

## Scarsdale Group

a Division of R.F. Lafferty & Co., Inc.

Mike Niehuser, Senior Mining Analyst [mniehuser@rflafferty.com](mailto:mniehuser@rflafferty.com) 212-293-9090

November 4, 2020

## Company Update

### Northern Vertex Mining Corp.

### NEE.V–Price Target C\$0.89

#### Update Report, Rating: Buy, Increasing Price Target: C\$0.89

Northern Vertex Mining Corp.'s (TSX.V: NEE, OTC - NASDAQ INTL.: NHVCF, "Northern Vertex") gold production in October exceeded our expectations. We are maintaining our **Buy** rating and are increasing our price target to C\$0.89 per share.

Northern Vertex's 100% owned Moss Gold Project is located near Bullhead City, in northwest Arizona, in the historic Oatman Gold District, which has produced about 2.5 million ounces of gold. The BLM recently approved an MPO allowing Northern Vertex to expand exploration and operations onto leased land, which should increase production and exploration to extend mine life.

#### Realizing record gold production in October 2020:

- Produced 4,733 oz gold and 42,889 oz of silver.
- Produced 200-plus oz of gold over 6 consecutive days.
- Record single-day production of 234 oz of gold.

#### Accomplishments and initiatives:

- Employment of McCoy and Sons, the mining and blasting contractor, is expected to "significantly" reduce mining costs.
- Completing evaluation, increasing crush size to 3/8" from 1/4".
- Intermediate Leach System is accelerating gold recoveries and reducing the gold-in-pad inventory month over month.
- Merrill Crowe plant continues to process at rates above faceplate levels in October, while "maintaining a gold recovery rate of 99%."
- Connected to the power grid, thereby reducing and stabilizing electrical costs.

#### Drill program focused on increasing mineable resources:

- Planning 13,700-meter Phase II drill program in addition to an ongoing 18,000-meter Phase I drill program for a total of 31,700 meters.
- Targeting pit expansion at the high-grade Ruth Vein, the intersection of the Moss Vein and Ruth Vein, and Gold Bridge and Gold Tower.
- Planning to increase the number of drill rigs to three.

Production in October, on a 12-month run rate, exceeded our assumptions for our valuation conclusion. We believe that this is sufficient for us to revise our price target. This emphasizes the need to increase resources. We believe the expanded drill program should increase resources leading to higher production and longer mine life, important to increase the cash flow multiple. We retain our **Buy** rating and are increasing our price target to C\$0.89 per share.

Northern Vertex Mining Corp.	
TSX.V NEE	
OTC - NASDAQ INTL.: NHVCF	
Stock Price (CDN\$)	\$ 0.59
Outstanding shares (MM)	251.3
Diluted Shares (MM)	358.0
Market Cap (MM-CDN\$)	\$ 148.3
Cash (MM-CDN\$) est.	\$ 16.0
Debt (MM-CDN\$) est.	\$ 17.9
Enterprise Value (MM-CDN\$)	\$ 150.2
(CDN\$/US\$ 1.314:1)	
52 Week Low-High (CDN\$)	\$0.15-\$0.72
3 Month Avg Volume	245,842
Insider ownership	10.0%
Institutional ownership	35.0%
Analyst estimate	
5x est. CF of \$45.4 (MM-US)	\$ 227.2
(@ \$1,800 Au)	
Analyst target	
Market Cap (MM-CDN)	\$ 298.5
(shares on conversion)(MM)	336.0
Stock Price (CDN)	\$ 0.89
Price Chart	



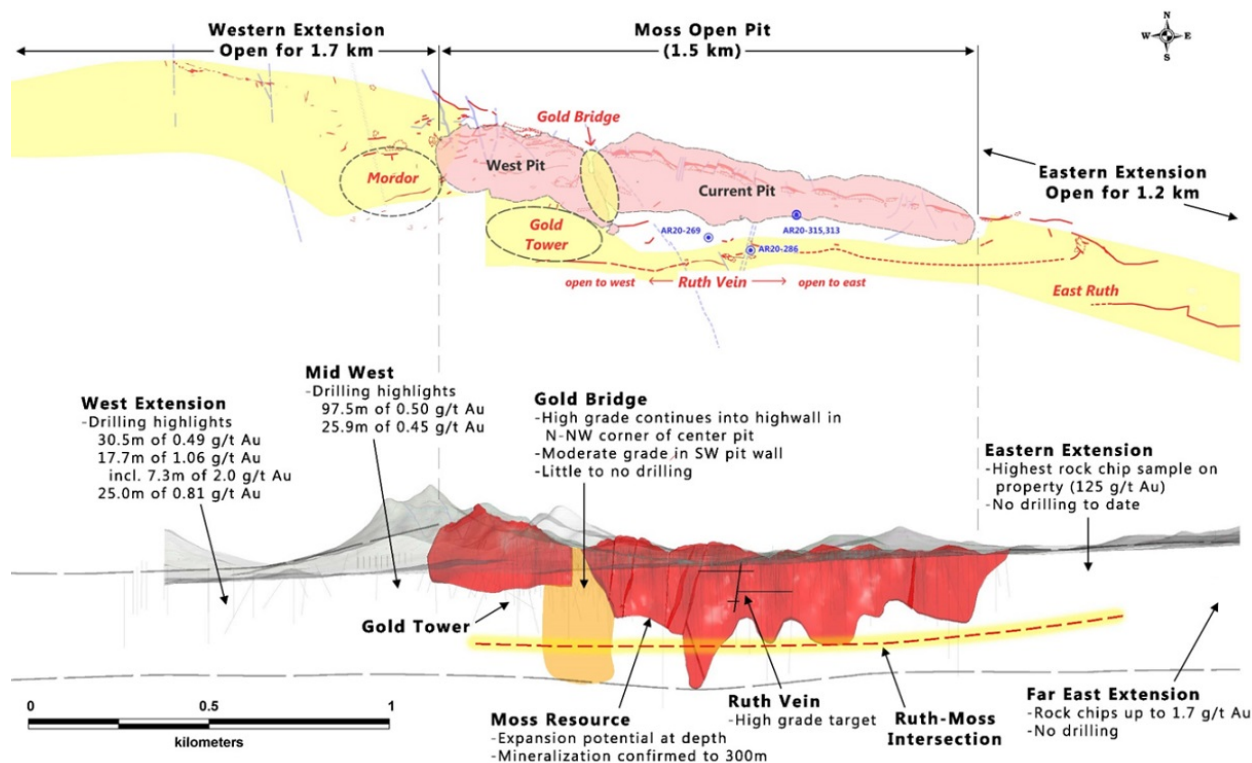
Source of 1-year chart above is Stockwatch.com

### Production and Exploration to Increase Cash Flow and Mine Life

In previous reports, we have detailed Northern Vertex Mining Corp.'s (TSX.V: NEE, OTC - NASDAQ INTL.: NHVCF, "Northern Vertex") success in optimizing operations at its Moss Mine in northeast Arizona. Having received approval of the MPO by the BLM, Northern Vertex was allowed to expand both operations and exploration onto leased lands, enabling the company to realize the full potential of the Moss Mine. We believe that Northern Vertex is still midway in realizing the benefits of its operational production-enhancing and cost-reduction initiatives. As mining and throughput levels increase, this places pressure on Northern Vertex's exploration team to expand resources.

We believe that completion of the Phase I drill program and the proposed Phase II drill program is well crafted to increase mineable in-pit resources. The high-grade gold Ruth Vein has good potential to contribute to production in the near-term. As the Ruth Vein is mined and extends deeper towards its intersection with the Moss Vein, we anticipate higher returns, as the waste-to-ore strip ratio is reduced and gold-grades may possibly increase. In addition, evaluation of both Gold Bridge and Gold Tower are demonstrating the potential to connect with the West Pit and the Mordor target, respectively.

#### Immediate Exploration Upside at the Moss Mine (Long-section)



Source: Northern Vertex Mining Corp., Press Release, November 3, 2020

All of these Phase II exploration activities have the potential to expand the Moss Mine pit at depth as well as to the south and to the west. Northern Vertex has noted that the Moss Vein and Ruth Vein may approach the surface as they trend to the east. Beyond the Phase I and Phase II drill programs, Northern Vertex has potential to explore extensions of both the Moss Vein and Ruth Vein to the east and the west, as well as complete an advanced reconnaissance of the Oatman Vein to the south. While the results of exploration activities are not guaranteed, Northern Vertex appears to be realizing the results of improving operations and aggressively pursuing an increase in mineable gold and silver resources.

**Increased Production Run-rate Leads to an Increase in the Price Target**

It appears to us that Northern Vertex is positioned to repeat and increase its October gold production results of 4,733 oz. At a 12-month run-rate, this would imply the potential to annually produce 56,796 oz of gold. We previously assumed that Northern Vertex would produce 52,000 oz of gold. Assuming a gold price of \$1,800 per ounce, with our estimate of an average AISC per ounce of gold of \$1,000 or less (and margins of \$800 or more), and annual average production of 56,800 oz per year, we calculate annual pre-tax cash flow of ~\$45.4 million per year. This would imply a potential market capitalization at \$227.2 million assuming a cash flow multiple of only 5 times. Furthermore, with the exercise of warrants in the money and conversion of the Greenstone Resources II, LLP. debt to shares, we expect an increase in share count to ~336.0 million. This would imply a price of US\$0.68 per share, or with a USD/CDN Exchange Rate of 1.314:1, a price of C\$0.89 per share.

**Main Moss Mine Pit (looking east from Gold Bridge)**

*Note the drill rig (in red circle) drilling south into the north dipping Ruth Vein to the south*



Source: Analyst, August 24, 2020

Moss Mine Production History											
	3 months Sept., 2018	3 months Dec., 2018	3 months Mar., 2019	3 months June, 2019	12 months FYE June, 2019	3 months Sept., 2019	3 months Dec., 2019	3 months Mar., 2020	3 months June, 2020	12 months FYE June, 2020	3 months Sept., 2020
<b>Mining</b>											
Ore mined (tonnes)	481,215	411,354	531,321	418,819	1,824,709	452,418	521,818	572,104	587,390	2,133,730	706,629
Waste mined (tonnes)	724,882	883,088	1,000,427	1,321,887	3,930,283	1,048,007	847,901	852,671			
Total mined (tonnes)	1,206,097	1,294,442	1,531,748	1,740,706	5,772,292	1,500,425	1,369,718	1,424,775			
Strip ratio (waste/ore)	1.51					2.32	1.62	1.49			
<b>Crushing</b>											
Tonnes stacked	392,489	443,234	630,818	561,016	2,107,983	452,858	496,698	544,067			
Tonnes stacked per day (average)	4,266					4,922	5,399	5,979	6,832	5,790	7,432
Tonnes stacked per operating day											
Operating days (est.)											
Contained gold ounces stacked	9,888	9,905	13,721	13,108	48,609	9,738	12,043	12,049	14,439	48,269	15,194
Contained silver ounces stacked	100,242	142,986	250,409	212,770	726,949	150,733	205,649	209,492			
Gold grade (g/t)	0.78					0.67	0.75	0.69	0.72	0.73	0.69
Silver grade(g/t)	7.94					10.35	12.88	11.98			
<b>Processing</b>											
Merrill Crowe recovery – gold (%)	69					96	98				
Merrill Crowe recovery – silver (%)	93					97	98				
Gold ounces produced	5,554	5,218	6,057	7,482	24,311	8,460	7,131	7,379	10,530	22,970	13,083
Silver ounces produced	20,536	21,110	25,558	45,876	113,080	68,421	58,838	58,604			
Gold equivalent production									11,365		14,673
<b>Sales</b>											
Gold ounces sold	5,404	5,149	6,457	6,910	23,920	9,112	6,925	7,469	9,716	33,222	12,824
Silver ounces sold	19,037	14,081	16,678	29,971	79,767	73,495	61,183	89,433	89,321	313,432	112,136
Gold equivalent ounces sold						10,092	7,441	8,546	10,569	36,613	14,319
Cash costs			\$922	1,226		1,052	1,138	\$862			
AISC			\$937	1,549		1,166	1,418	\$1,077			

Note: 2019 Fiscal Year End production includes pre-commercial production results  
 The Moss Mine commenced commercial production effective September 1, 2018  
 Source: Northern Vertex Mining Corp., Analyst

Moss Mine Resource Estimate (March 17, 2020)							
Category	Tons	Au (oz/st)	Au (g/t)	Au (ozs)	Ag (oz/st)	Ag (g/t)	Ag (ozs)
Measured	2,270,000	0.0232	0.72	53,000	0.2533	7.85	575,000
Indicated	18,290,000	0.0168	0.52	307,000	0.2126	6.61	3,888,000
<b>Measured and Indicated</b>	<b>20,560,000</b>	<b>0.0175</b>	<b>0.54</b>	<b>360,000</b>	<b>0.2171</b>	<b>6.75</b>	<b>4,463,000</b>
Inferred	11,960,000	0.0108	0.34	129,000	0.1149	3.57	1,375,000

Source: Northern Vertex Mining Corp., analyst

**Northern Vertex Mining Corp.**

**BALANCE SHEET**

June 30, 2020

(Reported in U.S. Dollars, in 000's)

	June 30 FYE14	June 30 FYE15	June 30 FYE16	June 30 FYE 17	June 30 FYE18	June 30 FYE 19	Sept. 30 1Q20	Dec. 31 2Q20	Mar. 31 3Q20	June 30 FYE 20
<b>ASSETS</b>										
<b>Current assets</b>										
Cash	\$ 4,053	\$ 3,209	\$ 1,297	\$ 19,254	\$ 5,720	\$ 3,444	\$ 5,861	\$ 3,328	\$ 2,474	\$ 6,785
Accounts receivable	136	30	26	64	26	25	25	22	21	346
Inventory	-	-	-	-	7,707	20,640	19,179	21,302	24,799	27,223
Prepaid expenses and deposits	72	73	182	141	508	624	231	220	216	272
<b>Total current assets</b>	<b>4,261</b>	<b>3,312</b>	<b>1,505</b>	<b>19,459</b>	<b>13,961</b>	<b>24,733</b>	<b>25,296</b>	<b>24,872</b>	<b>27,510</b>	<b>34,626</b>
<b>Non-current assets</b>										
Restricted cash and non-current deposits	776	14	15	906	1,766	868	868	868	1,142	1,430
Property, plant and equipment	1,232	1,048	1,404	13,138	54,270	43,786	42,990	42,034	41,102	40,266
Mining interests	16,656	22,368	25,675	21,858	22,902	29,370	28,736	28,566	28,082	27,427
Deferred financing costs	111	56	36	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 23,037</b>	<b>\$ 26,798</b>	<b>\$ 28,634</b>	<b>\$ 55,361</b>	<b>\$ 92,899</b>	<b>\$ 98,757</b>	<b>\$ 97,890</b>	<b>\$ 96,340</b>	<b>\$ 97,836</b>	<b>\$ 103,749</b>
<b>LIABILITIES</b>										
<b>Current liabilities</b>										
Trade and other payables	\$ 1,163	\$ 421	\$ 694	\$ 2,857	\$ 7,227	\$ 7,453	\$ 8,298	\$ 9,764	\$ 10,703	\$ 10,735
Current portion of debt	-	-	150	556	13,427	8,989	10,863	10,142	8,804	9,778
Current portion of lease obligations	-	-	-	-	1,686	1,551	1,821	2,045	2,082	2,119
Current portion of silver stream obligation	-	-	-	-	-	4,450	5,516	6,108	5,440	4,469
Gold call options	-	-	-	-	-	1,349	-	-	-	-
Current portion of derivative liabilities	-	-	-	-	-	-	667	999	1,411	3,128
<b>Total current assets</b>	<b>1,163</b>	<b>421</b>	<b>844</b>	<b>3,413</b>	<b>22,340</b>	<b>23,792</b>	<b>27,165</b>	<b>29,058</b>	<b>28,440</b>	<b>30,229</b>
<b>Non-current liabilities</b>										
Debt	-	129	-	12,011	14,527	4,205	4,242	4,417	4,150	6,784
Lease obligation	-	-	-	-	4,909	3,326	2,927	2,383	1,843	1,310
Silver stream obligation	-	-	-	-	-	16,219	15,409	14,967	14,749	14,402
Gold call options	-	-	-	419	505	-	-	-	-	-
Provision for remediation	783	934	1,055	1,602	1,766	2,198	2,282	2,297	2,658	2,720
Derivative liabilities	-	-	-	-	-	4,565	6,797	8,818	3,203	1,341
<b>Total liabilities</b>	<b>1,946</b>	<b>1,484</b>	<b>1,899</b>	<b>17,445</b>	<b>44,047</b>	<b>54,305</b>	<b>58,822</b>	<b>61,940</b>	<b>55,043</b>	<b>56,786</b>
<b>Total equity</b>	<b>21,090</b>	<b>25,314</b>	<b>26,735</b>	<b>37,916</b>	<b>48,852</b>	<b>44,452</b>	<b>39,068</b>	<b>34,400</b>	<b>42,793</b>	<b>46,963</b>
<b>Total liabilities and equity</b>	<b>\$ 23,037</b>	<b>\$ 26,798</b>	<b>\$ 28,634</b>	<b>\$ 55,361</b>	<b>\$ 92,899</b>	<b>\$ 98,757</b>	<b>\$ 97,890</b>	<b>\$ 96,340</b>	<b>\$ 97,836</b>	<b>\$ 103,749</b>

Note: Prior to December 31, 2018, reporting was in Canadian Dollars

Source: Northern Vertex Mining Corp.

**Northern Vertex Mining Corp.**

**INCOME STATEMENT**

June 30, 2020

(Reported in U.S. Dollars, in 000's)

	June 30 FYE14	June 30 FYE15	June 30 FYE16	June 30 FYE 17	June 30 FYE18	June 30 FYE19	Sept. 30 1Q20	Dec. 31 2Q20	Mar. 31 3Q20	June 30 4Q20	June 30 FYE20
Revenue						\$ 24,935	\$ 14,550	\$ 11,253	\$ 13,088	\$ 18,070	\$ 56,961
Cost of sales											
Production costs						(19,669)	(9,831)	(8,231)	(7,102)	(9,757)	(34,921)
Depreciation						(5,906)	(3,300)	(2,466)	(2,195)	(2,757)	(10,718)
Royalties						(1,585)	(933)	(679)	(772)	(1,028)	(3,412)
						<u>(27,160)</u>	<u>(14,064)</u>	<u>(11,376)</u>	<u>(10,069)</u>	<u>(13,542)</u>	<u>(49,051)</u>
Earnings (loss)						(2,225)	486	(123)	3,019	4,528	7,910
Corporate administrative expenses	4,647	(1,780)	(3,760)	(3,839)	(3,022)	(3,054)	(730)	(642)	(645)	(484)	(2,501)
<b>Operating loss</b>	<b>4,647</b>	<b>(1,780)</b>	<b>(3,760)</b>	<b>(3,839)</b>	<b>(3,022)</b>	<b>(5,279)</b>	<b>(244)</b>	<b>(765)</b>	<b>2,374</b>	<b>4,044</b>	<b>5,409</b>
Finance costs	(24)	39	13	(668)	(104)	(8,682)	(5,471)	(4,170)	4,589	(639)	(5,691)
Foreign exchange gain (loss)	(410)	5,546	4	(504)	(1,655)	(18)	70	(145)	548	(226)	247
Other	(47)	11	(6)	-	(35)	-	-	-	-	765	765
<b>Net loss for the period</b>	<b>4,167</b>	<b>3,815</b>	<b>(3,749)</b>	<b>(4,491)</b>	<b>(4,816)</b>	<b>(13,979)</b>	<b>(5,645)</b>	<b>(5,080)</b>	<b>7,511</b>	<b>3,944</b>	<b>730</b>
Foreign currency translation	-	(2,257)	703	(43)	2,340	(83)	-	-	-	-	-
<b>Comprehensive loss for the period</b>	<b>\$ -</b>	<b>\$ 1,558</b>	<b>\$(3,046)</b>	<b>\$(4,534)</b>	<b>\$(2,477)</b>	<b>\$(14,062)</b>	<b>\$(5,645)</b>	<b>\$(5,080)</b>	<b>\$ 7,511</b>	<b>\$ 3,944</b>	<b>\$ 730</b>
Basic and diluted loss per share	\$ 0.07	\$ 0.05	\$(34.65)	\$(0.04)	\$(0.03)	\$(0.07)	\$(0.02)	\$(0.02)	\$ 0.03	\$ 0.02	\$ 0.00
Weighted average number of shares	56,554,055	72,730,141	87,901	103,098,514	173,443,326	213,350,612	245,751,737	246,651,791	248,544,892	248,544,892	247,953

Note: Prior to December 31, 2018, reporting was in Canadian Dollars

Source: Northern Vertex Mining Corp., Analyst est.

## Northern Vertex Mining Corp. Options

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

Source: Northern Vertex Mining Corp., Financial Statements, June 30, 2020

## Northern Vertex Mining Corp. Warrants

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

Source: Northern Vertex Mining Corp., Financial Statements, June 30, 2020



## Company Description

Northern Vertex Mining Corp. (TSX.V: NEE, NASDAQ INTL.: NHVCF, “Northern Vertex”) is focused on lowcost gold and silver production at its 100% owned Moss Mine in NW Arizona. Northern Vertex has achieved full commercial production and is in the process of increasing production levels while continuing to optimize operations to reduce costs and derisk operations. Having received approval for an MPO from the BLM, they are pursuing an aggressive exploration program to increase throughput and extend mine life. Northern Vertex intends on acquiring producing or near-term production gold assets within the Western Unisted States with the goal of becoming a mid-tier gold producer.



(source: stockwatch.com)

## Disclosures

### Analyst Certification

I, R. Michael Niehuser, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report. My family and I do not have any financial interest in the securities discussed in the report.

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### Comments on risks

Gold exploration companies are subject to a number of risks which we may or may not be able to identify ahead of their realization which could impact share prices. We have attempted to identify important risks in our Risks and Mitigations section of the Introductory Report dated October 8, 2020, on Pages 5 and 6. Additional risks include exploration risk, gold price risk, capital market risk, takeover risk and political risk. Any of these risks, and others, in any combination may jeopardize the company's ability to raise capital and remain viable.

*"It should be stated... that it is utterly impossible to accurately value any mine, owing to the many speculative factors involved. The best that can be done is to state that the value lies between certain limits, and that various stages above the minimum given represent various degrees of risk. Further, it would be but stating truisms to those engaged in valuing mines to repeat that, because of the limited life of every mine, valuation of such investments cannot be based upon the principle of simple interest; nor that any investment is justified without a consideration of the management to ensue. Yet the ignorance of these essentials is so prevalent among the public that they warrant repetition on every available occasion."*

Herbert C. Hoover, "Principles of Mining; valuation, organization and administration," 1909

### Meanings of R.F. Lafferty & Co., Inc. Ratings

**Buy:** Describes stocks that we expect to provide a total return (price appreciation plus yield) of 10% or more within a 12-month period.

**Hold:** Describes stocks that we expect to provide a total return (price appreciation plus yield) of less than 10% and greater than negative 10% within a 12-month period.

**Sell:** Describes stocks that we expect to provide a total negative return (price appreciation plus yield) of 10% or more within a 12-month period.

### Distribution of ratings

Scarsdale Group (a division of R.F. Lafferty & Co., Inc.), coverage universe

Rating Distribution			Investment Banking Relationships		
Buy	Hold	Sell	Buy	Hold	Sell
3	0	0	3	0	0

Upon request, further investment information in support of recommendations made in this report will be provided.



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Contact: Guy Ortman, R. F. Lafferty and Co, Inc., 40 Wall Street, 19th Floor, New York, New York, 10005 (212) 293-9090.