



**INV METALS INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020**

## **INTRODUCTION**

This management's discussion and analysis ("MD&A") of the financial condition and results of operations of INV Metals Inc. ("INV Metals" or the "Company"), together with its wholly owned subsidiaries, has been prepared to enable the reader to assess material changes in the financial condition and results of operations of INV Metals as at and for the three and nine-month periods ended September 30, 2020, in comparison to the corresponding three and nine-month periods in the prior year. This MD&A is prepared as at November 13, 2020 and is intended to supplement and complement the interim condensed consolidated financial statements of INV Metals for the three and nine-month periods ended September 30, 2020 and 2019 (the "Financial Statements"), which are prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including *IAS 34 – Interim Financial Reporting*.

This MD&A should be read in conjunction with the Financial Statements and the Annual Information Form ("AIF") in respect of the 2019 fiscal year filed with the Canadian provincial securities regulatory authorities and available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com). This MD&A contains certain forward-looking statements about expected future events and financial and operating performance of the Company, and that actual events may vary from management's expectations. Readers are encouraged to read the Cautionary Note Regarding Forward-Looking Information Statements included with this MD&A. All references to dollars herein are in Canadian dollars ("C\$") unless otherwise specified.

## **COMPANY DESCRIPTION AND HIGHLIGHTS**

INV Metals is an international mineral resource company focused on the acquisition, exploration and development of precious and base metal projects, primarily in Ecuador. The Company is focused on the development and exploration of its 100% owned Loma Larga (formerly Quimsacocha) gold property, ("Loma Larga", "Project" or "Property"), as well as on the exploration of its 100% owned exploration properties at Tierras Coloradas, La Rebuscada, and Carolina ("Exploration Properties"), all located in Ecuador.

On September 21, 2020, the Company announced the Ecuadorian Constitutional Court (the "Constitutional Court") upheld the rights of mining concession holders within Ecuador, stating that any referendums relating to mining activities would only apply to future mining rights that are not yet granted and may not be retroactively applied to concessions granted prior to the referendum. Therefore, the lawful rights of the Company have been solidified by the Constitutional Court decision. The Company is committed to the responsible development of Loma Larga and is currently working with the Ministry of Environment and Water and the Ministry of Energy and Non-renewable Resources to review the Environmental Impact Study ("EIS") to advance Loma Larga through the permit process. The Company looks forward to continuing its dedication to open, honest and transparent communication through its consultation efforts with the local communities and the Canton of Cuenca.

On September 10, 2020, the Company announced the re-election of the directors at the Annual Meeting of Shareholders.

On August 31, 2020, the Company announced that the Constitutional Court again denied the application to hold a referendum related to mining activities within the Canton of Cuenca in the Province of Azuay (where the Loma Larga deposit is located) that was previously submitted by the ex-Prefect of Azuay on August 3, 2020. The request was the third such request by this individual to attempt to negatively influence mining via a referendum and was denied on the basis that it did not meet the criteria and standards for approval by the Constitutional Court. Two previous referendum applications by the ex-Prefect of Azuay related to mining activities in the Province of Azuay were also denied by the Constitutional Court on the same basis.

On August 17, 2020, the Company announced with deep sadness, the passing of Mr. James (Jim) Clucas, co-founder and director of INV Metals.

The health and well-being of our employees, consultants and community members are of the utmost importance and our efforts are focused on ensuring their safety during the global COVID-19 pandemic. COVID-19 has had a significant impact on the global economy including that of Canada and Ecuador, through restrictions put in place by the governments regarding travel, business operations and isolation orders to reduce the rate of spread of new infections. During the quarter, the Company's offices in Quito, Ecuador and in Toronto, Canada transitioned back to working in the office following strict protocols. The teams followed stringent return-to-work protocols and are abiding by local and national public health guidelines in place in Canada and Ecuador, which include personnel health screening, attendance monitoring, physical distancing measures, use of personal protective equipment, and enhanced cleaning and disinfection procedures. As well, various fieldwork activities at our exploration properties have also resumed following the same strict protocols.

## **OUTLOOK**

The Company's primary objectives in 2020, all of which have now been achieved, were: completion of the updated Feasibility Study Technical Report ("Technical Report") summarizing the results of the 2020 Feasibility Study (the "FS" or the "Study") on Loma Larga and incorporating the re-engineering and cost estimation to reflect the relocation of the processing and tailings facilities; completion of the initial drill program at Tierras Coloradas; completion of the EIS; and submission of the application of the Investment Protection Agreement ("IPA") for Loma Larga with the Ministry of Production of Ecuador.

Going forward, the focus for the remainder of the year is the ongoing engagement and consultation with the Ministry of Environment and Water of Ecuador regarding the review and approval of the EIS to obtain the relevant environmental approvals and the environmental licenses for Loma Larga, as well as continuing to work with the Ministry of Production through the review process of the IPA submission with the goal of executing the IPA. Once executed, the IPA will provide legal stability and protective measures for existing and future investments in Loma Larga, in addition to providing fiscal incentives for the Project.

The Company will continue to proceed with the permitting requirements for the key infrastructure of the Loma Larga Project, which include the approvals of the main powerline from the Ministry of Environment and Water as well as the processing plant and tailings management facilities from the Ministry of Energy and Non-renewable Resource. The Company plans to submit the approval documents for the processing plant to the Ministry of Energy and Non-renewable Resources in the coming week. In addition, the Company continues to advance stakeholder engagement activities with the ongoing Environmental, Social and Governance programs it undertakes at the various communities within the area of its operations.

## **MINERAL PROPERTIES**

### **1) Loma Larga, Ecuador**

The Loma Larga Project is located 30 kilometres southwest of the city of Cuenca and consists of approximately 7,960 hectares held in three contiguous concessions. The Loma Larga deposit is located within the Rio Falso concession. The Project is situated relatively close to existing infrastructure.

### ***Feasibility Study Results***

#### **a) Summary**

The FS was prepared by a consortium of independent consultants, led by DRA Americas Inc. ("DRA"), an international engineering firm with extensive experience both in the construction and operation of mining projects. DRA led the mine planning, Mineral Reserve estimation, metallurgy, processing and economic estimation. The FS was supported by additional leading consultants with expertise in various fields, including RPA Inc. ("RPA"), now part of SLR Consulting Ltd., for Mineral Resource estimation, RockEng Inc. for geotechnical design, Itasca Denver, Inc. for hydrogeology and water quality, Dr. Mark Thorpe for

social and environmental, NewFields for tailings design, Paterson & Cooke Canada Inc. for paste backfill, and SGS Canada Inc. for metallurgical test work.

The results of the FS strongly support the development of Loma Larga and confirm the Project's viability by demonstrating robust profitability and economics. During the projected 12-year mine life, 2.32 million gold equivalent ounces are forecasted to be produced, with an average production of 203,000 gold equivalent ounces per year and an average of 263,000 gold equivalent ounces produced during the first four full years. Loma Larga will be a low-cost operation with expected life of mine ("LOM") cash costs<sup>1</sup> of US\$559/oz, all-in sustaining costs<sup>1</sup> ("AISC") of US\$627/oz, and all-in costs<sup>1</sup> ("AIC") of US\$789/oz.

The economics of the FS suggest a high return gold project with low capital and operating costs. Based on an estimated initial capital cost of US\$316 million and sustaining and reclamation capital of US\$93 million, a pre-tax IRR of 40.0%, an after-tax IRR of 28.3% and, using a 5% discount rate, a net present value of US\$783 million pre-tax and US\$454 million after-tax are anticipated at a gold price of US\$1,400/ounce. The undiscounted pre-tax cash flow is estimated at US\$1,180 million over the mine life, and simple payback occurs after 2.0 years. On an after-tax basis, the undiscounted cash flow is estimated at US\$716 million over the mine life with simple payback occurring after 2.4 years.

The FS estimates proven and probable Mineral Reserves of 2.56 million gold equivalent ounces, comprised of 2.2 million ounces of gold, 13.3 million ounces of silver and 88.0 million pounds of copper resulting from the production of 13.9 million tonnes grading at 4.91g/t gold, 29.60 g/t silver and 0.29% copper. The FS also estimates the Mineral Resources to include 3.38 million of gold equivalent ounces comprised of 2.92 million ounces of gold grading at 3.76 g/t of measured and indicated Mineral Resources, as well as 0.40 million ounces of gold grading at 2.03 g/t of inferred Mineral Resources.

The Company's discovery of ore-grade mineralization up to 300 metres to the west of the current Mineral Resources, the findings of a detailed re-evaluation and study of the deposit, as well as the potential of the entire Loma Larga property, demonstrate that the deposit remains open in most directions with potential to increase Mineral Resources along strike and at depth, both of which remain largely untested, and to find additional deposits on the property.

Estimated LOM production of 2.32 million of gold equivalent ounces, comprised of 2.0 million ounces of gold, 12.6 million ounces of silver and 84.5 million pounds of copper occurs over the estimated initial mine life of 12 years using an average gold recovery of 90%, average silver recovery of 95% and average copper recovery of 96%.

**Feasibility Study Highlights** (5% discount rate, \$1,400/oz gold, \$18/oz silver, \$3/lb copper)

- **Pre-tax Net Present Value ("NPV")** **\$783 million**
- **After-tax NPV** **\$454 million**
- **Pre-tax IRR** **40.0%**
- **After-tax IRR** **28.3%**
- **Pre-tax Payback** **2.0 years**
- **After-tax Payback** **2.4 years**
- **Mine Life** **12 years**
- **Initial Mining Rate** **3,000 tpd**
- **Proven and Probable Mineral Reserves**
  - 13.9 million tonnes** (4.91 g/t gold, 29.6 g/t silver, and 0.29% copper), containing
    - **2.56 million equivalent gold ounces** which include,
    - **2.2 million ounces of gold**

<sup>1</sup> "Cash costs", "AISC" and "AIC" are non-IFRS performance measures (see "Non-IFRS Performance Measures").

- **13.3 million ounces of silver**
  - **88.0 million pounds of copper**
- **Measured and Indicated Mineral Resources** (inclusive of Mineral Reserves)
  - 24.1 million tonnes** (3.76 g/t gold, 24.8 g/t silver, and 0.22% copper), containing
    - **3.38 million equivalent gold ounces which include,**
    - **2.92 million ounces of gold**
    - **19.2 million ounces of silver**
    - **116.6 million pounds of copper**
- **Inferred Resources**
  - 6.2 million tonnes** (2.03 g/t gold, 25.6 g/t silver, and 0.12% copper), containing
    - **0.5 million equivalent gold ounces**
- **Average annual LOM gold equivalent recovered production<sup>2</sup>**
  - **203,000 gold equivalent ounces**
- **Average annual first four full years of recovered production**
  - **263,000 gold equivalent ounces which include,**
  - **223,000 ounces gold**
  - **17,000 gold equivalent ounces silver**
  - **23,000 gold equivalent ounces copper**
- **LOM Cash Costs**
  - **Total cash costs** **\$559/oz**
  - **All-in sustaining costs** **\$627/oz**
  - **All-in costs** **\$789/oz**
- **Capital Expenditures (including taxes)**
  - **Initial pre-production capex** **\$316 million**
  - **Sustaining capital** **\$71 million**
  - **Closure costs** **\$22 million**
- **Employment**
  - **During construction** **~875 jobs**
  - **After mine is in production** **~450 employees**

The FS demonstrates that the development of Loma Larga is expected to provide substantial economic benefits to the future employees of INV Metals, our communities, and the local, provincial and federal governments of Ecuador. The development and operation of the Loma Larga mine will also provide numerous employment and business opportunities for the local communities and within the region. Various benefits are expected to include:

- continuation of the Company's numerous social programs;
- during the construction period of 18-24 months, an estimated direct employment of 875 people;
- when the mine is in operation, an estimated 450 permanent direct jobs and an estimated 2,000 indirect jobs within the community to support the operations throughout the life of the mine;
- economic development and the creation of indirect jobs with local procurement initiatives and training opportunities;
- opportunities for local Ecuadorian businesses to supply goods and services totalling over \$150 million to the mine during the construction phase and over \$571 million during operations over the life of the mine;

<sup>2</sup> Annual LOM averages are calculated based on full production years from Year 2 to 11.

- incomes for employees and service providers derived as a result of the Loma Larga mine that are estimated to support 12,500 people, primarily within the region and the Province of Azuay;
- wages, social security and pension benefits for employees are estimated at \$15 million annually, for a total of \$186 million over the mine life;
- employee profit sharing taxes (3%) are estimated at \$34 million;
- taxes to the Government of Ecuador are estimated at:
  - Corporate Income tax (25%) - \$226 million
  - State profit sharing tax (12%) - \$135 million
  - Employment taxes (35%) - \$52 million
  - VAT (12%) and import duties (0% - 5%) - \$109 million
  - Royalties (5%) - \$120 million

**b) Mineral Resources**

The Loma Larga gold-silver-copper deposit is classified as a high sulphidation epithermal system and alteration is characterized by multiphase injections of hydrothermal fluids strongly controlled by both structure and stratigraphy. The deposit is a flat lying to gently western dipping (less than ten degrees), north-south striking, cigar shaped body, which has a strike length of approximately 1,600 metres north-south by 120 metres to 400 metres east-west and up to 60 metres thick, beginning approximately 120 metres below surface.

RPA estimated Mineral Resources for Loma Larga using all drill hole data available as of September 1, 2018. No further exploration drilling has occurred at Loma Larga since that date. The current Mineral Resource estimate is based on an underground mining scenario and is reported inclusive of Mineral Reserves. Using a US\$55/t Net Smelter Return ("NSR") cut-off value, Mineral Resources effective as of March 31, 2020 are summarized in the following table.

**Loma Larga Mineral Resource Estimate, Effective as of March 31, 2020**

Resource Classification	Tonne (M)	Au Grade (g/t)	Contained Au (M oz)	Ag Grade (g/t)	Contained Ag (M oz)	Cu Grade (%)	Contained Cu (M lb)	AuEq Grade (g/t)	Contained AuEq (M oz)
Measured	2.9	7.31	0.67	34.9	3.2	0.44	28.2	8.33	0.77
Indicated	21.2	3.28	2.24	23.5	16.0	0.19	88.4	3.82	2.61
<b>Measured &amp; Indicated</b>	<b>24.1</b>	<b>3.76</b>	<b>2.92</b>	<b>24.8</b>	<b>19.2</b>	<b>0.22</b>	<b>116.6</b>	<b>4.36</b>	<b>3.38</b>
Inferred	6.2	2.03	0.40	25.6	5.1	0.12	16.9	2.50	0.50

1. CIM 2014 Definition Standards were followed for Mineral Resources.
2. Mineral Resources are reported at an NSR cut-off value of US\$55/t.
3. Mineral Resources are estimated using a long-term gold price of US\$1,650 per ounce, silver price of US\$21.00 per ounce, and copper price of US\$3.75 per pound.
4. The formula used to calculate gold equivalence (AuEq) is:  $(\text{Au g/t} \times 35.78 + \text{Ag g/t} \times 0.42 + \text{Cu\%} \times 49.58) \div 35.78$ . The formula considers estimated metallurgical recoveries, assumed metal prices and smelter, which include payable factors, treatment charges, penalties, and refining charges.
5. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
6. Mineral Resources are inclusive of Mineral Reserves.
7. Average bulk density is 2.7 t/m<sup>3</sup>.
8. Numbers may not add due to rounding.

**Mineral Reserves and Mine Plan**

The estimated Mineral Reserves are shown in the following table.

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**Loma Larga Proven and Probable Mineral Reserve Estimate, Effective as of March 31, 2020**

Ore Category	Tonne (M)	Au Grade (g/t)	Contained Au (M oz)	Ag Grade (g/t)	Contained Ag (M oz)	Cu Grade (%)	Contained Cu (M lb)	AuEq Grade (g/t)	Contained AuEq (M oz)
Proven	2.9	7.30	0.69	34.8	3.27	0.44	28.5	8.40	0.79
Probable	11.0	4.28	1.51	28.3	10.00	0.25	59.5	5.00	1.77
<b>Proven and Probable</b>	<b>13.9</b>	<b>4.91</b>	<b>2.20</b>	<b>29.6</b>	<b>13.27</b>	<b>0.29</b>	<b>88.0</b>	<b>5.72</b>	<b>2.56</b>

1. CIM 2014 Definition Standards were followed for Mineral Reserves.
2. Mineral Reserves include long hole and drift-and-fill stopes as well as development in ore.
3. Mineral Reserves are reported at an NSR cut-off value of US\$60/t.
4. Mineral Reserves are estimated using a long-term gold price of US\$1,400 per ounce, silver price of US\$18.00 per ounce, and copper price of US\$3.00 per pound.
5. Average bulk density is 2.7 t/m<sup>3</sup>.
6. Numbers may not add due to rounding.

The underground mine will be accessed by a 1.2 kilometres long (5 metres high by 5 metres wide) ramp into the deposit. The ramp will serve as the access to the mine for personnel and materials, the haulage of waste and ore, and for ventilation. Due to the high-grade nature of the ore body and the positive geotechnical conditions, the deposit will primarily be mined by the long-hole stoping method, with 20 metres wide, 25 metres high and 20 metres long stope sizes. Certain zones will utilize the drift and fill method where appropriate.

Initial daily ore production of 3,000 tpd is planned from primary and secondary stopes for the first four years, generating approximately 1,095,000 tonnes of ore annually. From year 5, daily average ore production of 3,400 tpd is planned to be achieved through plant optimization, generating 1,241,000 tonnes of ore annually.

Full details of the FS can be found in the Technical Report, which is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.invmetals.com](http://www.invmetals.com).

***Expenditures at Loma Larga in the nine-month periods ended September 30, 2020 and 2019***

The following table sets forth a breakdown of material components of expenditures incurred at Loma Larga in the nine-month periods ended September 30, 2020 and 2019.

	2020	2019
Opening balance - January 1	\$ 72,428,753	\$ 71,713,959
Geological interpretation	102,029	168,568
Drilling	10,091	-
Feasibility study	835,170	746,457
Camp, environment and community relations	2,249,938	1,135,016
General and administration	752,226	987,188
Concession and related costs	510,052	457,709
Total expenditures - September 30	4,459,506	3,494,938
Exchange differences	1,617,283	(1,752,227)
Closing balance - September 30	\$ 78,505,542	\$ 73,456,670

In the nine-month period ended September 30, 2020, total expenditures at Loma Larga amounted to \$4,459,506 compared to \$3,494,938 in 2019. The expenditures for the nine-month period ended September 30, 2020 were higher than in the same period of 2019 due to project expenditures incurred to support the completion of the EIS at Loma Larga.

## 2) Exploration Properties, Ecuador

The Company holds a 100% interest in exploration concessions granted in 2017 throughout Ecuador, including the Tierras Coloradas, La Rebuscada, and the Carolina exploration projects (the "Exploration Properties").

The results of the Company's initial field programs on the Exploration Properties, which have been limited to prospecting, mapping, and rock chip sampling, have identified quartz epithermal and porphyry style targets on the properties, with anomalous to high-grade gold values present in surface grab samples at all properties. See the press release dated February 26, 2018 for additional details of exploration programs.

In 2018, the Ecuadorian Minister of Energy and Non-Renewable Natural Resources approved a ministerial agreement which allows for the performance of non-systematic drilling, up to a maximum of 30 drill platforms, during the Initial Exploration Phase. Previously drilling was only permitted in the Advanced Exploration Phase. The Company continues to perform various activities including detailed mapping and rock chip sampling, on its regional properties to define drill targets.

During the quarter, the Company resumed fieldwork activities at our Exploration Properties. Work resumed at Tierras Coloradas in late September. We completed the cutting and sampling of all core that was drilled in Q1 2020 and the samples were sent to the laboratory. Spectrometry of all core has been completed using a Terraspec machine and results are in the process of validation. The health and well-being of our employees, consultants and community members are of the utmost importance and we continue to monitor the situation closely to ensure their safety during the ongoing COVID-19 pandemic.

### Tierras Coloradas

The results from the recent drill program at Tierras Coloradas are considered by management to be encouraging. The results of the first ten holes drilled on the Aparecida and Quemada veins are believed to confirm the presence of an extensive gold and silver mineralized vein system and the potential for high grade gold to be present. The discovery of the Tuna 1 vein also indicates that the system has further exploration potential. The planned initial program of 2,000 m in 12 holes was designed to test two distinct veins to validate that the system is mineralized and to provide information to focus further exploration efforts. Early preliminary exploration discovered the presence of an extensive quartz vein system which has been traced in at least five epithermal quartz veins on surface, currently totaling over 7 km of strike length. The Company's near-term efforts will be focused on the analysis of the results of the geochemistry, alteration and lithology of the Target to determine the next steps for this exciting discovery, which will include identifying indicators to vector towards high-grade areas within the veins.

The 12 hole drill program was completed in early March of 2020 and totalled 2,026.1 m. The results below are the partial drill results for the first ten holes of the 12-hole program. All drill holes have intercepted the quartz vein at depth confirming strong continuity of the vein vertically and along strike. Most of the holes also confirmed the presence of gold and silver mineralization in the Aparecida and Quemada veins.

### Preliminary Assay Result Highlights of the First Ten Holes

Drill Hole	Azimuth	Inclination		From (m)	To (m)	Width* (m)	Gold (g/t)	Silver (g/t)
TCD-001	024	-50		75.3	75.85	0.55	2.28	5.6
			and	79.5	80.5	1	1.41	4.4
			and	99.25	102	2.75	1.39	12.5
TCD-002	024	-67		70.7	71.5	0.8	3.73	219
			and	109.1	121	11.9	2.31	7.4
			including	112	116	4	3.91	7.7



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Drill Hole	Azimuth	Inclination		From (m)	To (m)	Width* (m)	Gold (g/t)	Silver (g/t)
			and	128	130	2	1.11	4.8
TCD-003	024	-64		69	72	3	2.78	127.2
TCD-004	024	-84		98.5	100	1.5	10.94	36.3
			and	102.4	104.2	1.8	3.31	7.5
			and	105.7	106.3	0.6	1.27	2.8
TCD-006	004	-70		114	115	1	1.37	1.7
TCD-007	018	-53		75.2	76	0.8	2.02	5.2
			and	79.5	80.35	0.85	1.22	4.3
TCD-009	039	-52		10.9	13	2.1	1.96	3.6
			and	48.3	49	0.7	1.41	5.5
TCD-010	039	-70		16.7	18.7	2	1.73	8.2

\* Note: Widths are drill indicated core length. An estimate of the true width of each main vein is given in the text, but some intercepts are outside of the main vein. Average grades are calculated with un-capped gold assays, as insufficient drilling has been completed to determine capping levels for higher grade gold.

Complete results for the last two holes drilled at Tierras Coloradas were received during the quarter. Both holes intercepted the vein at depth and contain intercepts of >1 g/t Au. Hole TCD-011 intercepted 1.61 g/t Au and 57.7 g/t Ag over 2.1 metres. Hole TCD-012 intercepted 1.14 g/t Au, 82.9 g/t Ag, 0.96% Cu, 1.44% Pb, and 3.03% Zn over 0.6 metres. The last two holes of the drill program intercepted the Aparecida vein at a lower elevation and approximately 800 metres farther to the east from the previous ten holes that were announced in the press release dated April 22, 2020.

The program consisted of two holes drilled from each of six platforms, designed to intercept the vein at approximately 50 m and 100 m below surface. Ten holes tested the Aparecida vein at different elevations and two holes tested the Quemada vein. Approximately 1,000 metres of strike length of the Aparecida vein was drill-tested. All holes were inclined to intercept the vein in the most perpendicular angle possible.

The first four drill holes tested the high-grade displacement zone of the Aparecida vein which was described in detail in INV Metals' press release dated August 13, 2018. This zone is located near the top of the hill and includes the upper portion of the system. Holes TCD-001 and TCD-002 intercepted the vein beneath the area where surface sampling returned values that range from 0.010 to 240.5 g/t Au and 0.3 to 181.5 g/t Ag up to five metres away on each side of the hole location. A total of seven rock chip samples were collected in the veins at this location and these seven samples average 43.83 g/t Au and 48.0 g/t Ag. Holes TCD-003 and TCD-004 intercepted the displacement zone approximately 30 m to the west of the first two holes. These holes cut the vein beneath the area where surface sampling returned values that range from 0.594 to 100.7 g/t Au and 19.1 to 99.3 g/t Ag up to five metres away on each side of the hole location. A total of five rock chip samples were collected in veins at this location and these five samples average 31.22 g/t Au and 42.0 g/t Ag.

The next four holes were drilled in the middle portion of the hill in two locations on the Aparecida vein that contain strong and continuous mineralization. Holes TCD-005 and TCD-006 intercepted the vein beneath the area where surface sampling returned values that range from 0.034 to 13.1 g/t Au and 0.4 to 76.2 g/t Ag up to five meters away on each side of the proposed hole location. A total of seven rock chip samples were collected in veins at this location and these seven samples average 3.69 g/t Au and 22.4 g/t Ag. Holes TCD-007 and TCD-008 were drilled approximately 40 meters to the east. These holes intercepted the vein beneath the area where surface sampling returned values that range from 0.032 to 8.215 g/t Au and 1.1 to 10.2 g/t Ag up to five meters away on each side of the proposed hole location. A total of nine rock chip samples were collected in veins at this location and these nine samples average 1.88 g/t Au and 5.1 g/t Ag.

The next two holes were drilled on the Quemada vein. Holes TCD-009 and TCD-010 intercepted the vein beneath the area where surface sampling returned values that range from 0.264 to 61.9 g/t Au and 11.4 to 199.3 g/t Ag up to five meters away on each side of the proposed hole location. A total of twelve rock chip samples were collected in veins at this location and these twelve samples average 8.57 g/t Au and 45.9 g/t Ag.

The last two holes were drilled on the eastern Aparecida vein on the other side of the valley from the other holes and at the lowest elevation. Holes TCD-011 and TCD-012 intercepted the vein beneath the area where surface sampling returned values that range from 0.041 to 10.2 g/t Au and 1.9 to 70 g/t Ag. A total of ten rock chip samples were collected in veins at this location and these ten samples average 1.37 g/t Au and 20.8 g/t Ag. Both holes intercepted the quartz vein at depth.

#### Tuna 1 Vein Discovery

Additional field work also confirmed the discovery of a new mineralized vein at Tierras Coloradas. The Tuna 1 vein is located around 500 m to the north of the Quemada vein. The vein has been traced for approximately 700 m and is strongly anomalous with gold and silver values returned in a sampling program. Twenty rock chip samples have been collected on the vein to date and these range from 0.099 to 13.1 g/t Au and <0.2 to 520 g/t Ag. The average of the twenty samples is 2.73 g/t Au and 188.3 g/t Ag. Two samples were taken from float boulders directly beneath the 13.1 g/t Au sample in the middle area of the vein and these samples returned values of 20.2 g/t Au, 603 g/t Ag and 9.05 g/t Au, 313 g/t Ag.

The discovery of this vein is significant for its orientation and geochemistry. The vein is oriented in a more north-south direction whereas the other mineralized veins at Tierras Coloradas (Aparecida and Quemada) are oriented in a more east-west direction. The Tuna 1 vein also contains much higher silver than the Aparecida and Quemada veins. Both the Aparecida and Quemada veins have extensive sampling but the Aparecida vein has no samples with >300 g/t Ag and the Quemada vein has only one sample with >300 g/t Ag. The Tuna 1 vein contains seven samples with >300 g/t Ag of only twenty samples collected (representing 35% of the samples). Both the north-south orientation and the strong silver content of the vein suggest that this vein represents a distinct mineralizing event from those involved in the formation of the Aparecida and Quemada veins.

Tierras Coloradas covers 6,955 hectares and is in the province of Loja, near the border with Peru. Gold and silver-bearing quartz veins have developed in the andesitic volcanic sequences of the Paleocene Sacapalca Formation near the SE edge of the Cretaceous granodioritic Tangula batholith. Locally, these sequences consist of a lower andesitic lapilli tuff that is overlain by an andesitic crystal tuff. The upper and middle exposures of the veins are generally rich in Au-Ag while the lower exposures contain high Au-Ag-Cu-Zn-Pb. Boulders with possible sinter have been recognized to the west and suggest that the system is well preserved.

The Company acquired the Tierras Coloradas property in January 2017 and since then announced significant results from its initial exploration program in September 2017 and provided exploration updates in February 2018 and in August 2018. Most recently, the Company completed the initial drill program at Tierras Coloradas as discussed above. Full details of the results of the initial drill program can be found in the press release dated April 22, 2020, which is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.invmetals.com](http://www.invmetals.com).

#### **Quality Assurance**

All INV Metals sample assay results have been independently monitored through a quality assurance/quality control ("QA/QC") program including the insertion of blind standards, blanks and pulp, and reject duplicate samples. The rock sampling was completed by a geological contractor under the direct supervision of INV Metals. The samples are securely transported to the Bureau Veritas sample preparation facility in Quito, Ecuador. Sample pulps are sent to the same lab in Callao, Peru, which is independent of INV Metals, for analysis. Gold content is determined by fire assay of a 50-gram sample with an AAS finish

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and silver content is determined by aqua regia digestion with an ICP-AES finish. Gold values of >10 g/t are re-analyzed by the gravimetric method using a 50-gram sample.

**Qualified Person**

The scientific and technical information contained in this section of the MD&A has been reviewed and approved by Mr. Darren King, Vice President Exploration, a non-Independent Qualified Person, as defined by National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* (“NI 43-101”). He is a Registered Member of the Society for Mining, Metallurgy & Exploration (SME) of the United States. Mr. King has a M.Sc. in Geology from South Dakota School of Mines and Technology and has over 30 years of exploration experience throughout the Americas. Potential quantity and grade are conceptual in nature. There has been insufficient exploration to define a mineral resource on the exploration projects and it is uncertain if further exploration will result in such targets being delineated as a mineral resource.

**Expenditures at Exploration Properties in the nine-month periods ended September 30, 2020 and 2019**

The following table sets forth a breakdown of material components of expenditures incurred at the Exploration Properties in the nine-month periods ended September 30, 2020 and 2019.

	2020				
	Tierras		La		Total
	Las Peñas	Coloradas	Rebuscada	Carolina	
Opening balance - January 1	\$ 2,223,974	\$ 2,090,882	\$ 335,083	\$ 317,108	\$ 4,967,047
Geological interpretation	-	883,083	57,016	123,095	1,063,194
Environment permitting	2,523	402,102	-	8,525	413,150
Concession and related costs	-	152,689	-	-	152,689
Camp and field expenses	-	112,881	62,036	1,574	176,491
Total expenditures - September 30	2,523	1,550,755	119,052	133,194	1,805,524
Exchange differences	197,227	35,069	6,859	8,406	247,561
Write-down of exploration property	(2,423,724)	-	-	-	(2,423,724)
Closing balance - September 30	\$ -	\$ 3,676,706	\$ 460,994	\$ 458,708	\$ 4,596,408

  

	2019				
	Tierras		La		Total
	Las Peñas	Coloradas	Rebuscada	Carolina	
Opening balance - January 1	\$ 1,499,263	\$ 1,589,975	\$ 246,737	\$ 214,030	\$ 3,550,005
Geological interpretation	183,409	189,463	58,128	60,743	491,743
Environment permitting	16,164	37,964	1,796	1,796	57,720
Concession and related costs	398,536	125,187	42,186	40,014	605,923
Camp and field expenses	-	59,318	-	-	59,318
Total expenditures - September 30	598,109	411,932	102,110	102,553	1,214,704
Exchange differences	(48,538)	(45,900)	(7,998)	(6,353)	(108,789)
Closing balance - September 30	\$ 2,048,834	\$ 1,956,007	\$ 340,849	\$ 310,230	\$ 4,655,920

Expenditures for the nine-month period ended September 30, 2020 totalled \$1,805,524 compared to \$1,214,704 in the same period in 2019. The expenditures for the nine-month period ended September 30, 2020 were higher than in the same period of 2019 due to the initial drill program conducted at Tierras Coloradas that was completed in Q1 2020. In March 2020, the Company made the decision not to renew the Las Peñas concessions after their expiry on March 31, 2020, as such, previously capitalized exploration and evaluation costs amounting to \$2,423,724 were recorded as a write-down of exploration property in Q1 2020 as the carrying value of the property is not considered recoverable.

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**RESULTS OF OPERATIONS**

The following table presents the changes between INV Metals' consolidated statement of loss and comprehensive (income)/loss for the three and nine-month periods ended September 30, 2020 and 2019.

<i>For the three and nine-month periods ended</i>	Three Months Ended			Nine Months Ended		
	September 30, 2020	September 30, 2019	Change	September 30, 2020	September 30, 2019	Change
<b>General and administration</b>						
Shareholder and regulatory	\$ 39,965	\$ 5,142	\$ 34,823	\$ 197,490	\$ 97,788	\$ 99,702
Travel expense	124	13,913	(13,789)	25,606	46,247	(20,641)
Office	66,411	61,508	4,903	190,923	188,135	2,788
Total general and administration	<b>106,500</b>	80,563	25,937	<b>414,019</b>	332,170	81,849
<b>Compensation</b>						
Compensation	881,872	327,598	554,274	1,825,765	1,132,296	693,469
Stock-based compensation	68,651	28,312	40,339	363,443	145,113	218,330
Total compensation	<b>950,523</b>	355,910	594,613	<b>2,189,208</b>	1,277,409	911,799
Write-down of exploration property	-	-	-	<b>2,423,724</b>	-	2,423,724
Professional fees	50,891	126,204	(75,313)	243,321	311,818	(68,497)
Fair value gain on investments	(66,051)	(20,876)	(45,175)	(60,363)	(37,027)	(23,336)
Foreign exchange (gain)/loss	(7,583)	2,819	(10,402)	(10,032)	6,534	(16,566)
<b>Operating loss</b>	<b>1,034,280</b>	544,620	489,660	<b>5,199,877</b>	1,890,904	3,308,973
Finance loss/(income)	1,817	4,940	(3,123)	(41,393)	(222)	(41,171)
<b>Total loss for the period</b>	<b>\$ 1,036,097</b>	\$ 549,560	\$ 486,537	<b>\$ 5,158,484</b>	\$ 1,890,682	\$ 3,267,802
<b>Other comprehensive (income)/loss</b>						
Cumulative translation adjustment	1,460,287	(761,514)	2,221,801	(1,785,751)	1,846,176	(3,631,927)
<b>Total comprehensive loss for the period</b>	<b>\$ 2,496,384</b>	\$ (211,954)	\$ 2,708,338	<b>\$ 3,372,733</b>	\$ 3,736,858	\$ (364,125)

During the three-month period ended September 30, 2020 the Company recorded a total loss from operations of \$1,036,097 or \$0.01 per share, compared to \$549,560 or \$0.01 per share in the same period in 2019, an increase of \$486,537 or 89% from the prior year. Total loss increased in Q3 2020 compared to the same period in 2019 mainly due to higher general and administration costs and higher compensation costs, offset by lower professional fees, higher fair value gains on mark-to-market investments and foreign exchange gains.

During the nine-month period ended September 30, 2020 the Company recorded a total loss from operations of \$5,158,484 or \$0.04 per share, compared to \$1,890,682 or \$0.02 per share in the same period in 2019, an increase of \$3,267,802 or 173% from the prior year. Total loss increased in the nine-month period ended September 30, 2020 compared to the same period in 2019 mainly due to the write-down of the Las Peñas exploration property in March 2020, which amounted to \$2,423,724, in addition to higher compensation costs, higher general and administration costs, offset by lower professional fees, higher fair value gains on mark-to-market investments, foreign exchange gains and higher finance income.

Shareholder and regulatory expenses totalled \$39,965 in Q3 2020, an increase of \$34,823 from \$5,142 in Q3 2019. For the nine-month period ended September 30, 2020, shareholder and regulatory expenses totalled \$197,490, an increase of \$99,702 from \$97,788 in the same period in 2019. The increase in both the three and nine-month periods ended September 30, 2020 compared to the same periods in 2019 is due

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to the filing of the base shelf prospectus in June 2020 and an increase in marketing expenses during the period.

Travel expenses decreased in Q3 2020 by \$13,789 to \$124 compared to \$13,913 in Q3 2019. For the nine-month period ended September 30, 2020, travel expenses decreased by \$20,641 to \$25,606 compared to \$46,247 in the same period in 2019. The decrease in both the three and nine-month periods ended September 30, 2020 compared to the same periods in 2019 is due to international travel restrictions in response to the COVID-19 pandemic.

In Q3 2020, office expenses of \$66,411 were higher by \$4,903 compared to \$61,508 in Q3 2019. For the nine-month period ended September 30, 2020, office expenses of \$190,923 were higher by \$2,788 compared to \$188,135 in the same period in 2019. The slight increase of office expenses for both the three and nine-month periods ended September 30, 2020 compared to the same periods in 2019 is due to upgraded IT infrastructure and the return-to-work protocols implemented at the office in Toronto.

Compensation expenses totalled \$881,872 in Q3 2020 compared to \$327,598 in Q3 2019, an increase of \$554,274. For the nine-month period ended September 30, 2020, compensation expenses totalled \$1,825,765 compared to \$1,132,296, an increase of \$693,469. The increase for both the three and nine-month periods ended September 30, 2020 compared to the same periods in 2019 is due to higher personnel expenses to support the development of Loma Larga, timing of bonuses, and the reversal of a compensation accrual during Q1 2019 that was determined not to be payable at that time.

Stock-based compensation expenses totalled \$68,651 in Q3 2020, an increase of \$40,339 from \$28,312 in Q3 2019. For the nine-month period ended September 30, 2020, stock-based compensation expenses totalled \$363,443, an increase of \$218,330 from \$145,113 in the same period in 2019. The increase for both the three and nine-month periods ended September 30, 2020 compared to the same periods in 2019 is due to the amortization of new stock options issued in Q1 2020. There were no stock option issuances in 2019.

Professional fees decreased in Q3 2020 by \$75,313 to \$50,891 compared to \$126,204 in Q3 2019. For the nine-month period ended September 30, 2020, professional fees decreased by \$68,497 to \$243,321 compared to \$311,818 in the same period in 2019. The decrease in both three and nine-month periods ended September 30, 2020 compared to the same periods in 2019 is mainly due to higher legal fees incurred in 2019 as a result of the financing activities undertaken during Q3 2019.

The fair value gain on investments in Q3 2020 totalled \$66,051 compared to \$20,876 in Q3 2019. For the nine-month period ended September 30, 2020, the fair value gain on investments totalled \$60,363 compared to \$37,027 in the same period in 2019. The increase in the fair values of investments in both the three and nine-month periods ended September 30, 2020 compared to the same periods in 2019 is due to mark-to-market gains on the investments held as at September 30, 2020.

For the three-month period ended September 30, 2020, finance loss of \$1,817 comprised of interest expense representing finance cost of the leases of \$6,614, compared to \$9,401 in the same period in 2019, offset by interest income from cash balances of \$4,797 compared to \$4,461 in the same period in 2019. For the nine-month period ended September 30, 2020, finance income of \$41,393 comprised of interest income from cash balances of \$63,119 compared to \$28,251 in the same period in 2019, offset by interest expense representing finance cost of the leases of \$21,726, compared to \$28,029 in the same period in 2019. The increase in interest income in both the three and nine-month periods ended September 30, 2020, compared to the same periods in 2019 is due to higher cash balances held as a result of the completion of the private placement in October 2019, offset by interest rate cuts from the Bank of Canada.

The cumulative translation adjustment increased by \$2,221,801 to a loss of \$1,460,287 in Q3 2020 compared to a gain of \$761,514 in Q3 2019. For the nine-month period ended September 30, 2020, cumulative translation decreased by \$3,631,927 to a gain of \$1,785,751 compared to a loss of \$1,846,176 in the same period in 2019. The movements in the three and nine-month periods are as a result of changes

in the US dollar relative to the Canadian dollar on translation of the assets and liabilities of the Ecuadorian subsidiary.

## **FOREIGN EXCHANGE**

INV Metals reports its financial results in Canadian dollars. The Company's expenses include costs incurred in Canadian and US dollars.

The Canadian dollar decreased relative to the US dollar during the three-month period ended September 30, 2020 as the average rate was \$1.3324/US\$1.00 compared to an average rate of \$1.3204/US\$1.00 in Q3 2019. The Canadian dollar also weakened relative to the US dollar for the first nine months of the year in 2020, as the average rate was \$1.3537/US\$1.00, compared to \$1.3292/US\$1.00 during the same period in 2019.

The US Dollar was \$1.32/US\$1.00 as at November 13, 2020.

## **FINANCIAL CONDITION AND LIQUIDITY**

### ***Operating activities***

The Company is not in commercial production on any of its properties and accordingly, does not generate cash from operations. The Company finances its activities by raising capital through equity issuances. During the nine-month periods ended September 30, 2020 and 2019, the Company had negative cash flow from operating activities and anticipates negative cash flow from operating activities in future periods until such time that commercial production may be achieved from the development of Loma Larga.

Cash flows used in operating activities in the nine-month period ended September 30, 2020 totalled \$1,673,633, compared to \$1,828,583 in the corresponding period in 2019. Changes in interest income on cash deposits, unrealized gain or loss on foreign exchange, share-based compensation, working capital and write-down of exploration property comprise the principal amounts that reconcile the statement of loss to the statement of cash flows from operating activities.

See "Liquidity and Capital Resources" below for further discussion of the Company's ability to fund commitments in connection with its business plan.

### ***Financing activities***

Cash flows used in financing activities in the nine-month period ended September 30, 2020 totalled \$230,259, compared to cash flows provided from financing activities of \$2,724,267 in the corresponding period in 2019. Cash flows used in financing activities in the nine-month period ended September 30, 2020 represent the principal elements of lease payments. Cash flows provided from financing activities in the same period in 2019 are derived from the non-brokered private placement of 4,615,385 common shares of the Company ("Common Shares") at a price of \$0.65 per Common Share for net proceeds of \$2,955,369 that was closed on March 19, 2019, offset by principal elements of lease payments of \$231,102.

### ***Investing activities***

Cash flows used in investing activities for the nine-month period ended September 30, 2020 totalled \$6,445,166 compared to \$4,288,708 in the corresponding period in 2019. Investing activities for the first nine months of 2020 were higher than in the same period in 2019 primarily due to the completion of the FS and the EIS for Loma Larga as well as the initial drill program at Tierras Coloradas.

### ***Liquidity and Capital Resources***

The Financial Statements have been prepared in accordance with IFRS applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due for the foreseeable future. The Company has no operating cash

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flow from a producing mine and therefore must utilize its current cash reserves, income from short term investments and deposits, and other financing transactions to maintain its capacity to meet working capital requirements and planned corporate expenditures, as well as to fund the development of Loma Larga and other exploration activities. It is not possible to predict whether adequate financing will be available in the future on acceptable terms. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern and to realize its assets and discharge its liabilities in the normal course of business and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The adjustments as a result of these material uncertainties could be material. Although the Company has been successful in the past to obtain financing, there can be no assurances that the steps management is taking, and will continue to take, will be successful in future reporting periods or that such financing will be on terms advantageous to the Company.

As at September 30, 2020, the Company had cash of \$4,954,088 (December 31, 2019 - \$13,305,837) and working capital<sup>3</sup> of \$4,156,527 (December 31, 2019 - \$13,024,547). The following table sets forth a breakdown of the components to calculate working capital as at September 30, 2020 and December 31, 2019.

<i>As at</i>	<b>September 30, 2020</b>	December 31, 2019
<b>Current assets</b>		
Cash	\$ 4,954,088	\$ 13,305,837
Other receivables	188,517	252,093
	<b>5,142,605</b>	13,557,930
<b>Current liabilities</b>		
Lease liabilities	\$ 241,927	262,194
Other payables	744,151	271,189
	<b>986,078</b>	533,383
<b>Working capital</b>	<b>\$ 4,156,527</b>	<b>\$ 13,024,547</b>

Cash has decreased by \$8,351,749 during the nine-month period ended September 30, 2020 primarily due to expenditures incurred on the ongoing activities at both Loma Larga and the Exploration Properties, as well as general corporate expenditures. Working capital decreased by \$8,868,020 during the nine-month period ended September 30, 2020 mainly due to an increase in accounts payable related to the expanded activities at Loma Larga for the completion of the EIS and a decrease in cash.

The majority of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

The value of the Canadian dollar relative to the US dollar significantly impacts the Company's operating budget as Loma Larga expenditures and regional exploration spend in Ecuador are US dollar denominated. The average Canadian dollar weakened during the nine-month period ended September 30, 2020 relative to the US dollar, due to the fluctuations in the oil price and the volatility in the capital markets caused by the COVID-19 pandemic. Operating expenses have not been materially affected.

The Company has, in the past, financed its activities by raising capital through equity issuances. Many factors influence the ability to raise funds, including the current economic climate for and overall sentiment towards mineral exploration investment, the persisting volatility in the capital markets caused by COVID-19, the Company's track record, foreign exchange fluctuations at the Ecuadorian subsidiary and the experience and caliber of its management. Although the Company has been able to access external financing to-date, there can be no assurance that funding will be available in the future or available on acceptable terms.

<sup>3</sup> "Working capital" is a non-IFRS performance measure (see "Non-IFRS Performance Measures").

A continuous review of capital expenditure programs ensures the Company's capital resources are utilized in a responsible and sustainable manner to ensure the Company continues as a going concern. The Company's future is dependent upon its ability to obtain sufficient cash from external financing and related parties in order to fund its ongoing operations, permitting, further exploration activities, and ultimately the development and construction of Loma Larga. The Company will consider over the near term the requirements to advance Loma Larga to the next phase of evaluation and finance further exploration.

The Company will continue to be dependent on raising equity capital or debt, in addition to adjusting expenditures and disposing of assets as required unless it reaches the production stage and generates cash flow from operations. See "Risks and Uncertainties" for further details.

### **CHANGES IN SIGNIFICANT ACCOUNTING POLICIES AND FUTURE ACCOUNTING PRONOUNCEMENTS**

Changes in significant accounting policies and future accounting pronouncements are disclosed in note 3 of the Financial Statements. There have been no significant changes from the accounting policies applied in the Company's audited consolidated financial statements for the year ended December 31, 2019.

### **USE OF PROCEEDS**

The net proceeds from the private placement of \$2,955,369 completed on March 19, 2019 were used for general working capital and corporate purposes. The net proceeds from the private placement of \$15,436,468 completed on October 28, 2019 are being used to advance permitting efforts for Loma Larga, the initial drill program at Tierras Coloradas, as well as for general working capital and corporate purposes.

### **RELATED PARTY TRANSACTIONS**

The Company's related parties and subsidiaries are the same as those presented by the Company in its Financial Statements.

The following summarizes transactions with related parties during the nine-month periods ended September 30, 2020 and 2019 as follows:

#### **1) Transaction with related parties**

- i) During the nine-month period ended September 30, 2020, legal fees of \$165,177 (2019 - \$182,030) were charged from a law firm in which an officer of the Company is a partner of the law firm.
- ii) During the nine-month period ended September 30, 2020, advisory fees of \$33,900 (2019 - nil) were charged by a consulting company in which a director of the Company is the Chief Executive Officer of the consulting company.
- iii) On March 19, 2019, the Company closed a non-brokered private placement of 4,615,385 Common Shares at a price of \$0.65 per Common Share for gross proceeds of \$3,000,000 less transaction costs of \$44,631 for net proceeds of \$2,955,369. The proceeds from this private placement were used for general working capital and corporate purposes. IAMGOLD Corporation ("IAMGOLD"), which has a right to maintain its 35.6% *pro rata* shareholding in the Company, also participated in the private placement.

#### **2) Remuneration of directors and officers**

The following summarizes remuneration of directors and officers during the nine-month periods ended September 30, 2020 and 2019.



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	September 30, 2020	September 30, 2019
Salaries of key management	\$ 1,126,432	\$ 646,800
Director fees	226,880	199,256
Stock-based compensation	363,443	144,774
	<b>\$ 1,716,755</b>	<b>\$ 990,830</b>

**CONTRACTUAL OBLIGATIONS AND COMMITMENTS**

The Company has committed to payments as outlined below. The expenditures for amounts which may be required to maintain the Company's mineral properties in good standing are not outlined in the table below.

	Less than One Total		Between 1 - 5 Years		More than 5 Years	
Other financial commitments	\$ 170,956	\$ 61,513	\$ 109,443	\$ -		
Environmental management plan	\$ 298,367	\$ 298,367	\$ -	\$ -		

Other financial commitments relate to land leases to explore for minerals which have been determined to be out of scope of IFRS 16 "Leases" ("IFRS 16").

The Company's Ecuadorian subsidiary, INV Minerales Ecuador S.A. ("INV Minerales"), holds a term deposit relating to its environmental management plan for ongoing expenditures related to environmental matters.

The Loma Larga Project is subject to a 5% Net Profit Interest, payable to Compagnie Générale des Matières Nucléaires (now "ORANO"), the original owner of the property. In addition, the Company must pay ORANO, \$2.00 per ounce of gold, payable in three equal annual installments, contained in proven and probable mineral reserves and indicated and measured mineral resources, as defined by the completion of a bankable feasibility study from the date in which the Board of Directors of the Company (the "Board") makes a formal production decision. Any contingent payments are subject to significant uncertainty based on many factors, including, but not limited to positive market conditions, the availability of project financing, positive operating conditions in Ecuador, and the acquisition of all relevant permits.

**QUARTERLY FINANCIAL INFORMATION**

The following selected financial data has been derived from the Company's Financial Statements. The total comprehensive income/loss in each quarter below includes cumulative translation adjustments of the Company's Ecuadorian subsidiary, which fluctuate due to movements of the Canadian dollar relative to the US dollar.

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<i>For the period ended</i>	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Finance income/(loss)	\$ (1,817)	\$ 1,929	\$ 41,282	\$ 47,321
Total loss	(1,036,097)	(782,635)	(3,339,751)	(1,106,398)
Total comprehensive income/(loss)	(2,496,384)	(3,513,194)	2,636,846	(2,243,126)
Loss per share - basic and diluted*	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.01)

<i>For the period ended</i>	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Finance income/(loss)	\$ (4,940)	\$ 2,602	\$ 2,560	\$ 22,953
Total loss	(549,560)	(690,533)	(650,591)	(1,836,398)
Total comprehensive income/(loss)	211,954	(1,978,069)	(1,970,745)	1,555,995
Loss per share - basic and diluted*	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)

\*Basic and diluted loss per share is calculated based on the weighted-average number of shares outstanding. The conversion of stock options and restricted share units is not included in the calculation of the diluted loss per share because the conversion would be anti-dilutive.

Total loss increased in Q3 2020 compared to Q2 2020 primarily due to higher compensation related to bonuses and lower gains on marked to market investments, offset by lower general and administration expenses and lower professional fees. Total loss decreased in Q2 2020 compared to Q1 2020 primarily due to lower compensation expenses, higher gain on marked to market investments, write-down of exploration property in Q1 2020 offset by higher professional fees and general and administration expenses and lower finance income. Total loss increased in Q1 2020 compared to Q4 2019 primarily due to the write-down of exploration property, higher compensation expenses, larger fair value loss on marked to market investments in Q1 2020 offset by lower general and administration expenses. Total loss increased in Q4 2019 compared to Q3 2019 primarily due to higher compensation expenses in Q4 related to bonuses, and the fair value loss on marked to market investments in Q4, compared to a fair value gain in Q3. Total loss decreased in Q3 2019 compared to Q2 2019 primarily due to lower compensation and general and administration expenses. Total loss increased slightly in Q2 2019 compared to Q1 2019 primarily due to higher professional fees. Total loss decreased in Q1 2019 compared to Q4 2018 primarily due to lower compensation expenses in Q1 2019 compared to Q4 2018, offset by lower interest income. Further, there was a larger fair value loss on marked to market investments in Q4 2018 compared to Q1 2019.

## OUTSTANDING SHARE DATA

As at November 13, 2020 the Company had 136,542,488 Common Shares outstanding, as well as stock options to purchase 11,324,700 Common Shares at a weighted average price per share of \$0.62 and restricted share units of 1,667,952 at a weighted average price per share of \$0.44.

## OFF-BALANCE SHEET TRANSACTIONS

During the nine-month period ended September 30, 2020 the Company was not involved in any off-balance-sheet transactions.

## QUALIFIED PERSON

The scientific and technical information contained in this MD&A has been reviewed and approved by William (Bill) Shaver, P. Eng., Chief Operating Officer, INV Metals Inc. and Mr. Darren King, Vice President Exploration, INV Metals Inc., both non-Independent Qualified Persons under NI 43-101.

For readers to fully understand the technical information in this MD&A, they should review the Technical Report filed on April 14, 2020 under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) in its entirety,

including all of the qualifications, assumptions and exclusions that relate to the information set out in the Technical Report, which qualify the technical information contained in the Technical Report. The Technical Report is intended to be read as a whole, and sections should not be reviewed or relied upon out of context. The Technical Report also describes the mineral resource and mineral reserve estimation methodologies and the assumptions used, and to which those estimates are subject. The AIF filed under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) includes details of certain risk factors that could materially affect the potential development of the mineral resources and mineral reserves and should be considered carefully.

## **NON-IFRS PERFORMANCE MEASURES**

Cash costs, AISC, AIC and working capital are non-IFRS performance measures included in this MD&A. The Company reports cash costs, AISC and AIC in accordance with the updated guidance published by the World Gold Council in November 2018, which reflected further guidelines for reporting AISC and AIC on treatment for costs associated with leases, after the adoption of IFRS 16. These performance measures are included because these statistics are key performance measures that management uses to monitor performance. Management uses these statistics to assess how the Project ranks against its peer projects and to assess the overall effectiveness and efficiency of the contemplated mining operations.

The Company calculates working capital as its total current assets less its total current liabilities. Management uses working capital as an internal measure to better assess performance trends. It is understood that a number of investors and others that follow the Company's business assess performance in this way.

The above performance measures do not have a meaning within IFRS, and, therefore, amounts presented may not be comparable to similar data presented by other mining companies. These performance measures should not be considered in isolation as a substitute for measures of performance in accordance with IFRS.

## **RISKS AND UNCERTAINTIES**

An investment in the Company entails certain risk factors, which should be considered carefully, including but not limited to, those set out below. A discussion of these and other factors that may affect the Company's actual results, performance, achievements or financial position is contained in "Risk Factors" and elsewhere in the Company's AIF filed under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **1) Technical Report Results and Further Advancement of Loma Larga**

The Company's material property is Loma Larga, located in Ecuador. There is a risk that the Loma Larga Project may not yield the anticipated results set out in the Technical Report to warrant advancement or the Board and/or management of the Company may decide not to proceed with the further exploration and development of the Loma Larga Project. Such a decision may create a material adverse effect on the Company and may materially adversely affect the Company's financial condition and its ability to raise funds through financing transactions as the Loma Larga Project is currently the Company's flagship asset.

In late March 2019, the General State Controller's Office in Ecuador issued a report on the examination of the activities performed by the Government Entities with respect to the Loma Larga Project in the Examination Period. The main purpose of the examination was to ascertain that the Government Entities followed a process duly compliant with the respective laws and regulations in the granting of the relevant permits and licenses to Loma Larga as well as in the ongoing monitoring and review of the reporting requirements under the requisites of the permits and licenses by the Company during the Examination Period. The examination report noted a number of deficiencies in the administrative process undertaken by the Government Entities in the granting and ongoing monitoring of the various permits and licenses. There is a risk that the relevant permits and licenses currently granted to Loma Larga will be annulled or that the Company may not be able to obtain or renew the required permits and licenses or that additional

requirements may be established by the Government Entities in response to the observations made by the examination report.

Further, there is a risk that the Company may not be able to execute its Exploitation Contract with the Government of Ecuador to operate the Loma Larga Property as a large-scale mining project as contemplated in the Technical Report.

If the Company does not execute its Exploitation Contract with the Government of Ecuador or is unable to obtain or renew the required permits and licenses to operate as a large-scale miner such that the Board decides not to proceed with development, the Company may be required to write-down part or all of the value currently attributed to the Loma Larga Project as management may look to change the focus of its future activities on other assets. The value attributed to Loma Larga as at September 30, 2020 is approximately \$78.5 million. A write-down of some or all of the value of the Project could materially adversely affect the Company's financial condition and its ability to raise funds through financing transactions as Loma Larga is currently the Company's flagship asset.

The FS on Loma Larga estimates initial capital costs for development of approximately US\$316 million. There is a risk that the Company may not be able to fund the development of the Project if it cannot raise significant equity or debt financing in the future. During the nine-month period ended September 30, 2020, the Company had negative cash flow from operating activities. The Company anticipates it will continue to have negative cash flow from operating activities in future periods until commercial production is achieved at the Project. The Company's failure to achieve positive operating cash flows will result in the requirement for additional financing, which may or may not be available upon terms acceptable to the Company, or at all, and could have a material adverse effect on the Company's financial condition and results of operations. See "Financial Condition and Liquidity – Liquidity and Capital Resources" for a discussion of liquidity and capital risks.

## **2) Political stability and government regulation**

The Company is subject to political, regulatory and taxation risks associated with conducting mineral exploration and development in foreign countries, mainly Ecuador. Exploration and development of mineral deposits may be affected by risks associated to changes in government regulations with regard to, but not limited to, restrictions on future exploitation and production including adequate infrastructure, price and export controls, income taxes, immigration policies, potential delays in obtaining or the inability to obtain necessary permits, opposition to mining from non-governmental organizations ("NGOs"), limitations on foreign ownership, expropriation of property, environmental legislation, labour relations, limitations on repatriation of income and return of capital investment, high rates of inflation and site safety.

The Company faces the risk that future governments may adopt substantially different policies, which might extend to restrictions on mining, the expropriation of assets, increased taxes, royalties or other government participation in the mining sector or renegotiation of existing mineral rights, any of which could adversely affect the Company's business. In addition, internal political volatility could generate a situation in which delays occur for contract negotiations or permit approvals, resulting in changes to the overall Project schedule, or the Government of Ecuador may in the future adopt substantially more onerous laws or policies, which might extend to, as an example, expropriation of assets or the implementation of new taxes or royalties that render the Project uneconomic.

## **3) Local opposition to mining in Ecuador**

Loma Larga and the Exploration Properties concessions are located near rural communities. Some of these communities contain groups that have been opposed to mining activities from time to time in the past. Opposition to mining activities in the region may affect the Company's ability to explore and develop Loma Larga and the Exploration Properties in the short and long term.

Furthermore, local communities may be influenced by external entities, groups or organizations opposed to mining activities. Certain NGOs, some of which oppose globalization and resource development, are often vocal critics of the mining industry and its practices. These organizations may create or inflame public unrest and anti-mining sentiment among the inhabitants in areas of influence surrounding the Company's mineral properties.

The Constitution and laws of Ecuador establish that the control, management and decisions for the development of the strategic sectors and the mining industry in particular are under the control, management and decision of the national authorities. However, in January 2017, the Municipality of Cuenca (the "Municipality"), a local authority where the Company's Loma Larga Project is located, approved a declaration relating to the preservation of water sources and mining activities in the region (the "Declaration"). Although the Declaration could impose certain conditions on mining activities within urban areas, municipalities do not have the authority to prevent the development of mining activities within an area such as the Municipality (i.e. a canton) because the central Government of Ecuador is the sole authority for the control and regulation of mining activities within the country.

Amongst other matters, the Declaration seeks to declare the Municipality as a canton free of mining activities and to request that the Government of Ecuador suspend the exploration and operational activities of the mining companies in its jurisdiction. The Declaration is not binding on any party because the Government of Ecuador is the sole authority for the control and regulation of mining activities within the country. However, if the Government of Ecuador puts such a prohibition in place, then it would have a material adverse effect on the Company, would likely result in a write-down of part or all of the value currently attributed to Loma Larga and may result in a change in the focus of the Company's future activities.

On January 30, 2019, the Ecuadorian National Electoral Council called a referendum, to be held on March 24, 2019, regarding mining activities in the Girón Canton, based upon submissions by the Community Water Systems Union, an affiliate of the "FOA-ECUARUNARI-CONAIE". The entire Loma Larga gold-copper-silver mineral deposit and all related Mineral Resources and Mineral Reserves are exclusively located within the Rio Falso concession and are not situated within the Girón Canton. However, the processing and tailings facilities were proposed to be constructed within the Cristal concession, which is partially located within the Girón Canton.

On March 18, 2019, the Constitutional Court ruled that the principle of tacit approval be invoked, allowing for the referendum to proceed without the Constitutional Court opining on the merits of the questions being asked because a certain period of time had elapsed without a specific decision.

On March 24, 2019, a referendum was held in the Girón Canton and the result of the referendum was not in favour of mining activities in the canton. Girón Canton is an adjacent jurisdiction which neither contains the Loma Larga Mineral Resources and Mineral Reserves nor intersects with the Quimsacocha Hydrological System as defined in the Environmental Management Plan of the Quimsacocha Recreational Area approved by the Ministry of Environment. Further, the Loma Larga Mineral Resources and Mineral Reserves are also not within the area of the Quimsacocha Hydrological System. The Company reported that it will relocate the proposed processing and tailings facilities outside of Girón Canton and will continue the engineering work required to locate the facilities in the same canton as the Loma Larga Mineral Resources and Mineral Reserves, and reaffirmed that Loma Larga will continue to advance towards development. Concurrently, local elections were also held in Ecuador on March 24, 2019 to elect the country's local officials including provincial prefects, mayors and councilors. As a result of the local elections, Yaku Perez emerged as the prefect-elect for the province of Azuay, where Loma Larga is located. Yaku Perez's political campaign has been based on the anti-mining platform.

On July 30, 2019, the Company announced that an application to hold a proposed referendum related to mining activities within the Province of Azuay was submitted for consideration to the Constitutional Court. In opposition to the Provincial referendum, on August 6, 2019, the mayor of the Canton of Camilo Ponce Enríquez, in the Province of Azuay, also presented an application to the Constitutional Court to hold a

proposed referendum to approve the development of responsible mining activities in the canton. The Company's Loma Larga Mineral Resources and Mineral Reserves are located within the Province of Azuay.

On September 17, 2019, the Constitutional Court denied both applications to hold referendums, stating neither met the required criteria to proceed. In a press release issued by the Constitutional Court, it further reinforced that it "will carry out a formal and material control, case by case, regarding the origin of popular consultations on metal mining, analyzing whether these violate rights or imply reforms to the Constitution, and if they meet the requirements of loyalty, clarity and transparency required by law to guarantee the rights of voters".

On February 21, 2020, the Constitutional Court denied another request to hold a referendum related to future and present mining activities within the Province of Azuay, which was presented for consideration to the Court on January 7, 2020 by the same individual as the July 30, 2019 application. The Constitutional Court denied the request stating the standards and criteria previously established by the Constitutional Court to hold a referendum regarding mining activities were not met in either of two questions that were analyzed. The Constitutional Court reviewed the issue of holding referendums related to the cancellation of valid and legally granted mineral rights which would by extension impact the historical and future investment of concession holders in mining, development and exploration projects. The Constitutional Court ruled substantively that local referendums that would have retroactive effects on legally granted mining rights violate the rights of mining concessionaires. The conclusion reached by the Constitutional Court was based on the right of concession holders to legal certainty which is granted by the Constitution to Ecuador.

On August 31, 2020, the Constitutional Court once again denied the application to hold a referendum related to mining activities within the Canton of Cuenca in the Province of Azuay (where the Loma Larga deposit is located) that was previously submitted by the ex-Prefect of Azuay on August 3, 2020. The request was the third such request by this individual to attempt to negatively influence mining via a referendum.

On September 21, 2020, the Company announced that the Constitutional Court upheld the rights of mining concession holders within Ecuador, stating that any referendums relating to mining activities would only apply to future mining rights that are not yet granted and may not be retroactively applied to concessions granted prior to a referendum. Therefore, the lawful rights of the Company have been solidified by the Constitutional Court decision.

Opposition to mining activities in the region may affect the Company's ability to explore Loma Larga and the Exploration Properties in the short and long term, as well as its ability to obtain the required permits to advance the development of Loma Larga. The value attributed to Loma Larga as at September 30, 2020 is approximately \$78.5 million. A write-down of some or all of the value of the Project could materially adversely affect the Company's financial condition and its ability to raise funds through financing transactions as Loma Larga is currently the Company's flagship asset.

#### **4) Tax regime in Ecuador**

A mining concessionaire in Ecuador will be subject to 25% corporate income tax on its gross income less certain deductible costs and must make a total profit-sharing payment equal to 15% of its pre-tax income, less certain deductible costs. Of this profit-sharing amount, 3% is distributed to the concessionaire's employees and 12% is paid to the Government of Ecuador to be used for social investment projects. The Government of Ecuador also imposes a 12% VAT on goods and services purchased within Ecuador or imported from abroad, subject to certain exclusions, and other taxes, including customs duties, capital outflow tax, municipal fees and property tax. Starting January 1, 2018, VAT may be recoverable in proportion to the value of mineral exports.

On August 21, 2018, the National Assembly revoked the extraordinary revenue tax (also known as a windfall tax) which contemplated a rate of 70% of the amount by which market prices exceed a stipulated base price for precious and base metals. In addition, there is a constitutional provision that establishes that the Government of Ecuador's share of cumulative benefits derived (considering the income tax, royalties,

VAT, and 12% of the profit-sharing payment) from the mining concessionaires will not be less than 50% (the sovereign adjustment). To the extent that the Government of Ecuador's cumulative benefit falls below 50%, an annual sovereign adjustment will be required.

The tax regime in Ecuador may be subject to differing interpretations, is subject to change without notice and the Company's interpretations may not coincide with that of the Ecuadorian tax authorities. In order for there to be restrictions on the repatriation of earnings, the Government of Ecuador would need to reform through the National Assembly the Organic Code of Production, Commerce and Investment that grant rights to freely repatriate earnings. As a result, the taxation applicable to transactions and operations may be challenged or revised by the Ecuadorian tax authorities, which could result in significant additional taxes, penalties and/or interest. Given the complexity of the tax calculations and sovereign adjustment, there is a risk that the currently expected taxation regime will not be applied or that different tax authorities will not agree with the calculations which may negatively impact the Company and the economic feasibility of the Loma Larga Project. This can be diminished by the execution of the IPA setting out the legal framework, tax and legal stability, contractual rights, tax incentives and guarantees between the concessionaire and the Government of Ecuador.

#### **5) Reliability of mineral resource and mineral reserve estimates**

The mineral resource estimates contained in the AIF and the Technical Report are estimated quantities of measured, indicated and inferred mineral resources. The mineral reserve estimates contained in the AIF and the Technical Report are estimated quantities of proven and probable mineral reserves that can be mined legally and economically and processed by extracting their mineral content under current conditions and conditions anticipated in the future. The Company determines the amount of its mineral resources and mineral reserves according to the applicable regulatory requirements and established mining standards.

There are numerous uncertainties inherent in estimating mineral resources and mineral reserves, including many factors beyond the Company's control. Such estimation is a subjective process and the accuracy of any mineral resource or mineral reserve estimate is a function of the quantity and quality of available data, the assumptions made, and judgments used in engineering and geological interpretation. Mineral resource and mineral reserve estimates are also uncertain because they are based on limited sampling and not the entire ore body. In addition, there can be no assurance that gold recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. There is no assurance that the estimated amount of mineral reserves will be recovered or that such minerals will be recovered at costs that the Company assumed in determining such mineral reserves.

As the Company gains more knowledge and understanding of an ore body through on-going exploration and mining activity, the mineral resource and mineral reserve estimates may change significantly, either positively or negatively. In particular, results of drilling, metallurgical testing, production, the evaluation of mine plans and fluctuations in gold prices subsequent to the date of any estimate may require revisions of such estimate. Any material reductions in mineral resource or mineral reserve estimates or of the Company's ability to extract the mineral reserves could have a material adverse effect on the Company's results of operations and financial condition.

Additional principal risks affecting the Company include those summarized below, which remain substantially consistent with the disclosure contained and expanded upon in the Company's AIF, and are not readily quantifiable:

- Risks and uncertainties related to the interpretation of drill results, the geology, grade, continuity of mineral deposits and conclusions of economic evaluations and other assumptions and parameters;
- Risks related to the reliability of commercial laboratory analytical results, possible variations in reserves, grade, and changes in project parameters as plans continue to be refined;

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- Exploration and potential future development risks, including risks related to the grant of access rights to the properties, accidents, equipment breakdowns, labour disputes (including work stoppages and strikes) or other unanticipated difficulties with or interruptions to exploration and development;
- Risks related to the Company's lack of mineral production history and dependence on a single material project;
- Risks related to the Ecuadorian mining law, including the regulatory regime requirements in order for the Company to commence exploitation of the Project;
- Risk that future referendums relating to mining activities may be held within the jurisdictions in which the Company's Exploration Properties are located, and in the jurisdictions where the Loma Larga Mineral Resources and Mineral Reserves and other concessions comprising the Loma Larga Project are located. There can be no guarantee that the results of potential future referendums will not negatively impact the Company or its investment in the Loma Larga Project or the Exploration Properties. There may also be additional future legal actions that may adversely impact the Loma Larga Project, the Company's Exploration Properties or the Company. There is a risk that the judicial system within Ecuador does not operate on an impartial basis, is not free of political influence and does not operate within the rule of law;
- Risk that the land titles of the properties that the Company hold an interest in have administrative shortcomings and undetectable defects whereby the precise area and location of such claims may be in doubt;
- Risks and uncertainties related to the unexpected costs and/or liabilities related to Loma Larga;
- Risks related to potential delays in exploration or potential future development activities;
- Risks related to market sentiment and commodity price fluctuations;
- Risks related to the economic viability of Loma Larga based on changing commodity prices;
- Risks related to the global economy, including disruptions in the international credit markets and other financial systems and the deterioration of the global economic conditions, could impact the Company's access to capital;
- Risks of failure to obtain adequate financing on a timely basis and on acceptable terms or delays in obtaining governmental approvals or in the completion of development or construction activities;
- Risks related to environmental regulation and liabilities arising from changes to enacted laws and regulations;
- Risks of potential losses, liabilities and damages arising from the lack of insurance coverage related to risks of the business that are uninsured or uninsurable;
- Risks related to the loss of the services of key executives, including the directors of the Company and a small number of highly skilled and experienced executives and personnel;
- Risk that the interests of IAMGOLD and Dundee Precious Metals Inc. differ from those of other shareholders due to their ability to significantly influence on decisions to be made by the Company as significant shareholders;



- Risks from disruption, damage or failure from various causes, including, but are not limited to, computer viruses, security breaches, cyber-attacks, natural disasters and defects in design. The Company could also be adversely affected by system or network disruptions if new or upgraded information technology systems are defective, not installed properly or not properly integrated into the Company's operations;
- Risk that the Company's operations are subject to ongoing and emerging infectious diseases, including the COVID-19 pandemic, or the threat of outbreaks of viruses or other contagions or epidemic diseases. These infectious disease risks may not be adequately responded to locally, nationally or internationally due to lack of preparedness to detect and respond to outbreaks or respond to significant pandemic threats. As such, there are potentially significant economic and social impacts of infectious disease risks, including the inability of the Company's mining and exploration operations to operate as intended; and
- Other risks and uncertainties related to the Company's prospects, properties and business strategy.

## **CORPORATE GOVERNANCE**

Management and the Board of INV Metals recognize the value of good corporate governance and the need to adopt best practices. The Company is committed to continuing to improve its corporate governance practices in light of its stage of development and evolving best practices and regulatory guidance. INV Metals' directors have expertise in exploration, metallurgy, mining, accounting, banking, financing and the securities industry. The Board meets at least four times per year, and committees meet per their respective mandates or as required.

The mandate of the Board has been adopted by the Board outlining its responsibilities and defining its duties. The Board has four standing committees (the Audit committee, the Compensation committee, the Social, Health, Safety and Environment committee and the Corporate Governance and Nominating committee).

Each committee of the Board, including the Audit committee, the Compensation committee, the Social, Health, Safety and Environment committee and the Corporate Governance and Nominating committee, has an approved committee charter, which outlines the committees' mandate, specifies procedures for calling a meeting and authorizes access to outside resources.

The Board has also approved a Code of Business Conduct and Ethics, which governs the ethical behavior of all employees, management and directors. Separate insider trading and disclosure policies are also in place. For more details on INV Metals' corporate governance practices, please refer to INV Metals' website at [www.invmetals.com](http://www.invmetals.com).

While the Company is subject to Canadian regulatory provisions, the Board and management incorporate strong corporate governance practices in the belief that such practices provide protection for its investors and add value to the Company. The Board formally reviews the risks impacting the Company on an annual basis when it reviews and approves the AIF. In addition, the Board reviews the risks impacting the Company on an as needed basis, such as in connection with the Company's expenditures and strategy given the status of the Company's flagship asset, Loma Larga and Ecuador's relatively new mining laws.

## **DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

### **1) Disclosure Controls**

Disclosure controls and procedures ("Disclosure Controls") are procedures designed to provide reasonable assurance that all relevant information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis, and is accumulated and communicated to the Company's management, including the Chief Executive Officer ("CEO") and the Chief

Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure. Management, including the CEO and the CFO, does not expect that the Company's Disclosure Controls will prevent or detect all error and all fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected.

National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), issued by the Canadian Securities Administrators ("CSA") requires the CEO and the CFO to certify that they are responsible for establishing and maintaining Disclosure Controls for the issuer, that Disclosure Controls have been designed to provide reasonable assurance that material information relating to the issuer is made known to them, that they have evaluated the effectiveness of the issuer's Disclosure Controls, and that their conclusions about the effectiveness of those Disclosure Controls at the end of the period covered by the relevant annual filings have been disclosed by the issuer.

INV Metals' CEO and CFO have evaluated the effectiveness of the Company's Disclosure Controls as at September 30, 2020 and concluded that, subject to the inherent limitations noted above, those disclosure controls were effective for the period then ended.

## **2) Internal Controls over Financial Reporting**

NI 52-109 also requires the CEO and the CFO to certify that they are responsible for conducting an evaluation of the effectiveness of internal controls over financial reporting ("ICFR"), as defined by the CSA, for the Company, that the ICFR have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP, and that the Company has disclosed any changes in its ICFR during its most recent period that has materially affected, or is reasonably likely to materially affect, its' financial reporting.

As discussed above, the inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected. Therefore, no matter how well designed, ICFR has inherent limitations, can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

Management conducted an assessment of the effectiveness of ICFR in place as of September 30, 2020 and concluded that such procedures are adequate and effective. The Board assesses the integrity of the public financial disclosures through the oversight of the Audit Committee. No material changes in ICFR have been made during the three month-period ended September 30, 2020.

## **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Except for statements of historical fact relating to the Company, certain information contained in this MD&A constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements under the heading "Outlook", statements with respect to the financial results and expectations for 2020 and subsequent periods, the Property categorization as a "large-scale" project under Ecuador's mining laws and tax regimes, future anticipated results of drilling and exploration programs, including, but not limited to, interpretation of drill results, metallurgical test results, the geology, grade and continuity of mineral deposits and conclusions of economic evaluations, statements regarding the results of the FS, including statements under the heading "Feasibility Study Highlights", Mineral Reserve and Mineral Resource estimates, capital cost estimates, statements regarding future exploration, development or mining results, anticipated grades and recovery rates both at Loma Larga and the Exploration Properties, statements related to future economic, market and other conditions, requirements for additional capital, the future impact of the COVID-19 outbreak on the operations of the Company, the ability of the Company to advance permitting efforts with relevant Ecuadorian ministries, the ability of the Company to execute the IPA and the anticipated impacts of the IPA, the ability of the Company to execute its Exploitation Contract with the Government of Ecuador and the ability of the Company to

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progress on its current objectives, and other statements relating to the financial and business prospects of the Company.

Generally, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, “does not anticipate”, “believes” or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might”, “will”, “will be able”, “will continue”, “will be available”, “will be successful”, “will be taken”, “occur” or “be achieved”.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, and are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: the expected grade at Tierras Coloradas; the Company's expectations for the long-term price of gold; the expected benefits of the Loma Larga mine on the community; uncertainties regarding the price of precious and base metals and the availability of equity financing, particularly in light of the COVID-19 pandemic; uncertainties regarding the exploration and development of mineral deposits; the high degree of risk involved in mining operations; lack of mineral production history; dependence on a single project; negative cash flow from operations; compliance with anti-corruption laws; uncertain political stability and government regulation of mining operations, including the expropriation of assets and the presence of illegal miners; the possibility that future exploration results will not be consistent with the Company's expectations; taxation; uncertain political and economic environments; NGO intervention and the creation of adverse sentiment among the inhabitants of areas of mineral development; the liability of the Company or INV Minerales under the Ecuadorian Internal Tax Regime Law; conducting operations in a foreign country and compliance with foreign laws; failure to fulfill the requirements of any phase of the mining laws of Ecuador; uncertainties of project cost, construction and operating cost overruns or unanticipated costs and expenses; presence of a significant shareholder; presence of endangered species; the reliability of mineral resource and mineral reserve estimates as well as other assumptions and parameters underlying the anticipated recoverability of precious and base metals; compliance with statutory and regulatory standards; environmental hazards; reliance on adequate infrastructure for mining activities; the assurance of titles or boundaries; surface rights and access rights; costs of land reclamation; permits; uninsurable risks related to exploration, development and production; uncertainties inherent in competition with other exploration companies; hedging; timing and availability of external financing on acceptable terms and in light of the current decline in global liquidity and credit availability; future prices of precious and base metals; currency exchange rates, particularly in light of the differing responses of national governments to the COVID-19 pandemic; the market price of Common Shares; future sales of Common Shares; dependence on key management employees and the ability to recruit and retain employees with special skill and knowledge; conflicts of interest of directors and officers of the Company; use of proceeds; dilution; the regulatory regime in Ecuador; the tax regime in Ecuador; community relations; enforcement of legal rights; the risk that the Company will not complete any offerings under the base shelf prospectus filed in June 2020 or that those offerings will not have the desired effect on the Company; the risk that exploration programs at Loma Larga or the Exploration Properties are not as successful as the Company anticipates; the COVID-19 outbreak materially impacting the operations of the Company; there being cases of COVID-19 in the Company's workforce; all or some of the Company's workforce being required to self-isolate due to the COVID-19 outbreak; the responses of the relevant governments to the COVID-19 outbreak not being sufficient to contain the impact of the COVID-19 outbreak; there being a prolonged economic recession or downturn as a result of the COVID-19 outbreak; the gold grade at Tierras Coloradas being materially lower than expected or not economically feasible to extract; and the expected benefits of the Loma Larga mine on the community not materializing. See “Risks and Uncertainties” in this MD&A and the “Risk Factors” in the AIF. This list is not exhaustive of the factors that may affect the forward-looking statements. These and other factors should be considered carefully by prospective investors, who should not place undue reliance on such forward-looking statements. Forward-looking statements are made based upon management's beliefs, estimates and opinions on the date the

statements are made, which management believes are reasonable, and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as otherwise required by applicable law. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.

All disclosure contained herein concerning future plans for the Loma Larga is subject to the assumptions and qualifications set forth in the Technical Report, which is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **DIFFERENCES IN REPORTING OF MINERAL RESOURCE ESTIMATES**

This MD&A was prepared in accordance with Canadian standards for reporting of mineral resource estimates, which differ in some respects from standards in the United States. In particular, and without limiting the generality of the foregoing, the terms "inferred mineral resources," "indicated mineral resources," "measured mineral resources" and "mineral resources" used or referenced in this MD&A are Canadian mineral disclosure terms as defined in accordance with NI 43-101 under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") Standards on Mineral Resources and Mineral Reserves (the "CIM Standards"). Until recently, the CIM Standards differed significantly from standards in the United States. The U.S. Securities and Exchange Commission (the "SEC") has adopted amendments to its disclosure rules to modernize the mineral property disclosure requirements for issuers whose securities are registered with the SEC under the *U.S. Securities Exchange Act of 1934*, as amended (the "Exchange Act"). These amendments became effective February 25, 2019 (the "SEC Modernization Rules") with compliance required for the first fiscal year beginning on or after January 1, 2021. The SEC Modernization Rules replace the historical property disclosure requirements for mining registrants that were included in SEC Industry Guide 7, which will be rescinded from and after the required compliance date of the SEC Modernization Rules. As a result of the adoption of the SEC Modernization Rules, the SEC now recognizes estimates of "measured mineral resources," "indicated mineral resources" and "inferred mineral resources". In addition, the SEC has amended its definitions of "proven mineral reserves" and "probable mineral reserves" to be "substantially similar" to the corresponding definitions under the CIM Standards, as required under NI 43-101. Accordingly, during this period leading up to the compliance date of the SEC Modernization Rules, information regarding mineral resources or mineral reserves contained or referenced in this MD&A may not be comparable to similar information made public by United States companies. Readers are cautioned that "inferred mineral resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or other economic studies, except in limited circumstances. The term "resource" does not equate to the term "reserves". Readers should not assume that all or any part of measured or indicated mineral resources will ever be converted into mineral reserves. Readers are also cautioned not to assume that all or any part of an inferred mineral resource exists, or is economically or legally mineable.