



NORTHERN VERTEX
MINING CORP

Condensed Interim Consolidated Financial Statements


For the Three Months Ended September 30, 2020 and 2019

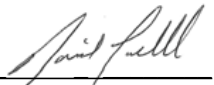
(Expressed in United States Dollars)
(Unaudited)

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	September 30 2020	June 30 2020
ASSETS			
Current assets			
Cash and cash equivalents		\$ 12,142	\$ 6,785
Trade and other receivables	4	83	346
Inventory	5	27,066	27,223
Prepaid expenses and deposits		123	272
Total current assets		39,414	34,626
Non-current assets			
Restricted cash		1,719	1,430
Plant and equipment	6	42,403	40,266
Mineral properties	6	27,363	27,427
Total assets		\$ 110,899	\$ 103,749
LIABILITIES			
Current liabilities			
Trade and other payables	7	\$ 13,929	\$ 10,735
Current portion of debt	8	8,534	9,778
Current portion of leases	9	1,942	2,119
Current portion of silver stream	10	3,464	4,469
Current portion of derivatives	13	21,956	3,128
Total current liabilities		49,825	30,229
Non-current liabilities			
Debt	8	5,560	6,784
Leases	9	665	1,310
Silver stream	10	13,945	14,402
Provision for reclamation	12	2,761	2,720
Derivatives	13	10,818	1,341
Total liabilities		83,574	56,786
SHAREHOLDERS' EQUITY			
Share capital	14	56,872	56,821
Equity reserves		23,541	24,447
Deficit		(53,088)	(34,305)
Total shareholders' equity		27,325	46,963
Total liabilities and shareholders' equity		\$ 110,899	\$ 103,749
Nature of operations	1		
Commitments	25		
Subsequent Events	27		

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


Kenneth Berry, Director


David Farrell, Director

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

NORTHERN VERTEX MINING CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the Three Months Ended September 30, 2020 and 2019

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

(Unaudited)

	Note	2020	2019
Revenue	15	\$ 26,829	\$ 14,550
Cost of sales			
Production costs	16	(13,330)	(9,831)
Depletion and depreciation	7	(3,734)	(3,300)
Royalties		(1,544)	(933)
		(18,608)	(14,064)
Earnings from mine operations		8,221	486
Corporate administrative expenses	17	(794)	(730)
Operating profit (loss)		7,427	(244)
Finance costs	18	(1,391)	(2,540)
Loss on revaluation of derivative liabilities	19	(26,278)	(2,931)
Foreign exchange gain (loss)		(129)	70
Government grants	8	1,588	-
Loss and comprehensive loss for the period		\$ (18,783)	\$ (5,645)
Loss per share			
Basic		\$ (0.07)	\$ (0.02)
Diluted		(0.07)	(0.02)
Weighted average number of shares outstanding			
Basic		251,355,988	245,751,737
Diluted		251,355,988	245,751,737

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, 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:										
Share-based payments	14	-	-	261	-	-	-	261	-	261
Net loss for the period		-	-	-	-	-	-	-	(5,645)	(5,645)
Balance, September 30, 2019		245,751,737	\$ 55,746	\$ 6,804	\$ 21,928	\$ 1,013	\$ (5,743)	\$ 24,002	\$ (40,680)	\$ 39,068
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:										
Redemption of convertible debentures	8	-	-	-	-	(1,013)	-	(1,013)	-	(1,013)
Exercise of warrants	14	90,000	32	-	-	-	-	-	-	32
Exercise of stock options	14	75,000	19	(5)	-	-	-	(5)	-	14
Share-based payments	14	-	-	112	-	-	-	112	-	112
Net loss for the period		-	-	-	-	-	-	-	(18,783)	(18,783)
Balance, September 30, 2020		251,475,988	\$ 56,872	\$ 7,356	\$ 21,928	\$ -	\$ (5,743)	\$ 23,541	\$ (53,088)	\$ 27,325

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
For the Three Months Ended September 30, 2020 and 2019
(All dollar amounts expressed in thousands of United States dollars, unless otherwise noted)
(Unaudited)

	Note	2020	2019
Cash flows from operating activities			
Net profit (loss) for the year		\$ (18,783)	\$ (5,645)
Items not affecting cash:			
Share-based compensation	14	722	261
Loss on disposal of fixed assets		133	-
Depletion and depreciation		3,736	3,301
Fair value (gain) loss on gold call options	11	-	613
Fair value change on derivative liabilities	13	26,278	2,931
Interest expense, including accretion and issue costs		1,042	1,654
Loan recognized as government grant	8	(1,578)	-
Drawdown of silver stream obligation		(2,307)	(700)
Unrealized foreign exchange loss		122	(103)
Changes in non-cash working capital:			
Trade and other receivables		263	-
Inventory	16	(23)	555
Prepaid expenses and deposits		87	167
Trade and other payables		1,050	313
Cash provided by operating activities		10,742	3,347
Cash flows from financing activities			
Proceeds of debt, net		1,139	-
Repayment of debt		(870)	(187)
Repayment of lease obligation		(832)	(9)
Proceeds from exercise of stock and warrant options		43	-
Interest paid		(400)	(385)
Cash used by financing activities		(920)	(581)
Cash flows from investing activities			
Mineral property expenditures		(1,155)	(172)
Restricted cash		(289)	-
Plant and equipment expenditures		(3,332)	(193)
Proceeds from sale of plant and equipment		315	-
Cash used in investing activities		(4,461)	(365)
Effect of foreign exchange on cash		(4)	16
Increase in cash during the period		5,357	2,417
Cash, beginning of the period		6,785	3,444
Cash, end of the period		\$ 12,142	\$ 5,861

Supplemental disclosure of non-cash activities 20

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 September 30, 2020 and 2019

(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 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.

2 Statement of compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards and Interpretations ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standards ("IAS") 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB").

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on November 26, 2020.

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 year ended June 30, 2020. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended June 30, 2020.

Impact of COVID-19

The COVID-19 outbreak in 2020 has had significant impact on global economies, including, but not limited to, gold and silver prices, risk-free rates, stock prices and supply chain disruption. Impacts to the Company's consolidated financial statements for the year ended September 30, 2020 are limited but include increased labour expenditure, particular overtime payments and sick leave, and additional cleaning expenditures relating to daily deep cleaning and sanitization of surfaces.

4 Trade and other receivables

	September 30, 2020		June 30, 2020
Trade accounts receivable	\$ 65	\$	334
Value-added taxes receivable	18		12
	\$ 83	\$	346

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended September 30, 2020 and 2019

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

5 Inventory

	September 30, 2020	June 30, 2020
Heap leach ore	\$ 22,642	\$ 25,349
Dore	2,315	294
Stockpiled ore	1,754	1,279
Consumables and supplies	355	301
	\$ 27,066	\$ 27,223

6 Mineral properties, plant and equipment

Mineral properties, plant and equipment for the three months ended September 30, 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	36	1,155	4,833	6,024
Disposals	-	-	(613)	(613)
Balance at September 30, 2020	\$ 30,430	\$ 5,300	\$ 60,319	\$ 96,049
Accumulated Depreciation				
Balance at June 30, 2020	\$ 7,112	-	\$ 15,833	\$ 22,945
Depletion and depreciation	1,339	-	2,397	3,736
Depletion and depreciation charge captured in inventory	(84)	-	(150)	(234)
Disposals	-	-	(164)	(164)
Balance at September 30, 2020	\$ 8,367	\$ -	\$ 17,916	\$ 26,283
Net book value at September 30, 2020	\$ 22,063	\$ 5,300	\$ 42,403	\$ 69,766

	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	3,788	-	6,936	10,724
Depletion and depreciation charge captured in inventory	273	-	492	765
Balance at June 30, 2020	\$ 7,112	\$ -	\$ 15,833	\$ 22,945
Net book value at June 30, 2020	\$ 23,282	\$ 4,145	\$ 40,266	\$ 67,693

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

Moss Mine Property – Mohave County, Arizona

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

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended September 30, 2020 and 2019

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

6 Mineral properties, plant and equipment (continued)

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 with La Cuesta International, Inc. ("LCI"). To fulfill the terms of the 35 year mineral lease and option agreement, the Company paid LCI \$5 and issued 100,000 common shares of the Company upon execution of the agreement 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. Once \$4,000 has been paid, the NSR rates, on claims not otherwise acquired, reduce by 50%.

7 Trade and other payables

	September 30, 2020	June 30, 2020
Trade accounts payable	\$ 10,613	\$ 7,883
Accrued liabilities	964	1,764
Royalties	1,364	728
Restricted Share Units	988	360
	\$ 13,929	\$ 10,735

8 Debt

	Note	September 30, 2020	June 30, 2020
Convertible debentures – 2016	(i)	-	4,425
Convertible debenture – 2019	(ii)	8,343	8,119
Convertible debentures - 2020	(iii)	2,979	-
Gold call option facility	(iv)	-	327
Multiple advance promissory note	(v)	2,772	2,039
Payroll protection loan	(vi)	-	1,578
Equipment loans, net of costs	(vii)	-	74
		\$ 14,094	\$ 16,562
Current portion of debt	26	(8,534)	(9,778)
		\$ 5,560	\$ 6,784

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended September 30, 2020 and 2019

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

8 Debt (continued)

(i) Convertible debentures – 2016:

The unsecured 2016 convertible debentures issued in fiscal 2017 with a maturity date of May 31, 2021 and bore interest at 5% per year with interest payable semi-annually on November 30 and May 31. The convertible debentures were convertible into common shares at the option of the holder at any time prior to maturity at a conversion price of CAD0.50 per common share. The debentures could be redeemed in cash on or after July 14, 2018 upon redemption notice at a redemption price equal to their face value plus accrued interest provided the trading price of the common shares for 20 consecutive trading days, ending five trading days prior to the date of the redemption notice, must be less than the conversion price. The Company also had the option, to repay the face value of the debentures in common shares, provided certain circumstances are met including: no default has occurred and the trading price of the common shares for 20 consecutive trading days ending five trading days prior to the date of the redemption notice or maturity date is at least 150% of the conversion price. Interest was payable in cash or common shares at the option of the Company.

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 CAD6,710 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.

	September 30, 2020	June 30, 2020
Balance, beginning of period	\$ 4,425	\$ 4,134
Interest accretion	43	462
Foreign exchange movement	75	(171)
Repayments	(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 bears interest at 12% per annum, payable quarterly in arrears in cash, can be converted at a price of CAD0.30 per common share and included an arrangement fee of 3%. The Company may elect to prepay in cash up to \$4,500 of the convertible debenture 2019 if the closing price of the Company’s shares is at or above CAD0.45 for 20 consecutive trading days. The Company may exercise this option prior to the maturity date, on ten business days’ notice, and subject to the holder electing not to convert such prepayment amount during such ten-business day period. On such prepayment, the Company will be required to pay an amount equal to the interest it would otherwise have incurred had the debenture been repaid at the maturity date, plus the arrangement fee. The Company determined the consolidation and extending of the 2018 convertible debentures and the 2019 debt facility to the convertible debenture 2019 did result in a substantial modification of the financial instruments and therefore an extinguishment of the 2018 convertible debentures and the 2019 debt facility with the resulting loss on extinguishment of \$37 recorded in the consolidated statements of income (loss) and comprehensive income (loss).

The convertible debenture 2019 contains multiple embedded derivatives (the “Conversion Component”) relating to the conversion option and a conversion price fixed in CAD. The conversion component’s fair value was estimated to be \$8,504 using the Black Scholes option-pricing model and volatility (Note 13). Fair value gains and losses at each reporting period are recorded in the consolidated statements of income (loss) and comprehensive income (loss).

NORTHERN VERTEX MINING CORP.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended September 30, 2020 and 2019

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

8 Debt (continued)

	September 30, 2020	June 30, 2020
Balance, beginning of period	\$ 8,119	\$ -
Consolidation of convertible debentures	-	7,783
Financing costs	-	(274)
Interest accretion	224	610
Balance, end of period	\$ 8,343	\$ 8,119

(iii) Convertible debenture - 2020

In June 2020, the Company issued a notice of redemption in respect of the 2016 CAD6,700 subordinated unsecured convertible debentures (Note 8i), with holders of the debentures being given the opportunity to subscribe for new subordinated unsecured CAD6,710 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 CAD0.40 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 \$3,383 using the Black Scholes option-pricing model and volatility (Note 13). Fair value gains and losses at each reporting period are recorded in the consolidated statements of income (loss) and comprehensive income (loss).

	September 30, 2020	June 30, 2020
Balance, beginning of period	\$ -	\$ -
Issuance of convertible debenture	3,005	-
Financing costs	(86)	-
Interest accretion	46	-
Foreign exchange movement	14	-
Balance, end of period	\$ 2,979	\$ -

(iv) Gold call option facility

During the year ended June 30, 2020 6,000 Gold Call Options (Note 11) 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.

NORTHERN VERTEX MINING CORP.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended September 30, 2020 and 2019

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

8 Debt (continued)

	September 30, 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.

(v) Multiple advance promissory note

In February 2020, the Company completed a definitive, non-dilutive term loan financing agreement 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.

	September 30, 2020	June 30, 2020
Balance, beginning of period	\$ 2,039	\$ -
Issued	787	2,082
Principal payments	(35)	-
Financing costs	(19)	(43)
Balance, end of period	\$ 2,772	\$ 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.

	September 30, 2020	June 30, 2020
Balance, beginning of period	\$ 1,578	\$ -
Issued	-	1,578
Recognition as government grant	(1,578)	-
Balance, end of period	\$ -	\$ 1,578

(vii) Equipment loans

At September 30, 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.

NORTHERN VERTEX MINING CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended September 30, 2020 and 2019

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

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.

During the year ended June 30, 2020, \$291 of an existing security deposit was used to pay principal and interest obligations due to the holder of the lease. During the year ended June 30, 2019, \$538 of an existing security deposit was used to pay principal and interest obligations due to the holder of the lease. The security deposit was 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. Subsequent to September 30, 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 and April 1, 2021.

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

	September 30, 2020	June 30, 2020
Balance, beginning of period	\$ 3,429	\$ 4,877
IFRS 16 lease obligation recognition (Note 3)	-	190
Principal payments	(832)	(1,605)
Financing costs	10	(33)
Balance, end of period	2,607	3,429
Current portion of leases	(1,942)	(2,119)
Non-current portion of leases	\$ 665	\$ 1,310

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% (reducing to 50% after 3,500,000 ounces are delivered) of payable silver production from the Moss Mine over the life of the mine on a monthly basis. Deliveries are subject to a ratio of silver to actual gold produced 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 liabilities accretion over the life of the mine.

The silver stream has been accounted for as a financial liability with an embedded derivative which relates to changes in silver price and expected production. The financial liability is measured at amortized cost. The embedded derivative is recorded at fair value each reporting period with changes reflected in the consolidated statement of income (loss) and comprehensive income (loss). At September 30, 2020, the fair value of the embedded derivative was \$11,304 (Note 13).

NORTHERN VERTEX MINING CORP.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended September 30, 2020 and 2019

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

10 Silver stream (continued)

	September 30, 2020	June 30, 2020
Balance, beginning of period	\$ 18,871	\$ 20,669
Silver deliveries	(2,175)	(4,238)
Settlement gain	(132)	(1,350)
Interest accretion	845	3,790
	17,409	18,871
Current portion of silver stream	(3,464)	(4,469)
Balance, end of period	\$ 13,945	\$ 14,402

11 Gold call options

	September 30, 2020	June 30, 2020
Balance, beginning of period	\$ -	\$ 1,349
Gold Call Options revaluation	-	613
Exercise of gold call options (Note 8)	-	(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 8).

12 Provision for reclamation

	September 30, 2020	June 30, 2020
Balance, beginning of period	\$ 2,720	\$ 2,198
Change in estimate	36	484
Accretion	5	38
Balance, end of period	\$ 2,761	\$ 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 0.66% and a long-term inflation rate of 2%, with expenditures anticipated over a ten year period beginning in 2028. The provision is remeasured at each reporting date based on disturbance rates. 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 September 30, 2020, was \$2,880.

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13 Derivatives

	Note	September 30, 2020	June 30, 2020
Warrants	(i)	\$ 9,583	\$ 2,025
Silver stream embedded derivative	(ii)	11,304	1,808
Conversion component of 2019 convertible debenture	(iii)	8,504	636
Conversion component of 2020 convertible debenture	(iv)	3,383	
		\$ 32,774	\$ 4,469
Current portion of derivatives	(ii)	(21,956)	(3,128)
		\$ 10,818	\$ 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 ranging from 0.2 to 2.4 years.

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

	September 30, 2020	June 30, 2020
Risk-free interest rate	0.25%	0.28%
Expected life of warrants	0.2 – 2.4 years	0.5 – 0.7 years
Dividend rate	Nil	Nil
Expected share price volatility	46 - 47%	83 - 87%
Fair value per warrant issued and/or amended (CAD)	\$0.21-\$0.34	\$0.04-\$0.06

	September 30, 2020	June 30, 2020
Balance, beginning of period	\$ 2,025	\$ 2,609
Exercise of warrants	(4)	-
Change in fair value	7,531	(516)
Foreign exchange movement	31	(68)
Balance, end of period	9,583	2,025
Current portion of warrant derivative	(9,583)	(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 is the silver forward curve price, long-term silver production volatility, the risk-free interest rate and the Company's credit spread.

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

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13 Derivatives (continued)

	September 30, 2020		June 30, 2020
Balance, beginning of period	\$ 1,808	\$	1,956
Change in fair value	9,496		(148)
Balance, end of period	11,304		1,808
Current portion of silver stream embedded derivative	(3,869)		(467)
Non-current portion of silver stream embedded derivative	\$ 7,435	\$	1,341

(iii) Conversion component of 2019 convertible debenture:

The 2019 convertible debenture (Note 8) is deemed to contain multiple embedded derivatives (the "Conversion Component") relating to the conversion option and a conversion price fixed in CAD. The conversion component's fair value was estimated 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:

	September 30, 2020		June 30, 2020
Risk-free interest rate	0.25%		0.28%
Expected life	0.2 years		0.4 years
Dividend rate	Nil		Nil
Share price volatility	49%		23%

	September 30, 2020		June 30, 2020
Balance, beginning of period	\$ 636	\$	-
Consolidation of convertible debentures	-		717
Change in fair value	7,868		(81)
Balance, end of period	8,504		636
Current portion of conversion component	(8,504)		(636)
Non-current portion of conversion component	\$ -	\$	-

(iv) Conversion component of 2020 convertible debenture:

The 2020 convertible debenture (Note 8) is deemed to contain an 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 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:

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

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13 Derivatives (continued)

	September 30, 2020	June 30, 2020
Balance, beginning of period	\$ -	\$ -
Issuance of convertible debentures	2,000	-
Change in fair value	1,383	-
Balance, end of period	\$ 3,383	\$ -

14 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:

	September 30, 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	\$ 0.44	14,154,583	\$ 0.44
Granted	525,000	0.35	1,400,000	0.25
Exercised	(75,000)	0.25	-	-
Forfeited	(200,000)	0.33	(1,029,583)	0.42
Expired	-	-	(1,300,000)	0.25
Outstanding, end of period	13,475,000	\$ 0.44	13,225,000	\$ 0.44

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

Exercise price (C\$)	Number of options outstanding	Expiry date	Number of options exercisable	Remaining contractual life (years)
0.46	1,100,000	July 15, 2021	1,100,000	0.79
0.46	250,000	September 14, 2021	250,000	0.96
0.46	200,000	October 26, 2021	200,000	1.07
0.68	450,000	September 29, 2022	450,000	2.00
0.52	100,000	May 20, 2023	100,000	2.64
0.24	8,350,000	February 27, 2024	8,237,500	3.41
0.24	1,200,000	May 21, 2024	900,000	3.64
0.25	1,300,000	February 10, 2025	766,667	4.37
0.35	525,000	July 8, 2025	128,750	4.77
	13,475,000		12,132,917	3.23

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

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 three months ended September 30, 2020 totalled \$112 (2019: \$261).

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

	September 30, 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 \$988 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. During the year ended June 30, 2020 a total of 3,000,000 RSUs were granted to employees of the Company. Continuity of the Company's RSUs issued and outstanding is as follows:

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

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

Number of share units outstanding	Expiry date	Remaining contractual life (years)
1,500,000	October 9, 2020	0.02
1,500,000	October 9, 2021	1.02
3,000,000		0.52

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

Share-based compensation expense relating to cash settled-awards recognized in the consolidated statements of income (loss) and comprehensive income (loss) for the three months ended September 30, 2020 totalled \$610 (2019: nil).

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 September 30, 2020 and the year ended June 30, 2020 were as follows:

	September 30, 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	\$ 0.83	96,205,547	\$ 0.83
Exercised	(90,000)	0.40	-	-
Expired	-	-	(2,828,138)	0.65
Outstanding, end of period	93,287,409	\$ 0.83	93,377,409	\$ 0.83

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

Number of warrants	Exercise price (C\$)	Expiry date
44,596,666	0.40	December 12, 2020
11,112,500	0.40	February 20, 2023
3,421,574	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
93,287,409	\$ 0.63	

The weighted average remaining life of the outstanding warrants as at September 30, 2020 was 1.04 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 three months ended September 30, 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.

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

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

	September 30, 2020	September 30, 2019
Profit (loss) for the year	\$ (18,783)	\$ (5,645)
Basic weighted average number of common shares outstanding	251,355,988	245,751,737
Effective impact of dilutive securities:		
Share options	-	-
Diluted weighted average number of shares outstanding	251,355,988	245,751,737
Earnings (loss) per share		
Basic	\$ (0.07)	\$ (0.02)
Diluted	(0.07)	(0.02)

15 Revenue

Revenue by metal for the three months ended September 30, 2020 and 2019 were as follows:

	September 30, 2020	September 30, 2019
Gold sales	\$ 24,194	\$ 13,370
Silver sales	2,839	1,261
	27,033	14,631
Treatment and refining charges	(204)	(81)
	\$ 26,829	\$ 14,550

16 Production costs

	September 30, 2020	September 30, 2019
Contractors and outside services	\$ 7,566	\$ 4,256
Employee compensation and benefits expense	2,252	2,128
Materials and consumables	1,480	1,940
Other expenses	1,381	865
Share-based compensation	674	87
Changes in inventories	(23)	555
	\$ 13,330	\$ 9,831

17 Corporate administrative expenses

	September 30, 2020	September 30, 2019
Direct general and administrative	\$ 557	\$ 372
Employee general and administrative	187	183
Share-based compensation	48	174
Depreciation and depletion	2	1
	\$ 794	\$ 730

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18 Finance costs

	September 30, 2020	September 30, 2019
Interest on debt	\$ (426)	\$ (495)
Accretion on streaming obligation (Note 11)	(845)	(956)
Gain on redemption of convertible debenture	556	
Amortisation of debt issuance costs	(11)	(15)
Other interest accretion	(316)	(188)
Interest expense, including accretion and issue costs	(1,042)	(1,654)
Fair value loss on gold call options (Note 12)	-	(613)
Settlement gain (loss) on silver stream (Note 11)	132	(295)
Finance costs – silver stream	(430)	-
Finance costs – gold sales	(55)	-
Interest income	4	22
	\$ (1,391)	\$ (2,540)

19 Loss on revaluation of derivative liabilities

	September 30, 2020	September 30, 2019
Warrants	\$ 7,531	\$ 511
Silver stream embedded derivative	9,496	2,420
Conversion component of 2019 convertible debenture	7,868	-
Conversion component of 2020 convertible debenture	1,383	-
	\$ 26,278	\$ 2,931

20 Supplemental cash flow information

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

	September 30, 2020	September 30, 2019
Accounts payable and accrued liabilities	\$ 1,499	\$ 401

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

	September 30, 2020	September 30, 2019
Balance, beginning of year	\$ 38,862	\$ 38,740
Proceeds from loan facilities, net	701	1,962
Repayment of debt	(436)	(187)
Repayment of lease obligation	(832)	(300)
Silver stream deliveries & settlement gain	(2,307)	(700)
Payroll protection loan recognized as government grant	(1,588)	-
Other non-cash movements	1,215	1,263
Balance, end of year	\$ 35,615	\$ 40,778

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21 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:

	September 30, 2020	June 30, 2020
Shared office expenses receivable	\$ 15	\$ 8
Consulting fees payable	\$ 7	\$ 7

Related party transactions are as follows:

	September 30, 2020	September 30, 2019
Consulting fees	\$ 24	\$ 22
Shared office recovery	\$ (12)	\$ (7)

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

Commitments with related parties

The Company has a corporate services agreement with a related company for clerical, accounting, regulatory filing and geological services. The minimum monthly fee under the agreement is \$8 (CAD10) and renews annually.

Debt with a significant shareholder

As at September 30, 2020, the Company has an outstanding convertible debenture (Note 8) of \$8,343 with a significant shareholder. The facility can be converted into common shares at the holder's option.

Balances due to the significant shareholder are as follows:

	September 30, 2020	June 30, 2020
Convertible debenture – 2019 (Note 8)	8,343	8,119

Transactions with the significant shareholder for the three months ended September 30, 2020 and 2019 were as follows:

	September 30, 2020	September 30, 2019
Interest expense	\$ 257	\$ 275

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22 Key management personnel compensation

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

	September 30, 2020	September 30, 2019
Salaries and short-term benefits	\$ 331	\$ 195
Directors fees – full year	141	-
Share-based payments	264	120

23 Fair value measurements and financial risk management

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

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

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

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

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

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

The 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.

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23 Fair value measurements and financial risk management (continued)

As at September 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	-	12,142	-	12,142	-	-
Restricted cash	-	1,719	-	1,719	-	-
	\$ -	\$ 13,861	\$ -	\$ 13,861	\$ -	\$ -
Financial liabilities						
Current and long term debt	-	(14,094)	-	-	(14,094)	-
Leases	-	(2,607)	-	-	(2,607)	-
Silver stream	-	(17,409)	-	-	(17,409)	-
Derivatives	(32,774)	-	-	-	-	(32,774)
	\$ (32,774)	\$ (34,109)	\$ -	\$ -	\$ (34,109)	\$ (32,774)

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.

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.

(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 September 30, 2020 related primarily to gold and silver sales which is expected to be collectible in full due to the nature of the counterparties and previous history of collectability.

(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.

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23 Fair value measurements and financial risk management (continued)

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 25.

As at September 30, 2020 the Company had a working capital deficit of \$10,411 (June 30, 2020: working capital of \$4,397). Included in current liabilities at September 30, 2020 was \$21,956 relating to derivative liabilities that will not result in an outflow of cash when they are settled. The 44.6 million warrants giving rise to a derivative liability of \$6,729 will also result in cash proceeds of C\$17,839 if they are exercised on or before December 12, 2020. Also, the convertible debentures included in current liabilities with a carrying value of \$8,343 mature on December 1, 2020 and will not result in an outflow of cash if they are converted but can be repaid with cash on hand if required. As at September 30, 2020, both the warrants and the convertible debentures are in the money.

(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 September 30, 2020 the Company held cash denominated in USD of \$12,061 and CAD107 (June 30, 2020: USD\$6,667 and CAD160). With other variables unchanged, a 1% increase on the USD/CAD exchange rate would increase debt by \$109. 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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23 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 \$53. The Company closely monitors its exposure to interest rate risk and has not entered into any derivative contracts to manage this risk.

24 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 September 30, 2020.

25 Commitments

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

	Within 1 year	2-3 years	4-5 years	5+ years	Total
Debt ⁽¹⁾	\$ 9,387	\$ 974	\$ 5,395	\$ 2,352	\$ 18,108
Trade and other payables	13,930	-	-	-	13,930
Lease commitments ⁽²⁾	2,200	739	11	-	2,950
Silver stream	3,463	4,391	3,270	1,329	12,453
Provision for reclamation ⁽³⁾	-	-	-	2,880	2,880
	\$ 28,980	\$ 6,104	\$ 8,676	\$ 6,561	\$ 50,321

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

⁽²⁾ Includes lease obligation (Note 8) and lease commitments.

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

26 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 condensed interim consolidated financial statements. Non-current assets (other than financial instruments) by geographic location are as follows:

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26 Segmented information (continued)

	September 30, 2020			
	Canada		USA	Total
Mineral properties	\$ -	\$ -	27,327	\$ 27,327
Plant and equipment	10		42,393	42,403
Restricted cash	-		1,719	1,719
	\$ 10	\$ -	69,111	\$ 69,123

	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:

	Three Months Ended September 30, 2020			
	Canada		USA	Total
Revenue	\$ -	\$ -	26,829	\$ 26,829
Cost of sales	-		(18,608)	(18,608)
Earnings from mine operations	-		8,221	8,221
Corporate administrative expenses	(794)		-	(794)
Finance costs	(76)		(1,315)	(1,391)
Loss on revaluation of derivative liabilities	(16,782)		(9,496)	(26,278)
Foreign exchange gain	(129)		-	(129)
Other revenue	-		1,588	1,588
Net profit (loss) for the period	\$ (17,781)	\$ -	(1,002)	\$ (18,783)

	Three Months Ended September 30, 2019			
	Canada		USA	Total
Revenue	\$ -	\$ -	14,550	\$ 14,550
Cost of sales	-		(14,064)	(14,064)
Loss from mine operations	-		486	486
Corporate administrative expenses	(730)		-	(730)
Finance costs	(521)		(2,019)	(2,540)
Loss on revaluation of derivative liabilities	(511)		(2,420)	(2,931)
Foreign exchange gain (loss)	70		-	70
Net loss for the period	\$ (1,692)	\$ -	(3,953)	\$ (5,645)

27 Subsequent events

Subsequent to September 30, 2020:

- 1,500,000 RSUs of the Company vested and were settled in cash on October 9, 2020 at a value of C\$0.62 each.