



**INV METALS INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED DECEMBER 31, 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 years ended December 31, 2020 and 2019. This MD&A is prepared as at March 4, 2021 and is intended to supplement and complement the audited annual consolidated financial statements of INV Metals for the years ended December 31, 2020 and 2019 and the notes thereto (the "Financial Statements"), which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

This MD&A should be read in conjunction with the Financial Statements and the Annual Information Form ("AIF") in respect of the 2020 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 February 7, 2021, the Cuenca City Council held a referendum to pronounce on the future restriction of large and medium-scale mining activities within five water catchment and drainage basins within the areas near the city. The results of the referendum were to disallow future large and medium-scale mining activities. The Constitutional Court in its ruling of September 21, 2020, confirmed the right of the existing mining concessionaires to legal security and stated the results of the referendum would only be applied to future concessions not yet granted. While the official results of the referendum report a Yes vote of 78.6% and a No vote of 21.4%, that result does not tell the full picture. Of the electorate who voted in the Presidential and National Assembly election, 14.4% abstained from voting on the referendum or spoiled their ballots. It can be hypothesized that those individuals do not feel strongly regarding the prohibition of future mining activities by the nonexecution of their right to vote. Therefore, of those who actually voted in Cuenca, 64.2% voted in favour of prohibiting future mining activities. Also, taking into account the eligible population who did not vote, the total percentage of people within the area of Cuenca who voted Yes was 51.0%. INV Metals will continue to work together and transparently with our local stakeholders as we move forward with our goal of the development of the Loma Larga deposit.

On January 28, 2021, the Company completed a non-brokered private placement of common shares of the Company ("Common Shares") at a price of \$0.45 per Common Share for gross proceeds of approximately \$6.1 million. The Company issued 4,848,287 Common Shares to IAMGOLD Corporation ("IAMGOLD") to maintain its 35.5% interest and 8,805,962 Common Shares to Dundee Precious Metals Inc. ("DPM") which increased its position from a 19.4% to a 23.5% interest. The proceeds from the private placement will be used for the advancement of the Loma Larga Project and for general corporate purposes.

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 were solidified by the Constitutional Court decision. The Company is committed to the

responsible development of Loma Larga and is 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 denied the application to hold a referendum related to mining activities within the Canton of Cuenca in the Province of Azuay that was 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 June 10, 2020, the Company announced that it filed a final short form base shelf prospectus (the "Shelf Prospectus") with the securities regulatory authorities in each of the provinces and territories of Canada. The Shelf Prospectus will allow the Company to make offerings of up to \$300 million of any combination of Common Shares, warrants, subscription receipts, units and debt securities (collectively, the "Securities"). The Shelf Prospectus will be effective for a 25-month period, expiring in July 2022. The specific terms of any offering of Securities, including the use of proceeds from any offering, will be set forth in a shelf prospectus supplement. The Company has filed this Shelf Prospectus to maintain financial flexibility, particularly for its development of the Loma Larga project. In connection with the filing of the Shelf Prospectus, the Company also filed an amended technical report on the Loma Larga project entitled "NI 43-101 Feasibility Study Technical Report" for the Loma Larga Project, Azuay Province, Ecuador with an effective date of April 8, 2020 and dated June 10, 2020 (the "Amended Technical Report").

On April 22, 2020, the Company announced the preliminary drill results from the main vein and surrounding alteration zone in each of the first ten holes of a 12-hole drill program and the discovery of the Tuna 1 vein on the Company's 100% owned Tierras Coloradas gold target ("Tierras Coloradas", or the "Target"). The Tierras Coloradas property totals 6,955 hectares and is located in the Province of Loja, in southern Ecuador near the border of Peru. The initial drill program at Tierras Coloradas was designed to test INV Metals' discovery of a low sulphidation epithermal quartz vein system on the Target, which returned high grade gold results within channel and rock chip samples. The reported results are highlighted by intercepts of 10.94 g/t gold over 1.5 m and 3.91 g/t Au over 4.0 m which is indicative of the presence of high grades within the veins at depth. These high-grade intercepts were encountered at the highest elevations drilled within the system and open the possibility to grades increasing at depth within this area. In addition, drilling has confirmed that the veins are continuous and mineralized at depth.

On April 14, 2020, the Company filed an updated Feasibility Study Technical Report ("Technical Report"), summarizing the results of the 2020 Feasibility Study (the "FS" or the "Study") on its 100% owned Loma Larga gold-copper-silver project in Ecuador. The FS on Loma Larga incorporated the relocation of the plant infrastructure and tailings facility near the proposed mine site, updated capital and operating cost estimates, and validated current Mineral Resources and Reserves. The results of the FS continue to support the Project's viability and demonstrate the strong profitability and economics of Loma Larga. While the capital and operating costs did not change materially since the results of the previous feasibility study reported in 2018, the gold price environment strengthened and as such, an updated long-term consensus gold price of US\$1,400/oz was reflected into the FS. The Project is forecasted to return a robust after-tax internal rate of return ("IRR") of 28.3% and 2.4 year payback period. An updated Mineral Resource estimate included 3.38 million gold equivalent ounces, grading at 4.36 g/t of measured and indicated Mineral Resources, which is 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. A proven and probable Mineral Reserve estimate of 2.56 million gold equivalent ounces, grading at 5.72 g/t,

which is 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 4.91 g/t gold, 29.60 g/t silver and 0.29% copper will be mined over an estimated 12-year mine life as contemplated in the FS. The production from the mine is estimated at a mining rate of 3,000 tonnes per day ("tpd") in the early years, reaching 3,400 tpd in year five, resulting in Life of Mine ("LOM") production of 2.32 million gold equivalent ounces and average annual production of 203,000 gold equivalent ounces. The FS provided new Capital and Operating Cost estimates and economics as a result of the relocation, which formed the basis for the submission of the EIS to obtain the relevant environment permits for Loma Larga.

On February 21, 2020, the Constitutional Court denied the 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. The Company's Loma Larga Mineral Resources and Reserves are located within the Province of Azuay. 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.

The health and well-being of our employees, consultants and community members are of the utmost importance and the Company continues its efforts to ensure 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. The Company's offices in Quito, Ecuador and in Toronto, Canada continue to follow stringent COVID-19 workplace and response 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, enhanced cleaning and disinfection procedures, and active case monitoring and reporting protocols.

## **OUTLOOK**

The Company's primary objectives in 2020 were: completion of the Technical Report (which was superseded by the 2020 Amended Technical Report) summarizing the results of the 2020 FS 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; preparation of the EIS; and submission of the application of the Investment Protection Agreement ("IPA") for Loma Larga with the Ministry of Production of Ecuador.

In 2021, the Company's primary focus is to proceed with the EIS through the well-defined permitting process in Ecuador to obtain the relevant environmental approvals and the environmental licenses for Loma Larga. In addition, the Company has identified and will pursue other long lead time permits for the key infrastructure of the Loma Larga Project, which include the approvals of the main powerline and the upgrade to the existing roads from the Ministry of Environment and Water as well as the approvals for the processing plant and tailings management facilities from the Ministry of Energy and Non-renewable Resources. Throughout these permitting activities, the Company is committed to provide honest, transparent and open communication with all stakeholders during the permitting and public consultation process.

The Company will continue to work with the Ministry of Production through the review process of the IPA with the goal of executing the IPA. Once executed, the terms of the IPA provide various stability and protective measures for existing and future investments in Loma Larga, in addition to providing fiscal

incentives for the Project. The Company is focused on obtaining the project financing package for the development and construction of Loma Larga.

During 2021, the Company plans to develop a strategic human capital plan with the goal of identifying a project development team which will identify potential contractors and suppliers to advance with the critical path requirements for the Loma Larga Project.

## **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 that includes 3.38 million 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

---

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

**INV METALS INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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 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**

<b>Key Financial Metrics</b>	<b>FS Assumptions</b> \$1,400/oz Au, \$18/oz Ag, 3/lb Cu, 5% discount rate	<b>Current Assumptions</b> \$1,800/oz Au, \$28/oz Ag, 4/lb Cu, 5% discount rate
<b>Pre-tax NPV (\$M)</b>	\$783 million	\$1,314 million
<b>After-tax NPV (\$M)</b>	\$454 million	\$764 million
<b>Pre-tax IRR</b>	40.0%	55.1%
<b>After-tax IRR</b>	28.3%	38.9%
<b>Pre-tax Payback</b>	2.0 years	1.6 years
<b>After-tax Payback</b>	2.4 years	2.0 years
<b>Total Cash Cost (\$/oz)</b>	\$559/oz	\$506/oz
<b>All-in Sustaining Costs (\$/oz)</b>	\$627/oz	\$574/oz
<b>All-in Costs (\$/oz)</b>	\$789/oz	\$736/oz
<b>Corporate Income Tax (25%)</b>	\$226 million	\$386 million
<b>State Profit Sharing Tax (12%)</b>	\$135 million	\$225 million
<b>Employee Profit Sharing Tax (3%)</b>	\$34 million	\$56 million
<b>Royalties (15%)</b>	\$120 million	\$159 million

**Key Production and Capital Metrics** (5% discount rate, \$1,400/oz gold, \$18/oz silver, \$3/lb copper)

- **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
  - 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
- Capital Expenditures (including taxes)
 

▪ Initial pre-production capex	<b>\$316 million</b>
▪ Sustaining capital	<b>\$71 million</b>
▪ Closure costs	<b>\$22 million</b>
- Employment
 

▪ During construction	<b>~875 jobs</b>
▪ After mine is in production	<b>~450 employees</b>

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;
- 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 (\$56 million at current metal price assumptions);
- taxes to the Government of Ecuador are estimated at:
  - Corporate income tax (25%) - \$226 million (\$386 million at current metal price assumptions)
  - State profit sharing tax (12%) - \$135 million (\$225 million at current metal price assumptions)
  - Employment taxes (35%) - \$52 million
  - VAT (12%) and import duties (0% - 5%) - \$109 million
  - Royalties (5%) - \$120 million (\$159 million at current metal price assumptions)

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

**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.

**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 &amp; 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>



**INV METALS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

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 2020 Amended 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 years ended December 31, 2020 and 2019***

The following table sets forth a breakdown of material components of expenditures incurred at Loma Larga in the years ended December 31, 2020 and 2019.

	2020	2019
Opening balance - January 1	\$ 72,428,753	\$ 71,713,959
Geological interpretation	98,397	239,413
Feasibility study	1,006,181	660,445
Camp, environment and community relations	2,989,019	1,210,282
General and administration	1,219,478	936,406
Concession and related costs	538,303	477,925
<b>Total expenditures - December 31</b>	<b>5,851,378</b>	<b>3,524,471</b>
Exchange differences	(1,487,860)	(2,809,677)
Closing balance - December 31	\$ 76,792,271	\$ 72,428,753

In the year ended December 31, 2020, total expenditures at Loma Larga amounted to \$5,851,378 compared to \$3,524,471 in 2019. The expenditures for the year ended December 31, 2020 were higher than in the same period of 2019 mainly due to project expenditures incurred to support the completion of the EIS at Loma Larga as well as the completion of the 2020 FS.

**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, with the exception of Tierras Coloradas, 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 Ministry of Energy and Non-Renewable Natural Resources of Ecuador 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.

In December 2020, the Ministry of Energy and Non-Renewable Natural Resources of Ecuador adopted a new regulation permitting a mineral concession holder to extend the four-year term of the Initial Exploration Phase to allow for government-related delays. The regulation states that the Initial Exploration Phase of a mineral concession begins not on the date that the concession was granted, but on the date on which the mining concessionaire receives the permits required to effectively carry out operational activities on each concession. The Company's Exploration Properties are currently in the Initial Exploration Phase and were originally set to expire in May of 2021; however, with the adoption of the new regulation, the Company has submitted the application to the Ministry of Energy and Non-Renewable Natural Resources to request the extension of the current Initial Exploration phase of the respective mining concessions of the Exploration Properties for 1 to 4 years.

### **Tierras Coloradas**

The results from the 2020 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**

<b>Drill Hole</b>	<b>Azimuth</b>	<b>Inclination</b>		<b>From (m)</b>	<b>To (m)</b>	<b>Width* (m)</b>	<b>Gold (g/t)</b>	<b>Silver (g/t)</b>
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
			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

**INV METALS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

Drill Hole	Azimuth	Inclination		From (m)	To (m)	Width* (m)	Gold (g/t)	Silver (g/t)
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 Q3 2020. 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 Tangua 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 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

**INV METALS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

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 years ended December 31, 2020 and 2019***

The following table sets forth a breakdown of material components of expenditures incurred at the Exploration Properties in the years ended December 31, 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	-	977,662	57,016	242,437	1,277,115
Environment permitting	2,523	457,516	-	15,317	475,356
Concession and related costs	-	153,663	41,928	39,769	235,360
Camp and field expenses	-	136,080	62,036	1,574	199,690
Total expenditures - December 31	2,523	1,724,921	160,980	299,097	2,187,521
Exchange differences	197,227	(138,616)	(15,691)	(17,629)	25,291
Write-down of exploration property	(2,423,724)	-	-	-	(2,423,724)
Closing balance - December 31	\$ -	\$ 3,677,187	\$ 480,372	\$ 598,576	\$ 4,756,135

  

	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	396,146	205,944	58,129	69,178	729,397
Environment permitting	16,164	116,371	1,796	5,651	139,982
Concession and related costs	398,536	130,106	42,186	40,014	610,842
Camp and field expenses	-	129,705	-	-	129,705
Total expenditures - December 31	810,846	582,126	102,111	114,843	1,609,926
Exchange differences	(86,135)	(81,219)	(13,765)	(11,765)	(192,884)
Closing balance - December 31	\$ 2,223,974	\$ 2,090,882	\$ 335,083	\$ 317,108	\$ 4,967,047

Expenditures for the year ended December 31, 2020 totalled \$2,187,521 compared to \$1,609,926 in the same period in 2019. The expenditures for the year ended December 31, 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 to pause the exploration activities at the Las Peñas concessions given causes of force majeure which impede the Company to safely access the property. 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.

**RESULTS OF OPERATIONS**

The following table presents the changes between INV Metals' consolidated statement of loss and comprehensive (income)/loss for the years ended December 31, 2020 and 2019.

**INV METALS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

<i>For the years ended</i>	<b>December 31, 2020</b>	December 31, 2019	Change
<b>General and administration</b>			
Shareholder and regulatory	\$ 237,758	\$ 109,863	\$ 127,895
Travel expense	37,555	79,487	(41,932)
Office	252,269	262,694	(10,425)
<b>Total general and administration</b>	<b>527,582</b>	452,044	75,538
<b>Compensation</b>			
Compensation	2,287,203	2,088,910	198,293
Stock-based compensation	407,144	160,674	246,470
<b>Total compensation</b>	<b>2,694,347</b>	2,249,584	444,763
Write-down of exploration property	2,423,724	-	2,423,724
Professional fees	330,894	325,577	5,317
Fair value (gain)/loss on investments	(93,487)	7,762	(101,249)
Foreign exchange loss	5,780	9,658	(3,878)
<b>Operating loss</b>	<b>5,888,840</b>	3,044,625	2,844,215
Finance income	(37,482)	(47,543)	10,061
<b>Total loss for the year</b>	<b>\$ 5,851,358</b>	\$ 2,997,082	\$ 2,854,276
<b>Other comprehensive (income)/loss</b>			
Cumulative translation adjustment	1,554,885	2,982,904	(1,428,019)
<b>Total comprehensive (income)/loss for the year</b>	<b>\$ 7,406,243</b>	\$ 5,979,986	\$ 1,426,257

During the year ended December 31, 2020 the Company recorded a total loss from operations of \$5,851,358 or \$0.04 per share, compared to \$2,997,082 or \$0.03 per share in the same period in 2019, an increase of \$2,854,276 or 95% from the prior year. Total loss increased in 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. The increased loss in 2020 was also attributable to higher compensation costs, higher general and administration costs, higher professional fees and lower finance income, partially offset by higher fair value gains on mark-to-market investments and lower foreign exchange losses.

Shareholder and regulatory expenses totalled \$237,758 for the year ended 2020, an increase of \$127,895 from \$109,863 in the same period in 2019. The increase in 2020 is due to the filing of the base shelf prospectus in June 2020 and an increase in marketing expenses during the year.

Travel expenses decreased in 2020 by \$41,932 to \$37,555 compared to \$79,487 in 2019. The decrease in 2020 compared to the same period in 2019 is due to international travel restrictions in response to the COVID-19 pandemic.

During the year ended December 31, 2020, office expenses of \$252,269 were lower by \$10,425 compared to \$262,694 in 2019. The decrease in office expenses in 2020 compared to the same period in 2019 is as a result of reduced office costs due to the COVID-19 pandemic, partially offset by upgraded IT infrastructure and increased insurance costs.

Compensation expenses totalled \$2,287,203 in 2020 compared to \$2,088,910 in 2019, an increase of \$198,293. The increase in 2020 compared to the same period in 2019 is due to higher personnel expenses to support the development of Loma Larga, 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 \$407,144 in 2020, an increase of \$246,470 from \$160,674 in 2019. The increase in 2020 compared to the same period 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 increased in 2020 by \$5,317 to \$330,894 compared to \$325,577 in 2019. The slight increase in 2020 is mainly due to increased legal costs to support the ongoing development of Loma Larga.

The fair value gain on investments totalled \$93,487 in 2020 compared to a loss of \$7,762 in 2019. The change in the fair value of investments during the year is due to mark-to-market gains on the investments held as at December 31, 2020.

For the year ended December 31, 2020, finance income of \$37,482 comprised of interest income on cash balances totalling \$65,181 compared to \$85,145 in the same period in 2019, partially offset by an interest expense representing finance cost of the leases of \$27,699 compared to \$37,602 in the same period in 2019. The decrease in interest income in 2020 compared to the same period in 2019 is due to reducing cash balances as a result of ongoing expenditures incurred on the development of Loma Larga and lower interest rates.

The cumulative translation adjustment decreased by \$1,428,019 to a loss of \$1,554,885 in 2020, compared to a loss of \$2,982,904 in 2019. The movement in the year is due to fluctuations in the value of the US dollar relative to the Canadian dollar on translation of the assets and liabilities of the Ecuadorian subsidiary at the balance sheet date.

## **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 weakened relative to the US dollar during the year ended December 31, 2020, as the average rate was \$1.3411/US\$1.00, compared to \$1.3266/US\$1.00 during the same period in 2019.

The US Dollar was \$1.27/US\$1.00 as at March 4, 2021.

## **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 years ended December 31, 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 year ended December 31, 2020 totalled \$2,393,571, compared to \$2,436,216 in 2019. Changes in interest income on cash deposits, unrealized fair value gain or loss on investments, unrealized gain or loss on foreign exchange, share-based compensation, change in long-term provisions, change in 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 year ended December 31, 2020 totalled \$290,537, compared to cash flows provided from financing activities of \$18,080,792 in the corresponding year in 2019. Cash flows used in financing activities in the year ended December 31, 2020 were for the principal repayment of lease liabilities. Cash flows provided from financing activities in the same period in 2019 were the proceeds from the non-brokered private placements closed on October 28, 2019 for the issuance of 38,889,880 Common Shares at a price of \$0.40 per Common Share for net proceeds of \$15,436,468 and March 19,

**INV METALS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

2019 for the issuance of 4,615,385 Common Shares at a price of \$0.65 per Common Share for net proceeds of \$2,955,369. The cash flows provided from financing activities in 2019 were partially offset by the principal repayment of lease payments of \$311,045.

***Investing activities***

Cash flows used in investing activities for the year ended December 31, 2020 totalled \$8,273,384 compared to \$6,090,895 in the corresponding year in 2019. Investing activities in 2020 were higher than 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 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 December 31, 2020, the Company had cash of \$2,374,454 (December 31, 2019 - \$13,305,837) and working capital<sup>3</sup> of \$1,722,281 (December 31, 2019 - \$13,024,547). The following table sets forth a breakdown of the components to calculate working capital as at December 31, 2020 and December 31, 2019.

<i>As at</i>	<b>December 31 2020</b>	December 31, 2019
<b>Current assets</b>		
Cash	\$ 2,374,454	\$ 13,305,837
Other receivables	153,346	252,093
	<b>2,527,800</b>	13,557,930
<b>Current liabilities</b>		
Lease liabilities	\$ 266,925	262,194
Other payables	538,594	271,189
	<b>805,519</b>	533,383
<b>Working capital</b>	<b>\$ 1,722,281</b>	<b>\$ 13,024,547</b>

Cash has decreased by \$10,931,383 during the year ended December 31, 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 has decreased by \$11,302,266 during the year ended December 31, 2020 mainly due to the decrease in cash, as well as to an increase in accounts payable related to the ongoing activities with the EIS and other permitting requirements for Loma Larga.

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



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 year ended December 31, 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.

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.

### **CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION**

The preparation of the Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by management on an ongoing basis. The estimates and judgments include functional currency, impairment of financial and non-financial assets, share-based payments, post-employment benefits and income taxes. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The global outbreak of a coronavirus ("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. The Company's operations are subject to the risk of emerging infectious diseases such as COVID-19, which 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.

Since the outbreak of COVID-19 in March 2020, the Company has focused its efforts to safeguard the health and well-being of its employees, consultants and community members to ensure their safety during the global COVID-19 pandemic. The Company's offices in Quito, Ecuador and in Toronto, Canada continue to follow stringent COVID-19 workplace and response 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, enhanced cleaning and disinfection procedures, and active case monitoring and reporting protocols.

The Company has completed the Environmental Impact Study ("EIS") for the Loma Larga project in August 2020, delayed by a few months primarily as a result of the impact of COVID-19 on the required field work. Other key permits required for the construction of Loma Larga have also been identified. However, given the highly uncertain and evolving nature of the global environment caused by the continued challenge of COVID-19, the Company is not able to reliably estimate the duration and severity of this pandemic including the potential impact it may have on the review and approval process of the EIS and other key permits in Ecuador and any further impacts on the Company's operating and financial results. At the same time, there continued to exist volatilities in the capital markets as well as commodity and foreign exchange prices.

The following discusses the most critical judgments that the Company has made in the preparation of the Financial Statements:

### **1) Functional currency**

Management determined the US dollar is the functional currency of INV Minerale Ecuador S.A. ("INV Minerale") given that the US dollar represents the economic environment of the Company's operations in Ecuador and is the currency of the majority of its expenditures. The Canadian dollar is the functional currency of INV Metals and its other subsidiaries as the Company's capital receipts are denominated in Canadian dollars, and INV Metals finances the Group's expenditures using Canadian dollars.

### **2) Impairment of non-financial assets**

The Company evaluates its non-financial assets for impairment periodically and whenever events or changes in circumstances indicate the carrying amount may not be recoverable. If any such indication is present, the Company is required to estimate the asset's recoverable amount to determine whether impairment exists. The recoverable amount is the greater of fair value less costs of disposal and value-in-use. If the recoverable amount of a non-financial asset is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount and an impairment is recognized immediately in operations. Where a previously recognized impairment subsequently reverses, the carrying amount is increased to the revised estimate of the recoverable amount, but only to the extent that this does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had previously been recognized. Any subsequent reversal of an impairment loss is also recognized in operations.

During the year, the Company recognized an impairment loss amounting to \$2,423,724, related to previously capitalized exploration and evaluation costs.

### **3) Share-based payments**

The fair value of options and potential shares to be issued relating to milestone payments are estimated using an option pricing valuation model. This includes using assumptions related to the risk-free interest rate determined by the Government of Canada marketable three-to-five-year average bond yields, the expected average option life based on management's assumptions of member enrollment, estimated forfeitures based on historical activity of the plan members and the estimated volatility of the Company's shares based on historical market prices. The fair value of restricted share units is recognized based on the market value of the Company's common shares on the date prior to the date of the grant.

### **4) Post-employment benefits**

Judgement is required in interpreting the results and evaluating the adequacy of the assumptions used in an annual actuarial valuation performed by an independent actuary to arrive at a measurement of the employee post-employment benefits provision under the Defined Benefits Pension Plan in Ecuador. The

values attributed to the liabilities are assessed in accordance with the advice of independent qualified actuaries. The most significant assumptions used in accounting for post-employment benefits are the discount rate, the mortality rate, and the employee turnover assumptions. An amount of \$1,146,801 (December 31, 2019 - \$1,024,218) is recognized within the provisions in relation to the Defined Benefits Pension Plan in Ecuador.

## **5) Income taxes**

Judgment is required in determining whether deferred tax assets are recognized. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. As at December 31, 2020, the Company has non-capital losses of \$36,270,803 in Canada that expire over the periods of 2026 to 2040 and other deductible temporary differences. The Company has not recognized the benefit of these items in the Financial Statements and there is a risk that those benefits may not materialize.

## **FINANCIAL RISKS**

The Company's activities expose it to a variety of financial risks, including credit risk, liquidity risk, commodity price risk, interest rate risk, other price risk and foreign exchange risk. The Company's exposure to these risks and its methods of managing the risks remain consistent. The Company's overall risk management policies seek to minimize potential adverse effects on its financial performance. There have been no significant changes in the financial risks from the previous year.

### **1) Credit risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet contractual obligations and arises principally from the Company's other receivables. The carrying value of the financial assets represents the maximum credit exposure. Financial instruments included in other receivables consist of receivables from unrelated companies.

The Company has concentration of credit risk as the majority of its cash is held at one banking institution. This risk is mitigated in that the Company holds its primary cash in deposit form in a major Chartered Canadian bank. The Company's subsidiaries' cash is held in deposit form in internationally recognized banks. The maximum exposure to credit risk for deposits approximates the amount recognized on the statement of financial position.

### **2) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its expansionary plans.

Currently, the Company has no ability to raise funds through operations. However, the Company ensures that there are sufficient funds to meet its short-term requirements, taking into account its cash holdings.

### **3) Market risk**

#### ***Commodity price risk***

Commodity price risk arises from the possible adverse effect on the ability of the Company to develop its properties and the future profitability of the Company is directly related to these prices. The Company is exposed to the risk that decreases in commodity prices could materially and adversely affect the economic viability of its properties and therefore the financial condition of the Company. The Company does not enter into any derivative financial instruments to manage exposures to price fluctuations at this time.

The Company has not included a sensitivity analysis of commodity price risk during the year ended December 31, 2020 as presenting such an analysis would not be informative since the Company is not in commercial production.

***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company monitors its exposure to interest rates and has not entered into any derivative financial instruments to manage this risk.

The Company has a cash balance and no interest-bearing debt. The Company is sensitive to changes in the interest rates through interest income earned on the cash balance.

Cash is subject to floating interest rates. As at December 31, 2020, if interest rates had decreased by 0.25% or increased by 0.25%, respectively, with all other variables held constant, the total loss and shareholders' equity for the year would have been approximately \$17,100 higher/lower, as a result of higher/lower interest income from cash deposits.

***Foreign exchange risk***

The Company is exposed to the risks related to the fluctuation of foreign exchange rates. The Company's presentation currency is the Canadian dollar, and major purchases are transacted in Canadian dollars and US dollars. The Company funds certain operations, exploration and administrative expenses on a cash call basis using the US dollar currency converted from its Canadian dollar bank accounts. The Company currently does not enter into financial instruments to manage foreign exchange risk. Fluctuations in the exchange rates may, consequently, have an impact upon the reported operations of the Company and may affect the value of the Company's assets and liabilities.

Financial instruments denominated primarily in US dollars are subject to foreign currency risk. As at December 31, 2020, had the US dollar weakened/strengthened by 10% against the Canadian dollar, with all other variables held constant, the Company's total loss for the year ended December 31, 2020 would have been approximately \$11,700 higher/lower as a result of foreign exchange losses/gains on translation of non-Canadian dollar denominated financial instruments. Similarly, as at December 31, 2020, shareholders' equity would have been approximately \$11,700 higher/lower had the US dollar weakened/strengthened by 10% as a result of foreign exchange losses/gains on translation of non-Canadian dollar denominated financial instruments.

***Other price risk***

The Company is exposed to price risk on equity securities held as investments by the Company. Fluctuations in the investments in equity securities may, consequently, have an impact upon the reported total loss of the Company and may affect the value of the Company's assets.

Equity securities are subject to fluctuations in market prices. As at December 31, 2020, if the market value of securities held by the Company had increased/decreased by 10%, the total loss for the year would have increased/decreased by approximately \$26,800. Similarly, as at December 31, 2020, shareholders' equity would have been approximately \$26,800 higher/lower if the market value securities held by the Company had increased/decreased by 10%.

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

Changes in significant accounting policies and future accounting pronouncements are disclosed in note 3 and 4 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.

**INV METALS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

**SELECTED ANNUAL FINANCIAL INFORMATION**

The following selected data has been prepared in accordance with IFRS and should be read in conjunction with the Company's Financial Statements for the years noted below.

<i>For the years ended</i>	<b>December 31, 2020</b>	December 31, 2019	December 31, 2018
<b>Financial results:</b>			
Finance (income)	\$ (37,482)	\$ (47,543)	\$ (153,160)
Total loss	<b>5,851,358</b>	2,997,082	4,380,178
Total comprehensive (income)/loss	<b>7,406,243</b>	5,979,986	(509,220)
Loss per share from continuing operations* - basic and diluted	<b>0.04</b>	0.03	0.05
<hr/>			
<i>As at</i>	<b>December 31, 2020</b>	December 31, 2019	December 31, 2018
<b>Financial position:</b>			
Working capital	\$ 1,722,281	\$ 13,024,547	\$ 2,465,753
Mineral properties and deferred exploration	<b>81,757,420</b>	77,514,272	75,263,964
Total assets	<b>86,203,133</b>	92,794,220	80,230,307
Non-current liabilities	<b>1,459,812</b>	1,423,419	948,081
Common shares	<b>154,411,387</b>	154,236,887	135,787,827
Contributed surplus	<b>14,912,594</b>	14,580,467	13,775,952
Deficit	\$ (92,371,584)	\$ (86,520,226)	\$ (83,454,702)
Number of shares issued and outstanding	<b>136,542,488</b>	136,187,840	92,598,651

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

For the year ended December 31, 2020, finance income of \$37,482 was comprised of interest income on cash balances totalling \$65,181 compared to \$85,145 in the same period in 2019. The interest income was partially offset by an interest expense representing the finance cost of the leases of \$27,699 for the year ended December 31, 2020 compared to \$37,602 in the same period in 2019. The decrease in interest income in 2020, compared to the same period in 2019, was due to declining cash balances as a result of ongoing expenditures incurred on the development of Loma Larga and lower interest rates. Finance income was lower in 2019 compared to 2018 primarily due to lower interest income from lower cash balances held during 2019, and the interest expense incurred in 2019 representing the finance cost of the leases of \$37,602 as a result of the adoption of IFRS 16 "Leases" ("IFRS 16").

Total comprehensive (income)/loss is affected by cumulative translation adjustments of the Company's Ecuadorian subsidiary. The Company realized a comprehensive loss in both 2020 and 2019 compared to an income in 2018, largely due to cumulative translation adjustments as a result of the strengthening of the Canadian dollar relative to the US dollar on each balance sheet date when the translation adjustments were recorded.

Working capital decreased by \$11,302,266 during the year ended December 31, 2020 compared to 2019 mainly due to the decrease in cash balances held, along with an increase in accounts payable related to the ongoing activities with the EIS and other permitting requirements for Loma Larga. Working capital increased during the year ended December 31, 2019 compared to 2018 primarily due to the net proceeds of \$2,955,369 and \$15,436,468 from the private placements which closed on March 19, 2019 and October 28, 2019, respectively. The increase in working capital was partially offset by expenditures at Loma Larga,

the Exploration Properties, general corporate expenditures and the recognition of lease liabilities on adoption of IFRS 16.

Total assets decreased in 2020, compared to 2019, primarily due to the write-down of exploration property and a decrease in cash, partially offset by capitalization of expenditures at Loma Larga and the Exploration Properties. Total assets increased in 2019 from 2018 primarily due to the capitalization of expenditures at Loma Larga and the Exploration Properties, as well as the receipt of cash on completion of the private placement in October 2019.

Non-current liabilities increased annually from 2018 to 2020 due to changes in estimates provided by actuaries in Ecuador for post-employment benefits accrued in INV Minerale, and the related cumulative translation adjustments from fluctuations due to movements of the Canadian dollar relative to the in US dollar. The increase in 2019 from 2018 is also attributable to the increase in lease liabilities due to the adoption of IFRS 16.

The increase in share capital in 2020 compared to 2019 was due to the exercise of Restricted Share Units in Q1 2020. The increase in share capital in 2019 compared to 2018 is due to Common Shares issued from treasury on completion of the private placements in 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 were 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 years ended December 31, 2020 and 2019 as follows:

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

- i) During the year ended December 31, 2020, legal fees of \$210,000 (2019 - \$178,000) were charged from a law firm in which an officer of the Company is a partner.
- ii) During the year ended December 31, 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, which has a right to maintain its 35.6% pro rata shareholding in the Company, also participated in the private placement.
- iv) On October 28, 2019, the Company completed a non-brokered private placement of 38,889,880 Common Shares at a price of \$0.40 per Common Share for gross proceeds of \$15,555,952, less transaction costs of \$119,484, for net proceeds of \$15,436,468. DPM, a Canadian based international gold mining company, became a strategic shareholder by investing \$10,000,000 in the private placement for 25,000,000 Common Shares, representing

**INV METALS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

an approximate 19.5% equity interest in INV Metals upon closing. IAMGOLD also participated in the private placement to maintain its pro rata share ownership of approximately 35.6% through the purchase of 13,889,880 Common Shares for proceeds of \$5,555,952.

**2) Remuneration of directors and officers**

The following summarizes remuneration of directors and officers during the years ended December 31, 2020 and 2019.

	<b>December 31, 2020</b>	December 31, 2019
Salaries of key management	\$ 1,385,032	\$ 1,205,160
Director fees	302,481	276,833
Stock-based compensation	407,144	160,050
	<b>\$ 2,094,657</b>	<b>\$ 1,642,043</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.

	<b>Less than One</b>		<b>Between</b>		<b>More than</b>	
	<b>Total</b>		<b>1 - 5 Years</b>		<b>5 Years</b>	
Other financial commitments	\$ 151,403	\$ 58,649	\$ 92,754	\$ -		
Environmental management plan	\$ 304,669	\$ 304,669	\$ -	\$ -		

Other financial commitments relate to land leases to explore for minerals which have been determined to be out of scope of 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.

**INV METALS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

<i>For the period ended</i>	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Finance (income)/loss	\$ 3,912	\$ 1,817	\$ (1,929)	\$ (41,282)
Total loss	692,873	1,036,097	782,635	3,339,751
Total comprehensive (income)/loss	4,033,509	2,496,384	3,513,194	(2,636,846)
Loss per share - basic and diluted*	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.02

<i>For the period ended</i>	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Finance (income)/loss	\$ (47,321)	\$ 4,940	\$ (2,602)	\$ (2,560)
Total loss	1,106,398	549,560	690,533	650,591
Total comprehensive (income)/loss	2,243,126	(211,954)	1,978,069	1,970,745
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 decreased in Q4 2020, compared to Q3 2020 primarily due to lower compensation expenses, partially offset by higher general and administration costs, higher professional fees, lower finance income and lower gains on marked to market investments. 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, partially 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, partially 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, partially 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.

#### **OUTSTANDING SHARE DATA**

As at March 4, 2021 the Company had 150,196,737 Common Shares outstanding, as well as stock options to purchase 11,299,700 Common Shares at a weighted average price per share of \$0.63 and restricted share units of 1,667,952 at a weighted average price per share of \$0.44.

#### **OFF-BALANCE SHEET TRANSACTIONS**

During the year ended December 31, 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 2020 Amended Technical Report with an effective date of April 8, 2020 and dated June 10, 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 2020 Amended Technical Report, which qualify the technical information contained in the 2020 Amended Technical Report. The 2020 Amended Technical Report is intended to be read as a whole, and sections should not be reviewed or relied upon out of context. The 2020 Amended 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 2020 Amended 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 the Loma Larga Project 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 the Loma Larga Project 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 or may not obtain the required permits to operate the Loma Larga Property as a large-scale mining project as contemplated in the 2020 Amended Technical Report.

If the Company does not execute its Exploitation Contract with the Government of Ecuador or is unable to obtain the required permits 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 December 31, 2020 is approximately \$77.0 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 year ended December 31, 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 recently awarded Exploration 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 and Las Peñas Project are 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 parties 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, 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 the Loma Larga Project, and may result in a change in the focus of the Company's future activities.

On January 30, 2019, the CNE called a referendum, to be held in the canton of Girón on March 24, 2019, regarding mining activities in the Quimsacocha Hydrological System, based upon submissions by the Community Water Systems Union, an affiliate of the "FOA-ECUARUNARI-CONAIE". The State Ministry, supported by the State's Attorney, considers the referendum to be unconstitutional as it violates the constitutional rights of the State Ministry to oversee mining activities.

Subsequently on March 13, 2019 the Company reported the immediate suspension of the referendum that was previously called by the CNE regarding mining activities in the Quimsacocha Hydrological System, which was scheduled to be held on March 24, 2019. A local group of members of the community of San Gerardo named "United for Development", submitted a legal challenge citing a violation of their rights as a result of the recent actions of the CNE. The presiding judge ruled in favour of the local group and as a result, the referendum was suspended until such time as the Ecuadorian Constitutional Court provided its opinion to determine the constitutionality of the referendum.

On March 18, 2019, the Ecuadorian Constitutional Court reached a decision on two referendums related to the potential effects of mining activities in the cantons of Girón and San Fernando. The Constitutional Court ruled that the principle of tacit approval be invoked in these cases, allowing for the two referendums 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 Quimsacocha Hydrological System. 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 then 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 Enriquez, 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 the request to hold another 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 1, 2020, the Council of the City of Cuenca approved a referendum application for submission and consideration to the Constitutional Court related to mining activities in Cuenca water sources at the request of a special interest group called the Cabildo Popular Por El Agua De Cuenca.

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. The Constitutional Court also approved the application by the Council of the City of Cuenca to hold a referendum on large-scale and medium-scale mining activities within the five water sources of the city, citing the right of citizens to participation.

On February 7, 2021, the Cuenca City Council held a referendum to pronounce on the future restriction of large and medium-scale mining activities within five water catchment and drainage basins within the areas near the city. The results of the referendum were to disallow future large and medium-scale mining activities. The Constitutional Court in its ruling of September 21, 2020, confirmed the right of the existing mining concessionaires to legal security and stated the results of the referendum would only be applied to future

concessions not yet granted. While the official results of the referendum report a Yes vote of 78.6% and a No vote of 21.4%, that result does not tell the full picture. Of the electorate who voted in the Presidential and National Assembly election, 14.4% abstained from voting on the referendum or spoiled their ballots. It can be hypothesized that those individuals do not feel strongly regarding the prohibition of future mining activities by the nonexecution of their right to vote. Therefore, of those who actually voted in Cuenca, 64.2% voted in favour of prohibiting future mining activities. Also, taking into account the eligible population who did not vote, the total percentage of people within the area of Cuenca who voted Yes was 51.0%.

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 December 31, 2020 is approximately \$77.0 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 mining 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 are 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 concessions 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 an investment protection agreement setting out the legal framework, tax and legal stability, contractual rights, tax incentives and guarantees between the mining concessionaire and the Government of Ecuador.

There is also a risk that restrictions on the repatriation of earnings from Ecuador to foreign entities will be imposed in the future and the Company has no control over withholding tax rates. In addition, there are certain laws and regulations enacted in Ecuador that contemplate a capital gains tax on profits derived from the sale of shares, ownership interests and other rights, such as grant of rights for exploration concessions, exploitation, or similar activities of companies with permanent establishments in the country. The impact of these laws and regulations on the Company or its shareholders has not yet been determined.

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

The mineral resource estimates contained in the AIF and the 2020 Amended 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;
- 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 DPM 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 contagious 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, environmental, social and governance, health and safety, 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 December 31, 2020 and concluded that, subject to the inherent limitations noted above, those disclosure controls were effective for the year 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 December 31, 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 December 31, 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, the expected grade at Tierras Coloradas, 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, Loma Larga continuing to advance towards development in light of the results of both the referendum related to the potential effects of mining activities in the canton of Girón and the referendum on large-scale and medium-scale mining activities near the five water sources in the canton of Cuenca, and the ability of the Company to 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; uncertainty regarding the approval of the EIS from the Ministry of Environment and Water and the Ministry of Energy and Non-renewable Resources to advance Loma Larga through the permit process; uncertainty regarding the execution of the IPA for Loma Larga with the Ministry of Production; uncertainty regarding the execution of the Exploitation Contract with the Government of Ecuador; 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, including the referendum related to large-scale and medium-scale mining activities near the five water sources in the canton of Cuenca and its impact on Loma Larga; 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 2020 Amended 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.