the transaction. These included, among others, the determination that Eclipse was not considered a business under IFRS 3 – *Business Combinations* as Eclipse did not have significant inputs, processes and output, that together constitute a business.

4 Acquisition of Eclipse Gold Mining Corp.

On February 12, 2021 (the "Closing"), the Company acquired Eclipse in exchange for consideration of 1.09 of a common share of the Company for each common share of Eclipse. 108,960,127 common shares were issued on Closing with a fair value of \$39,432 based on a C\$0.46 market price per share on Closing.

The acquisition was accounted for as an asset acquisition. The total consideration was allocated to the assets and liabilities acquired based on their fair values:

Total consideration	\$ 42,825
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	206
Restricted cash	140
Plant and equipment	5
Mineral properties	22,736
Trade and other payables	(435)
Provision for reclamation	(17)
Total assets and liabilities acquired	\$ 42,825

Total consideration in the acquisition was as follows:

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited)

4 Acquisition of Eclipse Gold Mining Corp. (continued)

Common shares	39,431
Warrants	2,139
Share options	307
Transaction costs	948
Total consideration	\$ 42,825

5 Inventory

	March 31, 2021	December 31, 2020
Heap leach ore	\$ 22,318	\$ 21,591
Dore	2,987	1,509
Stockpiled ore	1,043	667
Consumables and supplies	334	390
	\$ 26,682	\$ 24,157

6 Mineral properties, plant and equipment

Mineral properties, plant and equipment for the three months ended March 31, 2021 and the six months ended December 31, 2020 were as follows:

Three Months Ended March 31, 2021	Depletable mineral properties	Non- depletable mineral properties	Plant and equipment	Total
Cost				
Balance at December 31, 2020	\$ 30,421	\$ 8,935	\$ 59,663	\$ 99,019
Additions	49	2,773	5,392	8,214
Acquisition of Eclipse Gold Mining Corp.	-	22,736	5	22,741
Future site restoration provision adjustment	(221)	-	-	(221)
Transfer from non-depletable mineral properties	2,789	(2,789)	-	-
Balance at March 31, 2021	\$ 33,038	\$ 31,655	\$ 65,060	\$ 129,753
Accumulated Depreciation				
Balance at December 31, 2020	\$ 8,830	-	\$ 19,055	\$ 27,885
Depletion and depreciation	793	-	1,518	2,311
Balance at March 31, 2021	\$ 9,623	\$ -	\$ 20,573	\$ 30,196
Net book value at March 31, 2021	\$ 23,415	\$ 31,655	\$ 44,487	\$ 99,557
Six Months Ended December 31, 2020				
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	\$ -	\$ 19,056	\$ 27,885
Net book value at December 31, 2020	\$ 21,591	\$ 8,935	\$ 40,607	\$ 71,134

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited)

6 Mineral properties, plant and equipment (continued)

Depletable mineral properties consist of the Moss Mine. Non-depletable mineral properties consist of exploration on the Moss Property, the Silver Creek Property and the Hercules 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:

- 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, including amounts paid to date. Once \$4,000 has been paid, the NSR rates, on claims not otherwise acquired, reduce by 50%.

7 Trade and other payables

	March 31, 2021	December 31, 2020
Trade accounts payable	\$ 9,694	\$ 7,120
Accrued liabilities	1,142	1,816
Royalties	1,509	1,407
Restricted Share Units	308	376
	\$ 12,653	\$ 10,719

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For the Three Months Ended March 31, 2021 and 2020

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

8 Debt

	Note	March 31, 2021	December 31, 2020
Convertible debentures - 2020	(i)	3,312	3,195
Multiple advance promissory note	(ii)	2,660	2,708
		\$ 5,972	\$ 5,903
Current portion of debt	23	(191)	(191)
		\$ 5,781	\$ 5,712

(i) 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, 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, 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 as at March 31, 2021 was estimated to be \$2,248 using the Black Scholes option-pricing model (Note 12). Fair value gains and losses at each reporting period are recorded in the condensed interim consolidated statements of income (loss) and comprehensive income (loss).

	March 31, 2021	December 31, 2020
Balance, beginning of period	\$ 3,195	\$ -
Issuance of convertible debenture	-	3,005
Financing costs	-	(86)
Interest accretion	77	119
Foreign exchange movement	40	157
Balance, end of period	\$ 3,312	\$ 3,195

(ii) Multiple advance promissory note

In February 2020, the Company completed a term loan financing of \$2,869 at rates of approximately 1.9% per annum over a fifteen year amortization period, for the purpose of constructing an electrical powerline to the Moss Mine.

NORTHERN VERTEX MINING CORP.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)
(Unaudited)

8 Debt (continued)

	March 31, 2021	December 31, 2020
Balance, beginning of period	\$ 2,708	\$ 2,039
Issued	-	787
Principal payments	(48)	(83)
Financing costs	-	(35)
Balance, end of period	\$ 2,660	\$ 2,708

9 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.

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

	March 31, 2021	December 31, 2020
Balance, beginning of period	\$ 2,511	\$ 3,429
Minimum lease payments	185	478
Principal payments	(527)	(1,354)
Financing costs	5	(42)
Balance, end of period	2,174	2,511
Current portion of leases	(1,793)	(2,070)
Non-current portion of leases	\$ 381	\$ 441

10 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 700,425 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.

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10 Silver stream (continued)

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 condensed interim consolidated statement of income (loss) and comprehensive income (loss). At March 31, 2021, the fair value of the embedded derivative was \$19,101 (Note 12).

	March 31, 2021	December 31, 2020
Balance, beginning of period	\$ 16,362	\$ 18,871
Silver deliveries	(1,463)	(5,057)
Settlement loss (gain)	259	919
Interest accretion	746	1,629
	15,904	16,362
Current portion of silver stream	(2,668)	(2,843)
Balance, end of period	\$ 13,236	\$ 13,519

11 Provision for reclamation

	March 31, 2021	December 31, 2020
Balance, beginning of period	\$ 2,756	\$ 2,720
Acquisition of Eclipse Gold Mining Corp.	17	-
Change in estimate	(221)	27
Accretion	6	9
Balance, end of period	\$ 2,558	\$ 2,756

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 1.74% 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 condensed interim 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 March 31, 2021, was \$2,896.

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

12 Derivatives

	Note	March 31, 2021	December 31, 2020
Warrants	(i)	\$ 2,975	\$ 2,087
Silver stream embedded derivative	(ii)	19,101	15,599
Conversion component of 2019 convertible debenture	(iii)	-	-
Conversion component of 2020 convertible debenture	(iv)	2,248	2,822
		\$ 24,324	\$ 20,508
Current portion of derivatives	(ii)	(8,149)	(6,164)
		\$ 16,175	\$ 14,344

(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 are valued using their market price on the Toronto Stock Exchange, or where a market price is not available the Black-Scholes option-pricing model. The warrants have an exercise price of C\$0.40 with remaining lives of 1.9 years.

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

	March 31, 2021	December 31, 2020
Risk-free interest rate	0.22%	0.20%
Expected life of warrants	1.9 years	2.2 years
Dividend rate	Nil	Nil
Expected share price volatility	71%	43%
Fair value per warrant issued and/or amended (CAD)	\$0.12	\$0.18

	March 31, 2021	December 31, 2020
Balance, beginning of period	\$ 2,087	\$ 2,025
Issuance of warrants	2,139	
Exercise of warrants	-	(2,465)
Change in fair value	(1,290)	2,288
Foreign exchange movement	39	239
Balance, end of period	2,975	2,087
Current portion of warrant derivative	(2,975)	(2,087)
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.

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

12 Derivatives (continued)

	March 31, 2021	December 31, 2020
Balance, beginning of period	\$ 15,599	\$ 1,808
Change in fair value	3,502	13,791
Balance, end of period	19,101	15,599
Current portion of silver stream embedded derivative	(5,174)	(4,077)
Non-current portion of silver stream embedded derivative	\$ 13,927	\$ 11,522

(iii) Conversion component of 2019 convertible debenture:

The 2019 convertible debenture 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 condensed interim consolidated statements of income (loss) and comprehensive income (loss). On December 1, 2020 the Company repaid the convertible debenture, resulting in the conversion component derivative liability being reversed through the condensed interim consolidated statements of income (loss) and comprehensive income (loss).

	March 31, 2021	December 31, 2020
Balance, beginning of period	\$ -	\$ 636
Consolidation of convertible debentures	-	-
Change in fair value	-	(636)
Balance, end of period	\$ -	\$ -

(iv) Conversion component of 2020 convertible debenture:

The 2020 convertible debenture (Note 8) 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 condensed interim consolidated statements of income (loss) and comprehensive income (loss).

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

	March 31, 2021	December 31, 2020
Risk-free interest rate	0.99%	0.25%
Expected life	4.3 years	4.8 years
Dividend rate	Nil	Nil
Share price volatility	66%	35%

	March 31, 2021	December 31, 2020
Balance, beginning of period	\$ 2,822	\$ -
Issuance of convertible debentures	-	2,000
Change in fair value	(574)	822
Balance, end of period	\$ 2,248	\$ 2,822

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13 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) Shared-based compensation

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

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

	March 31, 2021		December 31, 2020	
	Number of options	Weighted average exercise price (C\$)	Number of options	Weighted average exercise price (C\$)
Outstanding, beginning of period	13,400,000	\$ 0.29	13,225,000	\$ 0.29
Granted	3,106,500	0.33	525,000	0.35
Exercised	(899,750)	0.27	(150,000)	0.32
Forfeited	(50,000)	0.25	(200,000)	0.33
Outstanding, end of period	15,556,750	\$ 0.30	13,400,000	\$ 0.29

As at March 31, 2021, 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	0.29
0.46	250,000	September 14, 2021	250,000	0.46
0.46	200,000	October 26, 2021	200,000	0.57
0.68	450,000	September 29, 2022	450,000	1.50
0.52	100,000	May 20, 2023	100,000	2.14
0.24	7,725,000	February 27, 2024	7,725,000	2.91
0.24	1,200,000	May 21, 2024	1,200,000	3.14
0.25	1,250,000	February 10, 2025	1,150,000	3.87
0.35	525,000	July 8, 2025	262,500	4.27
0.33	2,806,750	February 18, 2023	1,403,375	1.89
	15,556,750		13,790,875	2.24

The weighted-average remaining contractual life of options outstanding at December 31, 2020 was 2.99 years. The weighted average trading price for options exercised was C\$0.40.

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

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 condensed interim consolidated statements of income (loss) and comprehensive income (loss) for the three months ended March 31, 2021 totalled \$160 (2020: \$141).

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

	March 31, 2021	December 31, 2020
Risk-free interest rate	0.19%	0.37%
Expected life of options	2.0 years	5.0 years
Dividend rate	Nil	Nil
Expected forfeiture rate	0%	0%
Expected volatility	70%	90%

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. Equity-settled RSUs are recognized over the vesting period from the date of grant. Cash-settled RSUs are marked to market and recognised as a liability on the Condensed Interim Consolidated Statements of Financial Position. Continuity of the Company's RSUs issued and outstanding is as follows:

	March 31, 2020	December 31, 2020
Outstanding, beginning of period	1,500,000	3,000,000
Granted	436,000	-
Vested	(145,333)	(1,500,000)
Outstanding, end of period	1,790,667	1,500,000

As at March 31, 2021, the following RSUs were outstanding and exercisable:

Number of share units outstanding	Expiry date	Remaining contractual life (years)
1,500,000	October 9, 2021	0.53
290,667	February 18, 2023	1.89
1,790,667		0.75

Share-based compensation gain relating to cash settled-awards recognized in the condensed interim consolidated statements of income (loss) and comprehensive income (loss) for the three months ended March 31, 2021 totalled \$30 (2020: expenditure of \$45).

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

The fair value of equity-settled share RSUs granted was estimated using the Black-Scholes option pricing model with the following assumptions:

	March 31, 2021	December 31, 2020
Risk-free interest rate	0.19%	-
Expected life of options	2.0 years	-
Dividend rate	Nil	-
Expected forfeiture rate	0%	-
Expected volatility	70%	-

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 three months ended March 31, 2021 and 2020 were as follows:

	March 31, 2021		December 31, 2020	
	Number of warrants	Weighted average exercise price (C\$)	Number of warrants	Weighted average exercise price (C\$)
Outstanding, beginning of period	48,637,443	\$ 0.85	93,377,409	\$ 0.58
Issued	26,191,141	0.77	-	-
Exercised	-	-	(19,654,341)	0.40
Expired	(5,356,804)	1.00	(25,085,625)	0.40
Outstanding, end of period	69,471,780	\$ 0.80	48,637,443	\$ 0.85

As at March 31, 2021, the Company had outstanding share purchase warrants as follows:

Number of warrants	Exercise price (C\$)	Expiry date
989,141	0.69	July 7, 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
22,559,500	0.80	January 14, 2023
2,642,500	0.50	January 14, 2023
11,112,500	0.40	February 20, 2023
3,368,274	0.40	February 27, 2023
69,471,780	\$ 0.80	

The weighted average remaining life of the outstanding warrants as at March 31, 2021 was 1.6 years (2020: 1.8 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 three months ended March 31, 2021, 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:

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

	March 31, 2021	March 31, 2020
Profit (loss) for the period	\$ (1,575)	\$ 7,511
Add: Interest and fees on convertible debentures	-	572
Adjusted profit (loss) for the period	(1,575)	8,083
Basic weighted average number of common shares outstanding	329,186,003	248,544,892
Effective impact of dilutive securities:		
Convertible debentures	-	52,012,667
Share options	-	21,628
Diluted weighted average number of shares outstanding	329,186,003	300,579,187
Earnings (loss) per share		
Basic	\$ (0.00)	\$ 0.03
Diluted	(0.00)	0.03

14 Revenue

Revenue by metal for the three months ended March 31, 2021 and 2020 were as follows:

	March 31, 2021	March 31, 2020
Gold sales	\$ 14,622	\$ 11,655
Silver sales	1,873	1,482
	16,495	13,137
Treatment and refining charges	(93)	(49)
	\$ 16,402	\$ 13,088

15 Production costs

	March 31, 2021	March 31, 2020
Contractors and outside services	\$ 7,181	\$ 5,171
Employee compensation and benefits expense	2,146	2,146
Materials and consumables	2,089	1,899
Other expenses	1,287	676
Share-based compensation	(51)	89
Changes in inventories	(2,449)	(2,879)
	\$ 10,203	\$ 7,102

16 Corporate administrative expenses

	March 31, 2021	March 31, 2021
Direct general and administrative	\$ 492	\$ 261
Employee general and administrative	898	240
Share-based compensation	181	142
Depreciation and depletion	2	2
	\$ 1,573	\$ 645

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17 Finance costs

	March 31, 2021	March 31, 2020
Interest on debt	\$ (177)	\$ (459)
Accretion on streaming obligation (Note 10)	(746)	(957)
Amortisation of debt issuance costs	(5)	(10)
Other interest accretion	(83)	(330)
Interest expense, including accretion and issue costs	(1,011)	(1,756)
Settlement gain (loss) on silver stream (Note 10)	(259)	657
Finance costs – silver stream	(298)	(79)
Interest income	2	7
	\$ (1,566)	\$ (1,171)

18 Gain (loss) on revaluation of derivative liabilities

	March 31, 2021	March 31, 2020
Warrants	\$ 1,290	\$ 2,320
Silver stream embedded derivative	(3,502)	2,735
Conversion component of 2019 convertible debenture	-	705
Conversion component of 2020 convertible debenture	574	-
	\$ (1,638)	\$ 5,760

19 Supplemental cash flow information

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

	March 31, 2021	March 31, 2020
Accounts payable and accrued liabilities	\$ 1,475	\$ (1,020)

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

	March 31, 2021	March 31, 2020
Balance, beginning of period	\$ 24,776	\$ 40,062
Proceeds from lease obligation	185	-
Repayment of debt	(48)	(830)
Repayment of lease obligation	(527)	(497)
Silver stream deliveries & settlement gain	(1,204)	-
Other non-cash movements	868	(1,667)
Balance, end of period	\$ 24,050	\$ 37,068

20 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:

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20 Related party transactions (continued)

	March 31, 2021	December 31, 2020
Shared office expenses receivable	\$ 7	\$ 11

Related party transactions are as follows:

	March 31, 2021	March 31, 2020
Consulting fees	\$ 17	\$ 22
Shared office recovery	\$ (11)	\$ 1

- (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.

Debt with a significant shareholder

On December 1, 2020, the Company repaid a convertible debenture with a significant shareholder.

Transactions with the significant shareholder for the three months ended March 31, 2021 and 2020 were as follows:

	March 31, 2021	March 31, 2020
Interest expense	\$ -	\$ 257

21 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 three months ended March 31, 2021 and 2020 is as follows:

	March 31, 2021	March 31, 2020
Salaries and short-term benefits	\$ 1,060	\$ 213
Share-based payments	56	120

22 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.

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22 Fair value measurements and financial risk management (continued)

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 March 31, 2021	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	-	13,892	-	13,892	-	-
Restricted cash	-	2,042	-	2,042	-	-
	\$ -	\$ 15,934	\$ -	\$ 15,934	\$ -	\$ -
Financial liabilities						
Current and long term debt	-	(5,972)	-	-	(5,972)	-
Leases	-	(2,174)	-	-	(2,174)	-
Silver stream	-	(15,904)	-	-	(15,904)	-
Derivatives	(24,324)	-	-	-	-	(24,324)
	\$ (24,324)	\$ (24,051)	\$ -	\$ -	\$ (24,051)	\$ (24,324)

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)

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

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout the condensed interim 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.

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22 Fair value measurements and financial risk management (continued)

(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 23.

(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 March 31, 2021 the Company held cash denominated in USD of \$7,928 and CAD of \$8,291 (June 30, 2020: USD4,955 and CAD4,241). With other variables unchanged, a 1% increase on the USD/CAD exchange rate would increase debt by \$33. The Company has not entered into any formal arrangements to hedge currency risk but does maintain cash balances within each currency.

(ii) Commodity price risk

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

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

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22 Fair value measurements and financial risk management (continued)

(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 \$48. The Company closely monitors its exposure to interest rate risk and has not entered into any derivative contracts to manage this risk.

23 Commitments

At March 31, 2021, the Company had the following contractual obligations outstanding:

	Within 1	2-3	4-5	5+	Total
	year	years	years	years	
Debt ⁽¹⁾	\$ 503	\$ 1,005	\$ 4,118	\$ 2,184	\$ 7,810
Trade and other payables	12,653	-	-	-	12,653
Lease commitments ⁽²⁾	1,965	400	136	-	2,501
Silver stream	2,668	4,011	2,985	720	10,384
Provision for reclamation ⁽³⁾	-	-	-	2,896	2,896
	\$ 17,789	\$ 5,416	\$ 7,239	\$ 5,800	\$ 36,244

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

⁽²⁾ Includes lease obligation (Note 9) and lease commitments.

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

24 Segmented information

The Company has one reportable operating segment, being the acquisition, exploration, development and production of precious metals. The condensed interim 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 condensed interim consolidated financial statements. Non-current assets (other than financial instruments) by geographic location are as follows:

	March 31,		
	2021		
	Canada	USA	Total
Mineral properties	\$ -	\$ 55,070	\$ 55,070
Plant and equipment	13	44,474	44,487
Restricted cash	-	2,182	2,182
	\$ 13	\$ 101,726	\$ 101,739
	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

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24 Segmented information (continued)

Profit and loss by geographic location is as follows:

	Three Months Ended March 31, 2021		
	Canada	USA	Total
Revenue	\$ -	\$ 16,402	\$ 16,402
Cost of sales	-	(13,282)	(13,282)
Earnings from mine operations	-	3,120	3,120
Corporate administrative expenses	(1,573)	-	(1,573)
Finance costs	(127)	(1,439)	(1,566)
Gain (loss) on revaluation of derivative liabilities	1,864	(3,502)	(1,638)
Foreign exchange gain	82	-	82
Net income (loss) for the period	\$ 246	\$ (1,821)	\$ (1,575)

	Three Months Ended March 31, 2020		
	Canada	USA	Total
Revenue	\$ -	\$ 13,088	\$ 13,088
Cost of sales	-	(10,069)	(10,069)
Earnings from mine operations	-	3,019	3,019
Corporate administrative expenses	(645)	-	(645)
Finance costs	(645)	(526)	(1,171)
Gain on revaluation of derivative liabilities	3,025	2,735	5,760
Foreign exchange gain	547	1	548
Net income for the period	\$ 2,282	\$ 5,229	\$ 7,511

25 Subsequent events

The Company performed a review of events subsequent to March 31, 2021 through the date the condensed interim consolidated financial statements were issued and determined that there were no such events requiring recognition or disclosure in the financial statements.