

## **ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **Plan of Operation**

New Jersey Mining Company is a gold producer focused on diversifying and building its asset base and cash flows through a portfolio of mineral properties located in historic producing gold districts in Idaho and Montana.

The Company's plan of operation is to generate positive cash flow, while reducing debt and growing its production and asset base over time while being mindful of corporate overhead. The Companies management is focused on utilizing its in-house skillsets to build a portfolio of producing mines and milling operations with a primary focus on gold and secondary focus on silver and base metals.

The Company's properties include: the Golden Chest Mine (currently in production), the New Jersey Mill (majority ownership interest), and a 50% carried to production interest in the past producing Butte Highlands Mine located in Montana. In addition to its producing and near-term production projects, New Jersey Mining Company has additional exploration prospects, including the McKinley and Eastern Star located in Central Idaho, and additional holdings near the Golden Chest in the Murray Gold Belt.

### **Highlights during the second quarter of 2018 include:**

- For the quarter ending June 30, 2018 approximately 8,140 dry metric tonnes (dmt) were processed at the Company's New Jersey mill at a head grade of 2.0 grams per tonne (gpt) with gold recovery of 90.3%. This resulted in production of 472 ounces contained in flotation concentrates.
- Open pit mining progressed from the 1036 bench to the 1027 bench as we continued to advance through the low grade, high waste stripping ratio area in between shoots. Open pit mine production averaged 1,514 tonnes per day (mineralized material and waste). The on-site, footwall stockpile has increased and contains an estimated 43,000 tonnes at a grade of 0.65 gpt.
- Underground mining in the 851 stope advanced to the north. During the quarter approximately 1250 tonnes of mineralized material were mined at an average grade of 6.3 gpt. The 851 north stope was completed in late June for a total mined tonnage of 1,830 tonnes at a gold grade 7.38 gpt. Subsequent to the end of the quarter, the Company completed the commissioning of its Cemented Rockfill (CRF) batch plant and commenced backfilling activity.
- The Company began core drilling with a its newly acquired drill which was initially focused on exploring the Katie-Dora area of the Golden Chest for a possible expansion of the surface mining operation.
- The Company expanded its land holdings in the Murray Gold Belt with the addition of the Butte Gulch and Potosi Gulch properties, adding 284 acres of patented mining claims.
- Closed private placements during the first half of 2018 for net proceeds of \$1,107,571.
- The Company completed the sale of its Little Baldy/Toboggan properties to Hecla Mining Company for \$3,000,000.
- The Company's common shares were approved for listing on the Canadian Securities Exchange.

### **Results of Operations**

Our financial performance during the quarter and year to date is summarized below:

- Total revenue from the three and six months period ending June 30 2018 was \$489,555 and \$1,590,946 compared to \$1,262,690 and \$1,952,008 for the same period in 2017. The decrease in revenue is the result of lower grade mineralized material in the second quarter of 2018 as the open pit progressed between shoots.
- Lower grades mined between shoots in the open pit combined with seasonal conditions that impacted underground mining operations contributed to a gross loss in the three and six month periods ending June 30, 2018 of \$613,408 and \$606,796 compared to a gross profit of \$426, 030 and \$587,664 in the same periods of 2017. The consolidated net loss for the first six months included non-cash charges as follows: depreciation and

amortization of \$145,564 (\$59,991 in 2017), amortization of discount on note payable, none in 2018, (\$26,274 in 2017), accretion of asset retirement obligation of \$7,007 (\$3,988 in 2017), stock based compensation of \$27,140 (\$73,137 in 2017), and change in fair value of forward gold contracts of \$7,887 (\$141,596 in 2017), and gain on sale of mineral property \$2,947,862 (none in 2017). Net income attributable to New Jersey Mining Company was \$2,005,986 and \$1,752,747 in the three and six months period ended June 30, 2018 respectively compared to a net income attributable to New Jersey Mining Company of \$200,672 in the three months ended June 30, 2017 and net loss attributable to New Jersey Mining Company of \$62,473 in the six months ended June 30, 2017.

### Financial Condition and Liquidity

	For the Six Months Ended June 30,	
	2018	2017
Net cash provided (used) by:		
Operating activities	\$ (678,281)	\$ 10,623
Investing activities	2,239,448	(117,720)
Financing activities	(384,263)	272,339
Net change in cash and cash equivalents	1,176,904	165,242
Cash and cash equivalents, beginning of period	124,617	154,833
Cash and cash equivalents, end of period	<u>\$ 1,301,521</u>	<u>\$ 320,075</u>

The Company is currently producing from the open-pit at the Golden Chest Mine and began underground operations in early November 2017. Since 2017, with the exception of the second quarter of 2018, production has generated positive cash flow from operations and planned production for the next 18 months indicates the trend should improve. The Company has also been successful in raising required capital to continue production and fund ongoing operations, completing a forward gold sale of \$1.2 million in 2016, common stock and warrants sales of \$1,391,000 in 2017, and an additional \$1,107,571 in common stock and warrant sales in the first half of 2018. The Company also sold mineral property in the second quarter of 2018 for proceeds of \$3,000,000. The Company has utilized the proceeds for acquisition of mineral properties, equipment purchase, and debt reduction.

As a result of its planned production, equity sales and ability to restructure debt, management believes cash flows from operations and existing cash are sufficient to conduct planned operations and meet contractual obligations for the next 12 months.

### ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for small reporting companies.

### ITEM 4: CONTROLS AND PROCEDURES

#### Disclosure Controls and Procedures

At June 30, 2018, our President who also serves as our Chief Accounting Officer evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act"), which disclosure controls and procedures are designed to insure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized, and reported within required time periods specified by the Securities & Exchange Commission rules and forms.

Based upon that evaluation, it was concluded that our disclosure controls were effective as of June 30, 2018, to ensure timely reporting with the Securities and Exchange Commission. Specifically, the Company's corporate governance and disclosure controls and procedures provided reasonable assurance that required reports were timely and accurately reported in our periodic reports filed with the Securities and Exchange Commission.

#### Changes in internal control over financial reporting

There was no material change in internal control over financial reporting in the quarter ended June 30, 2018.

## **PART II - OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

None

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

Neither the constituent instruments defining the rights of the Company's securities filers nor the rights evidenced by the Company's outstanding common stock have been modified, limited or qualified.

During the first quarter of 2018 the Company issued 5,012,423 shares of unregistered common stock at \$0.13 per share for net proceeds of \$607,570 net of commission and brokerage costs as a result of a private placement offering. During the second quarter of 2018 the Company issued 3,846,154 shares of the Company's stock at \$0.13 per share for net proceeds of \$500,000 net of commission and brokerage costs as a result of a private placement offering.

During the first quarter of 2017 the Company issued 11,700,000 shares of unregistered common stock at \$0.10 per share for net proceeds of \$850,000 net of commission and brokerage costs as a result of two private placement offerings. No additional shares were issued by the Company in the second quarter of 2017.

The Company relied on the transaction exemption afforded by Section 4(a)(2) of the Securities Act of 1933, as amended, and Regulation D Rule 506(b). The common shares are restricted securities which may not be publicly sold unless registered for resale with the Securities and Exchange Commission or exempt from the registration requirements of the Securities Act of 1933, as amended.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

The Company has no outstanding senior securities.

### **ITEM 4. MINE SAFETY DISCLOSURES**

Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities. During the quarter ended March 31, 2018, the Company had two citations for a violation of mandatory health or safety standards that could significantly and substantially (S&S citation) contribute to the cause and effect a mine safety or health hazard under section 104 of the Federal Mine Safety and Health Act of 1977. There were no legal actions, mining-related fatalities, or similar events in relation to the Company's United States operations requiring disclosure pursuant to Section 1503(a) of the Dodd-Frank Act.

### **ITEM 5. OTHER INFORMATION**

None

**Item 6. EXHIBITS**

3.0*	<a href="#">Articles of Incorporation of New Jersey Mining Company filed July 18, 1996</a>
3.1*	<a href="#">Articles of Amendment filed September 29, 2003</a>
3.2*	<a href="#">Articles of Amendment filed November 10, 2011</a>
3.3*	<a href="#">Bylaws of New Jersey Mining Company</a>
10.1*	<a href="#">Venture Agreement with United Mine Services, Inc. dated January 7, 2011.</a>
10.2*	<a href="#">Idaho Champion Resources Lease with Cox dated September 4, 2013</a>
10.3**	<a href="#">Rupp Mining Lease dated May 3, 2013</a>
10.4**	<a href="#">Mining Lease with Hecla Silver Valley, Inc. Little Baldy prospect dated September 12, 2012</a>
10.5***	<a href="#">Consent, Waiver and Assumption of Venture Agreement by Crescent dated February 14, 2014</a>
10.6	<a href="#">Form of Forward Gold Purchase Agreement dated July 13, 2016 between the Registrant and Ophir Holdings LLC and incorporated by reference to the Company's Form 8-K as filed with the Securities and Exchange Commission on July 18, 2016.</a>
10.7	<a href="#">Form of Forward Gold Purchase Agreement dated July 29, 2016 between the Registrant and Investors and incorporated by reference to the Company's Form 8-K as filed with the Securities and Exchange Commission on August 2, 2016.</a>
10.8	<a href="#">Registrant's Grant of Options to Directors and Officers dated December 30, 2016, incorporated by reference to the Company's Form 8-K as filed with the Securities and Exchange Commission on January 4, 2017.</a>
10.9	<a href="#">Form of Agreement to Purchase the "Four Square Property Group" of Patented and Un-Patented Mining Claims dated March 2, 2018, incorporated by reference to the Company's Form 8-K as filed with the Securities and exchange Commission on March 7, 2018</a>
10.10	Asset Purchase Agreement with Hecla Silver Valley, Inc. to Sell Patented and Un-Patented Mining Claims dated May 18th, 2018 and reported on the Company's Form 8-K filed with the Securities and Exchange Commission on May 24, 2018.
14*	<a href="#">Code of Ethical Conduct.</a>
21*	<a href="#">Subsidiaries of the Registrant</a>
31.1****	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2****	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1****	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2****	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
99(i)	<a href="#">Audit Committee Pre-Approval Policies-Filed as an exhibit to the registrant's annual report on Form 10-KSB for the year ended December 31, 2003 and incorporated by reference herein</a>
101.INS****	XBRL Instance Document
101.SCH****	XBRL Taxonomy Extension Schema Document
101.CAL****	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF****	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB****	XBRL Taxonomy Extension Label Linkbase Document
101.PRE****	XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed with the Registrant's Form 10 on June 4, 2014.

\*\* Filed July 2, 2014

\*\*\* Filed March 31, 2015.

\*\*\*\* Filed herewith.

## **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

### **NEW JERSEY MINING COMPANY**

By: /s/ John Swallow

John Swallow,  
its: President and Chief Executive Officer  
Date August 14, 2018

By: /s/ Grant Brackebusch

Grant Brackebusch,  
its: Vice President and Chief Financial Officer  
Date: August 14, 2018