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*Consolidated Financial Statements of*

**NORTHERN VERTEX MINING CORP.**

**For the years ended June 30, 2015 and 2014**

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## Management's Responsibility

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To the Shareholders of Northern Vertex Mining Corp.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards ("IFRS"). This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors and the Audit Committee is composed primarily of Directors who are neither management nor employees of Northern Vertex Mining Corp. ("Northern Vertex"). The Board is responsible for overseeing management in the performance of its financial reporting responsibilities and for approving the financial statements. The Audit Committee has the responsibility of meeting with management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of Northern Vertex's external auditors.

We draw attention to Note 1 in the consolidated financial statements, which indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

"J.R.H. (Dick) Whittington"

J.R.H. (Dick) Whittington  
Chief Executive Officer

"Ed J. Duda"

Ed J. Duda  
Chief Financial Officer

October 26, 2015

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Northern Vertex Mining Corp.:

We have audited the accompanying consolidated financial statements of Northern Vertex Mining Corp., which comprise the consolidated statements of financial position as at June 30, 2015 and 2014, and the consolidated statements of operations and loss, comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Northern Vertex Mining Corp. as at June 30, 2015 and 2014, and the results of their financial performance and their cash flows for the years then ended, in accordance with International Financial Reporting Standards.

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 of these consolidated financial statements, which states that Northern Vertex Mining Corp. incurred significant losses from operations, negative cash flows from operating activities and has an accumulated deficit. This, along with other matters described in Note 1, indicates the existence of a material uncertainty which may cast significant doubt about the ability of Northern Vertex Mining Corp. to continue as a going concern.

Vancouver, BC  
October 26, 2015



Chartered Accountants

# NORTHERN VERTEX MINING CORP.

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# NORTHERN VERTEX MINING CORP.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Expressed in Canadian Dollars  
(Exhibit 1)

	<b>June 30, 2015</b>	<b>June 30, 2014</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 13a)	\$ 3,209,343	\$ 4,052,812
Trade and other receivables (Note 5)	29,536	136,180
Prepaid expenses and deposits	73,225	72,026
<b>Total current assets</b>	<b>3,312,104</b>	<b>4,261,018</b>
<b>Non-current assets</b>		
Reclamation deposits (Note 6)	13,752	776,240
Property, plant and equipment (Note 7)	1,047,832	1,232,351
Exploration and evaluation assets (Note 9)	22,368,179	16,655,641
Intangible assets (Note 10)	56,281	111,472
<b>Total assets</b>	<b>\$ 26,798,148</b>	<b>\$ 23,036,722</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables (Note 11)	\$ 420,977	\$ 1,163,497
	<b>420,977</b>	<b>1,163,497</b>
<b>Non-current liabilities</b>		
Long-term accrued payables	128,969	-
Provision for reclamation and remediation (Note 12)	934,120	782,761
<b>Total liabilities</b>	<b>\$ 1,484,066</b>	<b>\$ 1,946,258</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Exhibit 4 and Note 13)	21,484,748	19,354,771
Subscriptions received in advance (Exhibit 4 and Note 13a)	1,280,400	2,355,000
Contributed surplus (Exhibit 4 and Note 13)	16,097,336	14,487,236
Accumulated other comprehensive loss (Exhibit 4)	(2,411,428)	(154,115)
Deficit	(11,136,974)	(14,952,428)
<b>Total shareholders' equity</b>	<b>25,314,082</b>	<b>21,090,464</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 26,798,148</b>	<b>\$ 23,036,722</b>

Nature of operations and going concern (Note 1)  
 Commitments (Note 18)  
 Subsequent events (Note 22)

Approved and authorized on behalf of the Board:

"Kenneth Berry"  
 Director

"David Farrell"  
 Director

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

**NORTHERN VERTEX MINING CORP.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND LOSS**

Expressed in Canadian Dollars  
(Exhibit 2)

	<b>For the year ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Administrative expenses</b>		
Depreciation	\$ 58,341	\$ 51,228
Management fees	60,000	156,139
Marketing and community relations	46,884	325,410
Office and miscellaneous	209,669	245,425
Professional fees	218,077	506,265
Property fees	147,609	298,105
Rent	43,355	74,231
Salaries, wages, benefits and subcontractor expenses	696,673	1,270,602
Share-based payments (Note 13c)	223,999	1,391,262
Tax on net proceeds from gold and silver sales	(33,592)	32,581
Transfer agent and filing fees	38,266	61,208
Travel, meetings and conferences	71,047	234,906
<b>Loss before other expenses</b>	<b>\$ 1,780,328</b>	<b>\$ 4,647,362</b>
<b>Other expenses (income)</b>		
Foreign exchange (gain) (Note 14)	(5,545,653)	(410,069)
Interest and other income	(38,736)	(24,035)
Deferred sales proceeds - ISGC (Note 8)	(11,393)	(58,650)
Loss on sale of fixed assets	-	12,030
	<b>\$ (5,595,782)</b>	<b>\$ (480,724)</b>
<b>Net (income) loss for the year</b>	<b>(3,815,454)</b>	<b>4,166,638</b>
<b>Deficit, beginning of the year</b>	<b>14,952,428</b>	<b>10,785,790</b>
<b>Deficit, end of the year</b>	<b>\$ 11,136,974</b>	<b>\$ 14,952,428</b>
<b>Basic and diluted (income) loss per share</b>	<b>\$ (0.052)</b>	<b>\$ 0.074</b>
<b>Weighted average number of shares outstanding</b>	<b>72,730,141</b>	<b>56,554,055</b>

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

**NORTHERN VERTEX MINING CORP.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

Expressed in Canadian Dollars  
(Exhibit 3)

	<b>For the year ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Net (income) loss for the year</b>	<b>\$ (3,815,454)</b>	\$ 4,166,638
<b>Item which may be reclassified subsequently to (income) or loss</b>		
Unrealized foreign currency translation differences of foreign operations	<b>2,257,313</b>	127,415
<b>Comprehensive (income) loss for the year</b>	<b>\$ (1,558,141)</b>	\$ 4,294,053

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

**NORTHERN VERTEX MINING CORP.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

Expressed in Canadian Dollars  
(Exhibit 4)

	Number of Shares	Share Capital	Subscriptions Received in Advance	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
<b>Balance, June 30, 2013</b>	<b>52,563,348</b>	<b>\$ 17,767,414</b>	<b>\$ -</b>	<b>\$ 11,489,992</b>	<b>\$ (26,700)</b>	<b>\$ (10,785,790)</b>	<b>\$ 18,444,916</b>
Shares issued for cash, net of issuance costs	5,236,000	2,493,339	-	675,662	-	-	3,169,001
Shares issued for exploration and evaluation asset	100,000	32,000	-	-	-	-	32,000
Subscriptions received in advance (Note 13a)	-	-	2,355,000	-	-	-	2,355,000
Share issuance costs paid in advance	-	(7,662)	-	-	-	-	(7,662)
Warrant expiration date amendment	-	(930,320)	-	930,320	-	-	-
Share-based payments	-	-	-	1,391,262	-	-	1,391,262
Foreign currency translation differences of foreign operations	-	-	-	-	(127,415)	-	(127,415)
Net (loss) for the year	-	-	-	-	-	(4,166,638)	(4,166,638)
<b>Balance, June 30, 2014</b>	<b>57,899,348</b>	<b>\$ 19,354,771</b>	<b>\$ 2,355,000</b>	<b>\$ 14,487,236</b>	<b>\$ (154,115)</b>	<b>\$ (14,952,428)</b>	<b>\$ 21,090,464</b>
Shares issued for cash, net of issuance costs	15,042,098	2,212,873	(2,355,000)	1,303,205	-	-	1,161,078
Subscriptions received in advance (Note 13a)	-	-	1,280,400	-	-	-	1,280,400
Warrant expiration date amendment	-	(82,896)	-	82,896	-	-	-
Share-based payments	-	-	-	223,999	-	-	223,999
Foreign currency translation differences of foreign operations	-	-	-	-	(2,257,313)	-	(2,257,313)
Net income for the year	-	-	-	-	-	3,815,454	3,815,454
<b>Balance, June 30, 2015</b>	<b>72,941,446</b>	<b>\$ 21,484,748</b>	<b>\$ 1,280,400</b>	<b>\$ 16,097,336</b>	<b>\$ (2,411,428)</b>	<b>\$ (11,136,974)</b>	<b>\$ 25,314,082</b>

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



# NORTHERN VERTEX MINING CORP.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Expressed in Canadian Dollars  
(Exhibit 5)

	<b>For the year ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>		
Net income (loss) for the period	\$ 3,815,454	\$ (4,166,638)
Items not affecting cash:		
Share-based payments (Note 13c)	223,999	1,391,262
Loss on disposal of fixed assets	-	11,669
Depreciation and amortization	58,341	51,228
Unrealized foreign exchange (gain)	(5,393,539)	-
Changes in non-cash working capital balances:		
Trade and other receivables	115,221	(76,979)
Prepaid expenses and deposits	4,867	159,035
Trade and other payables	(773,132)	713,016
<b>Cash used in operating activities</b>	<b>\$ (1,948,789)</b>	<b>\$ (1,917,407)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of share capital, net of issuance costs	\$ 1,153,416	\$ 3,169,001
Subscriptions received in advance (Note 13a)	1,280,400	2,355,000
<b>Cash provided by financing activities</b>	<b>\$ 2,433,816</b>	<b>\$ 5,524,001</b>
<b>Cash flows from investing activities</b>		
Exploration and evaluation expenditures	\$ (3,297,794)	\$ (10,634,074)
Redemption of reclamation deposits, before interest	841,075	-
Exploration and evaluation proceeds	866,455	4,855,485
Proceeds from sale of property, plant and equipment	-	52,167
Purchase of property, plant and equipment	-	(1,287,943)
Purchase of intangible assets	(2,425)	(48,010)
Proceeds from deferred cash payments (Note 8)	67,116	7,767
Long-term accrued payables	121,213	-
<b>Cash used in investing activities</b>	<b>\$ (1,404,360)</b>	<b>\$ (7,054,608)</b>
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>	<b>75,864</b>	<b>(271,786)</b>
<b>(Decrease) in cash and cash equivalents during the year</b>	<b>(843,469)</b>	<b>(3,719,800)</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>4,052,812</b>	<b>7,772,612</b>
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 3,209,343</b>	<b>\$ 4,052,812</b>
<b>Cash and cash equivalents consists of:</b>		
Cash on deposit	3,209,343	4,052,812
	<b>\$ 3,209,343</b>	<b>\$ 4,052,812</b>

Supplemental disclosure of non-cash activities (Note 16)  
Subsequent events (Note 22)

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

**NORTHERN VERTEX MINING CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended June 30, 2015 and 2014**  
(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

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**1 Nature of operations and going concern**

*Nature of operations*

Northern Vertex Mining Corp. (the "Company") is a resident Canadian mineral exploration and development company incorporated under the Business Corporations Act (British Columbia). The address of the Company's registered office is Suite 1820 – 1055 West Hastings St. Vancouver, British Columbia, Canada.

The Company's principal business is to acquire, explore and develop mineral properties principally located in the United States and Canada with the mandate of identifying mineralized deposits that demonstrate near-term production potential and long-term sustainable growth.

The Company's primary project is the Moss Gold-Silver deposit (the "Moss Mine") located in Mohave County, Arizona.

*Going concern*

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. There are conditions and events, which constitute material uncertainties that may cast significant doubt on the validity of this assumption.

The Company has experienced operating losses and negative operating cash flows since inception and has no assurances that sufficient financing will be available to continue in operation for the foreseeable future. Ongoing operations are dependent on the Company's ability to: obtain public equity financing by the issuance of share capital, generate profitable operations in the future, or secure debt financing.

During fiscal 2015, Phase I - Pilot Plant Operations at the Moss Mine concluded and the heap leach pad operation began its transition into shutdown mode, as planned. As of June 30, 2015, the Company had recorded sales from the pilot plant of US\$5.5 million (before royalties and selling costs) from 4,065 ounces of gold and 19,494 ounces of silver with an average selling price for gold and silver of US\$1,259.31 and US\$19.67, respectively.

During the year-ended June 30, 2015 and June 30, 2014, the Company was able to raise net proceeds in excess of \$2.4 million and \$5.5 million, respectively, from private placements. To continue development at the Moss Mine, the Company will require additional financing. While the Company has been successful at raising funds in the past, there can be no assurance that it will be able to do so in the future.

These consolidated financial statements do not reflect any adjustments, which may be material, to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

Subsequent to June 30, 2015, the Company completed a non-brokered private placement of 13,015,000 units at a purchase price of \$0.22 per unit for total gross proceeds of \$2,863,300 (see Note 22). Working capital, as at June 30, 2015, was \$2,891,127 and with the remaining monies received subsequent to year-end from the private placement and the continuation of the aggressive cost reduction program instigated by management, the Company believes it should have sufficient capital resources to meet its obligations for at least twelve months from the end of the reporting year.

**NORTHERN VERTEX MINING CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended June 30, 2015 and 2014**  
(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

**1 Nature of operations and going concern** (continued)

As of June 30, 2015 and 2014 the Company had the following working capital and deficit balances:

	<b>June 30, 2015</b>	June 30, 2014
Working capital	\$ <b>2,891,127</b>	\$ 3,097,521
Deficit	<b>(11,136,974)</b>	(14,952,428)

**2 Basis of preparation**

The consolidated financial statements of the Company for the years ended June 30, 2015 and 2014 have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, "IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on October 26, 2015.

**3 Significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been applied consistently to all of the years presented in these consolidated financial statements, unless otherwise indicated.

**Basis of consolidation**

*Subsidiaries*

Subsidiaries are all entities over which the Company has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Company, until the date on which control ceases. These consolidated financial statements include the accounts of two wholly-owned subsidiaries, Golden Vertex Corp. and Golden Vertex (Idaho) Corp., both incorporated in the United States. All inter-company balances, and unrealized gains and losses on intercompany transactions, have been eliminated for consolidation purposes.

**Foreign currency translation**

*Functional and presentation currency*

Transactions included in the accounts of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the parent company and the Company's presentation currency.

*Transactions and balances*

Transactions denominated in foreign currencies are translated into the relevant functional currency using the exchange rates prevailing at the dates of the transactions. The functional currency of the Company's subsidiaries is the US dollar. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of operations and loss.

# NORTHERN VERTEX MINING CORP.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2015 and 2014

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

### 3 Significant accounting policies (continued)

#### *Translation of subsidiary results into the presentation currency*

The operating results and statements of financial position of each of the Company's subsidiaries with functional currencies different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities presented are translated at the period-end closing rate as at the date of the statements of financial position;
- Income and expenses for the statements of operations and loss are translated at average exchange rates, unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the rate on the dates of the transactions; and
- All resulting exchange differences from translating foreign operations are recognized in a separate component of shareholders' equity as other comprehensive income (loss).

#### **Cash and cash equivalents**

Cash and cash equivalents presented in assets on the consolidated statements of financial position and the consolidated statements of cash flows at June 30, 2015 and June 30, 2014 consisted entirely of cash on deposit with a Canadian Schedule I financial institution and a US-chartered commercial bank and are subject to negligible risk of changes in value.

#### **Property, plant and equipment**

Property, plant and equipment is initially recorded at cost at the time of purchase or commissioning of the asset and is subsequently measured at cost less accumulated depreciation and impairment, if applicable. Cost includes all costs required to bring the item into its intended use by the Company.

Costs incurred for major overhaul of existing equipment are capitalized as property, plant and equipment and are subject to depreciation, once commissioning is completed.

#### *Depreciation*

Property, plant and equipment at the Moss Mine is depreciated using the straight-line method over the expected life of the mine, or over the remaining useful life of the asset, if shorter. Property and equipment at head office is depreciated over the period in which the assets are expected to be available for use. The Company uses the following depreciation rates, at both locations, if applicable:

<b>Major class of asset</b>	<b>Depreciation rate</b>
Building	5 years
Computer equipment	3 years
Furniture and fixtures	3-5 years
Leasehold improvements	Lease term
Machinery and plant equipment	3-5 years
Vehicles	5 years

Asset useful life and residual values are reviewed on an annual basis and adjusted, if required, on a prospective basis.

**NORTHERN VERTEX MINING CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended June 30, 2015 and 2014**  
(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

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**3 Significant accounting policies** (continued)

**Exploration and evaluation assets**

Exploration and evaluation assets represent properties on which the Company is conducting exploration to determine whether significant mineralization exists or for which the Company has identified a mineral resource of such quantity and grade or quality that it has reasonable prospects for economic extraction. All costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on an area of interest are expensed as incurred. Once the legal right to explore has been obtained, exploration expenditures are capitalized in respect of each identifiable area of interest until a technical feasibility study has been completed and the commercial viability of extracting a mineral resource is demonstrable. Proceeds from gold and silver sales, net of royalties and selling costs, during the exploration and evaluation phase are offset against costs capitalized while production is directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management. Evaluation expenditures include the costs of drilling, sampling and other costs related to defining and delineating the mineral deposit. Exploration and evaluation assets are carried at historical cost, less any impairment, if applicable.

When commercial viability of extracting a mineral resource is demonstrable for an area of interest, the Company stops capitalizing exploration and evaluation costs for that area, tests for impairment and reclassifies any unimpaired exploration and evaluation assets to property, plant and equipment. Demonstration of commercial viability generally is considered to have occurred with estimated positive future cash flows based on proven and probable reserves, the securing of all necessary legal, governmental, environmental and operational permits and agreements, and the approval by the Board of Directors to proceed with development of a project.

**Intangible assets**

Intangible assets consist of computer software and costs of computer software customization and implementation and are stated at cost less accumulated amortization and impairment, if applicable. Amortization is recorded on a straight-line basis over 3 years.

**Provision for reclamation and remediation**

The Company's activities are subject to laws and regulations relating to the protection of the environment in jurisdictions in which exploration, development and mining activities take place. To comply with such laws and regulations, the Company may be required to make expenditures for reclamation and remediation. In certain cases, the Company could also have a constructive obligation to make such expenditures, where a legal obligation did not otherwise exist. The Company recognizes a provision for reclamation and remediation when: the Company has a present legal or constructive obligation as a result of past events, such as an environmental disturbance; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are measured at the net present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Accretion expense, representing the increase in the provision due to the passage of time during Phase I, is capitalized to exploration and evaluation assets.

Reclamation and remediation provisions include estimates for the costs of restoration activities required under applicable environmental regulations, such as dismantling and demolition of infrastructure, site and land rehabilitation, and security and monitoring. The extent of reclamation and remediation work required is primarily dependent on the prescribed requirements of the applicable environmental authority in the jurisdiction in which the Company's activities take place. Upon initial recognition of the liability, the net present value of the obligation is capitalized as part of the cost of exploration and evaluation assets. Restoration activities will occur primarily upon closure of a mine, but can occur from time to time throughout the life of the mine. As restoration projects are undertaken, their costs are charged against the provision as the costs are incurred.

**NORTHERN VERTEX MINING CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended June 30, 2015 and 2014**  
(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

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**3 Significant accounting policies** (continued)

Reclamation and remediation provisions are reviewed at least quarterly and take into account the effects of inflation and changes in estimates, with any resulting adjustments to the net present value of the provision correspondingly capitalized to exploration and evaluation assets.

**Proceeds Recognition**

Proceeds from gold and silver sales are recognized at market prices when the following conditions have been satisfied:

- the significant risks and rewards of ownership have been transferred to the buyer;
- that economic benefits associated with the transaction will flow to the Company;
- the sales price can be measured reliably;
- the Company has no significant continuing involvement; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

While the Company is in the exploration and evaluation phase, proceeds, net of royalties and selling costs, are being recorded as cost recoveries against associated exploration and evaluation assets.

**Impairment**

*Financial assets*

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

*Non-financial assets*

The carrying amounts of exploration and evaluation assets are assessed for impairment only when indicators of impairment exist, typically when one of the following circumstances applies:

- exploration rights have expired or will expire in the near future;
- no future substantive exploration expenditures are budgeted;
- commercially viable quantities of mineral resources have not been discovered and exploration and evaluation activities will be discontinued; and
- capitalized expenditures are unlikely to be fully recovered from successful development or sale.

If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit (the "cash-generating unit", or "CGU") is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

**NORTHERN VERTEX MINING CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended June 30, 2015 and 2014**  
(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

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**3 Significant accounting policies** (continued)

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statements of operations and loss. Impairment losses recognized in respect of CGUs are allocated to the assets in the unit (group of units) on a pro-rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**Share capital**

Common shares are classified as equity. The Company records proceeds from share issuances net of share issuance costs. Share capital issued for non-monetary consideration is recorded at the fair market value of the shares on the date the shares are issued.

**Earnings (loss) per share**

Basic earnings (loss) per share is calculated by dividing the profit or (loss) attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is calculated based on the weighted average number of common shares outstanding during the year, plus the effects of dilutive common share equivalents. This calculation requires that the dilutive effect of outstanding options and warrants issued be calculated using the treasury stock method. The treasury stock method assumes that all common share equivalents have been exercised at the beginning of the year (or at the time of issuance, if later), and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of common shares during the year.

The calculation of diluted loss per share excludes the effects of various conversions and exercises of options and warrants that would be anti-dilutive.

**Warrants**

Warrants are classified as equity as they are derivatives of the Company's own equity that will be settled only by the Company exchanging a fixed amount of cash for a fixed number of the Company's own equity instruments.

When shares and warrants are issued at the same time, the proceeds are allocated first to warrants issued, according to their fair value using the Black-Scholes pricing model, with the residual value being allocated to shares.

**Share-based payments**

The grant date fair value of share-based payment awards granted to employees, consultants, directors and officers is recognized as an expense, with a corresponding increase in contributed surplus, over the period during which the recipient unconditionally becomes entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

# NORTHERN VERTEX MINING CORP.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2015 and 2014

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### 3 Significant accounting policies (continued)

#### Financial instruments

The Company classifies financial instruments as either fair value through profit or (loss), loans and receivables, held-to-maturity, available-for-sale, or other financial liabilities. Loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method. Instruments classified as fair value through profit or (loss) are measured at fair value with unrealized gains and losses recognized in the consolidated statements of operations and loss. All financial assets except those measured at fair value through profit or (loss) are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Specific accounting policies and classifications for each of the Company's financial instruments are described below:

*i) Fair value through profit or (loss)*

Financial assets and liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as fair value through profit or (loss). Any financial instrument can be designated as fair value through profit or (loss) as long as its fair value can be reliably measured. These instruments are measured at fair value with subsequent changes in fair value included in profit or (loss).

The Company has classified cash and cash equivalents as fair value through profit or (loss), which accordingly are carried at their fair values.

*ii) Held-to-maturity*

Financial assets that have a fixed maturity date and fixed or determinable payments, where the Company intends and has the ability to hold the financial asset to maturity are classified as held-to-maturity and measured at amortized cost using the effective interest rate method. Any gains and losses arising from the sale of held-to-maturity financial assets and any transaction costs incurred to acquire held-to-maturity financial assets are included in profit or (loss). Currently, the Company has no held-to-maturity financial assets.

*iii) Loans and receivables*

Items classified as loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses on the realization of loans and receivables and any transaction costs incurred to acquire loans and receivables are included in profit or (loss). The Company classifies trade and other receivables and reclamation deposits as loans and receivables.

*iv) Available-for-sale*

Available-for-sale assets are those financial assets that are not classified as fair value through profit or (loss), held-to-maturity or loans or receivables, and are carried at fair value. Any unrealized gains or losses arising from the change in fair value are recorded within comprehensive income (loss). Available-for-sale assets are written down to fair value through profit or (loss) whenever it is necessary to reflect other than temporary impairment. Cumulative gains and losses arising upon the sale of the asset are included in profit or (loss). Any transaction costs incurred to acquire available-for-sale financial assets will be included in profit or (loss). Currently, the Company has no available-for-sale financial assets.



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**3 Significant accounting policies** (continued)

v) *Other financial liabilities*

Other financial liabilities are non-derivative financial liabilities that are not classified as fair value through profit or (loss). Other financial liabilities are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest rate method. The Company classifies trade and other payables as other financial liabilities.

**Comprehensive income (loss)**

Comprehensive income (loss) represents the change in net equity due to foreign exchange differences arising from translation of the financial statements of foreign operations to the presentation currency. Cumulative changes in comprehensive income (loss) are included in accumulated other comprehensive income (loss) which is presented as a separate category within shareholders' equity.

**Income taxes**

Income tax expense comprises current and deferred tax. Income tax expense, if applicable, is recognized in the consolidated statements of operations and loss.

*Current tax*

Current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period, adjusted for amendments if any, to tax payable from previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established, where appropriate, on the basis of amounts expected to be paid to tax authorities.

*Deferred tax*

Deferred tax is recorded using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not recognized for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable loss, or on differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statements of financial position date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

**Adoption of new accounting standards**

The following standards were adopted for the period beginning on July 1, 2014 or earlier, and had no effect on the Company's consolidated financial statements for the periods presented.

IFRS 2, Share-based Payment, clarifies the definition of a vesting condition and separately define performance and service conditions.

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**3 Significant accounting policies** (continued)

IFRS 10, Consolidated Financial Statements, requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IAS 27, Consolidated and Separate Financial Statements and IAS 28, Investments in Associates were revised and reissued as IAS 27, Separate Financial Statements and IAS 28, Investments in Associates and Joint Ventures to align with the new consolidation guidance.

IFRS 11, Joint Arrangements, requires an entity to classify its interest in a joint arrangement as either a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting, while joint operations will require the entity to recognize its share of the assets, liabilities, revenue and expenses of the joint operation. While the Company does not currently have any joint arrangements, the Company may be subject to such arrangements in the future.

IFRS 12, Disclosure of Interests in Other Entities, establishes disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. Matters covered include information about the significant judgments and assumptions that any entity has made in determining whether it has control, joint control or significant influence over another entity. The Company may be subject to joint arrangements in the future.

IFRS 13, Fair Value Measurement, is a comprehensive new standard for fair value measurement and disclosure across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price).

IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, sets out principles for the accounting for overburden waste removal (stripping) costs during the production phase of a mine. While the Company is not yet in the commercial production phase, the Company is currently assessing the future impact of this interpretation.

IFRIC 21, Levies, provides guidance for the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognized.

IAS 24, Related Party Disclosures, includes as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity.

**Future accounting policy changes issued but not yet in effect**

Pronouncements that are not applicable or that do not have a significant impact to the Company have not been included in these consolidated financial statements.

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments, that replaces IAS 39 Financial Instruments - Recognition and Measurement, in its entirety and reduce the complexity in the classification and measurement of financial instruments. The completed version of IFRS 9 includes classification and measurement, impairment and hedge accounting requirements and is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of the standard on its consolidated financial statements.

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**3 Significant accounting policies** (continued)

In May 2014, the IASB issued IFRS 15, Revenue from Contracts and Customers, that will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations. IFRS 15 establishes a single five-step model to be applied for all contracts with customers. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently reviewing the standard to determine the expected impact on its consolidated financial statements.

**4 Significant accounting estimates and judgments**

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying note disclosures. Judgments, estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. By their nature, these judgments, estimates and assumptions are subject to uncertainty and the effect on the consolidated financial statements of future periods for changes in such factors could be significant. Actual results may differ from these judgments, estimates and assumptions.

Significant estimates used in the preparation of the consolidated financial statements include, but are not limited to:

- asset carrying values and impairment charges;
- the economic recoverability of exploration expenditures incurred and the probability of future economic benefits from the expenditures;
- the expected costs of reclamation and remediation;
- the calculation of share-based compensation, which includes the assumptions used in the Black-Scholes option pricing model such as volatility, estimated forfeiture rates and expected time until exercise;
- useful life of property, plant and equipment; and
- deferred cash payments.

The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the amounts recognized in the consolidated financial statements are as follows:

i) Exploration and evaluation assets

The Company makes certain estimates and assumptions regarding the recoverability of the carrying values of exploration and evaluation assets. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. The recoverability of the assets' carrying values is dependent upon the determination of economically recoverable reserves, the ability of the Company to obtain the necessary financing and permits to complete development and future profitable production or proceeds from the disposition thereof.

The Company has taken steps to verify title to exploration and evaluation assets in which it has or is in the process of earning an interest, including review of condition of title reports, vesting deeds, mining claim location notices and filings, and property tax and other public records and is not presently aware of any title defects. The procedures the Company has undertaken and may undertake in the future to verify title provide no assurance that the underlying properties are not subject to prior agreements or transfers of which the Company is unaware.

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**4 Significant accounting estimates and judgments** (continued)

ii) Share-based payments

The Company has an incentive stock option plan for employees, consultants, directors and officers. Services received and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The Company also issues share purchase warrants in connection with certain equity financings. The fair value of share options and share purchase warrants is estimated by using the Black-Scholes valuation model on the date of stock option grant or date of warrant issuance based on certain assumptions. Those assumptions are described in Notes 13(c) and 13(d) and include, among others, expected volatility, expected life and number expected to vest.

iii) Provision for reclamation and remediation

The amounts recorded for reclamation and remediation provisions are based on a number of factors, including technical reports prepared by third-party specialists for anticipated remediation activities and costs, the expected timing of cash flows, anticipated inflation rates and pre-tax risk-free interest rates on which the estimated cash flows have been discounted. Actual results could differ from these estimates. The estimates require considerable judgment about the nature, cost and timing of the work to be completed and may change with future changes to costs, environmental laws and regulations and remediation practices.

iv) Useful life of property, plant and equipment

The useful life of property, plant and equipment and intangible assets is based on management estimates at the time of acquisition with information obtained from vendors and engineer guidance, where required. Management estimates may change due to technological developments, market conditions, expectation for replacement of assets and other factors. The Company depreciates assets on a straight-line basis, over the useful life of the asset to the extent that the useful life does not exceed the estimated life of the mine. Estimates of residual values, useful lives and depreciation methods are reviewed periodically by management. Any changes that arise from periodic reviews are accounted for and adjusted prospectively.

v) Receipt of deferred cash payments

The potential proceeds to be received based on exploration expenditures incurred at the Lemhi Gold Property, which are indeterminable.

Significant judgments used in the preparation of these consolidated financial statements include, but are not limited to:

- those relating to the assessment of the Company's ability to continue as a going concern;
- the determination of functional currency, as the Canadian dollar for the parent company and the US dollar for the wholly owned subsidiaries; and
- the determination that the test-mining, heap leach processing and gold and silver recovery methods employed during Phase I – Pilot Plant Operations represents a continuation of the Company's exploration and evaluation activities.

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**5 Trade and other receivables**

	<b>June 30, 2015</b>	June 30, 2014
Trade accounts receivable	\$ <b>22,029</b>	\$ 77,803
Value-added taxes receivable	<b>7,507</b>	8,406
Other	-	49,971
<b>Total trade and other receivables</b>	<b>\$ 29,536</b>	\$ 136,180

The Company expects full recovery of trade accounts receivables and value-added taxes receivable, and consequently has not recorded any allowance against these receivables. At June 30, 2015, there were no receivables past due. All amounts included in trade and other receivables were due to timing-related matters and are expected to be collected within one year. The Company did not hold any collateral for amounts due. Credit risk is further discussed in Note 19(a).

At June 30, 2015, there were no outstanding trade accounts receivables related to the sale of gold and silver produced by the Moss Mine Pilot Plant (2014: \$nil). During Phase I – Pilot Plant Operations, the Company recorded proceeds, net of royalties and selling costs, as cost recoveries against the associated exploration and evaluation asset (Note 9).

**6 Reclamation deposits**

	<b>June 30, 2015</b>	June 30, 2014
Refundable reclamation deposits	\$ <b>13,752</b>	\$ 11,747
Reclamation deposits <sup>1</sup>	-	764,493
<b>Total reclamation deposits</b>	<b>\$ 13,752</b>	\$ 776,240

Reclamation deposits consist of cash deposited with the United States Department of the Interior, Bureau of Land Management and certain financial institutions as required by the Arizona Department of Environmental Quality ("ADEQ") and the Arizona State Mine Inspector's office ("ASMI") for estimated reclamation and post-closure costs relating to the Company's Moss Mine.

<sup>1</sup> With the consent of the ADEQ and the ASMI, the Company redeemed its reclamation deposits (US\$716,500) held by a US-chartered commercial bank during the year ended June 30, 2015. The Company subsequently purchased two surety bonds with Lexon Insurance Company to assure the reclamation obligation with both the ADEQ and the ASMI, which was approved by both regulatory organizations.

**NORTHERN VERTEX MINING CORP.**  
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**7 Property, plant and equipment**

Property, plant and equipment changes for the years ended June 30, 2015 and 2014 were as follows:

	Buildings	Vehicles	Machinery and plant equipment	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
<b>Net book value at June 30, 2014</b>	<b>\$ 66,910</b>	<b>\$ 109,128</b>	<b>\$ 958,544</b>	<b>\$ 11,093</b>	<b>\$ 28,961</b>	<b>\$ 57,715</b>	<b>\$ 1,232,351</b>
Additions	-	-	(587)	-	-	-	(587)
Depreciation	(18,894)	(34,028)	(299,703)	(7,483)	(8,840)	(15,031)	(383,979)
Impact of foreign exchange	11,413	18,614	163,500	1,248	3,865	1,407	200,047
<b>Net book value at June 30, 2015</b>	<b>\$ 59,429</b>	<b>\$ 93,714</b>	<b>\$ 821,754</b>	<b>\$ 4,858</b>	<b>\$ 23,986</b>	<b>\$ 44,091</b>	<b>\$ 1,047,832</b>
<b>Consisting of:</b>							
Cost	94,208	170,020	1,421,752	23,288	41,440	72,390	1,823,098
Accumulated depreciation	(34,779)	(76,306)	(599,998)	(18,430)	(17,454)	(28,299)	(775,266)
	<b>\$ 59,429</b>	<b>\$ 93,714</b>	<b>\$ 821,754</b>	<b>\$ 4,858</b>	<b>\$ 23,986</b>	<b>\$ 44,091</b>	<b>\$ 1,047,832</b>
<b>Net book value at June 30, 2013</b>	<b>\$ 19,806</b>	<b>\$ 188,603</b>	<b>\$ 94,443</b>	<b>\$ 16,502</b>	<b>\$ 18,693</b>	<b>\$ 2,121</b>	<b>\$ 340,168</b>
Additions	60,220	18,458	1,118,780	1,465	17,440	67,804	1,284,167
Disposal & write-down	-	(73,090)	(1,640)	-	-	-	(74,730)
Depreciation	(13,401)	(27,569)	(254,403)	(7,032)	(7,402)	(12,210)	(322,017)
Impact of foreign exchange	285	2,726	1,364	158	230	-	4,763
<b>Net book value at June 30, 2014</b>	<b>\$ 66,910</b>	<b>\$ 109,128</b>	<b>\$ 958,544</b>	<b>\$ 11,093</b>	<b>\$ 28,961</b>	<b>\$ 57,715</b>	<b>\$ 1,232,351</b>
<b>Consisting of:</b>							
Cost	80,480	145,245	1,215,081	21,104	36,524	70,632	1,569,066
Accumulated depreciation	(13,570)	(36,117)	(256,537)	(10,011)	(7,563)	(12,917)	(336,715)
	<b>\$ 66,910</b>	<b>\$ 109,128</b>	<b>\$ 958,544</b>	<b>\$ 11,093</b>	<b>\$ 28,961</b>	<b>\$ 57,715</b>	<b>\$ 1,232,351</b>

**8 Investment in joint venture**

On February 12, 2013, the Company completed the sale of its 51% interest in the Lemhi Gold Trust, LLC ("Lemhi JV LLC") to Idaho State Gold Company, LLC ("ISGC," a private Idaho investment company). Pursuant to the sale, deferred cash payments, equal to 3% of all future expenditures at the Lemhi Gold by the purchaser, are payable to the Company in quarterly instalments and capped at US\$2.90 million.

During the year ended June 30, 2015, the Company recorded \$11,393 (US\$10,341) as part of the deferred sales proceeds from ISGC, of which \$nil (2014: \$49,971) was included in trade and other receivables. During the year ended June 30, 2014, the Company recorded \$58,650 from ISGC as part of the deferred sales proceeds. Total sales proceeds received from ISGC is \$70,043. Because of the uncertainty regarding the collectability of the deferred cash payments, payments will be recorded as income when received.

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**9 Exploration and evaluation assets**

Changes in exploration and evaluation assets for the years ended June 30, 2015 and 2014 were as follows:

	<b>Moss Mine Property</b>	<b>Silver Creek Property</b>	<b>Total</b>
<b>Net book value at June 30, 2014</b>	<b>\$ 16,618,124</b>	<b>\$ 37,517</b>	<b>\$ 16,655,641</b>
Additions (net of recoveries)	2,708,016	70,347	<b>2,778,363</b>
Impact of foreign exchange	2,928,496	5,679	<b>2,934,175</b>
<b>Net book value at June 30, 2015</b>	<b>\$ 22,254,636</b>	<b>\$ 113,543</b>	<b>\$ 22,368,179</b>
<b>Net book value at June 30, 2013</b>	<b>\$ 11,915,070</b>	<b>\$ -</b>	<b>\$ 11,915,070</b>
Additions (net of recoveries)	4,195,343	37,517	<b>4,232,860</b>
Recognition of remaining reclamation provision	348,118	-	<b>348,118</b>
Impact of foreign exchange	159,593	-	<b>159,593</b>
<b>Net book value at June 30, 2014</b>	<b>\$ 16,618,124</b>	<b>\$ 37,517</b>	<b>\$ 16,655,641</b>

**Moss Mine Property** – Mohave County, Arizona

The Company entered into an Exploration and Option to Enter Joint Venture Agreement Moss Mine Project ("2011 Agreement") with Patriot Gold Corp. ("Patriot Gold") effective March 7, 2011, whereby the Company was granted the right to earn a 70% interest in the Moss Mine project located in Mohave County, Arizona. To fulfil the terms of the 2011 Agreement and thereby earn its interest, the Company, who paid Patriot Gold US\$500,000 upon execution of the agreement, must spend an aggregate total of US\$8 million over five years as well as complete a bankable feasibility study ("BFS"). On June 8, 2015, the Company announced the results of the feasibility study that will serve as the BFS required for the 2011 Agreement and as of June 30, 2015, the Company had spent in excess of US\$8 million thereby satisfying the "earn-in" obligation. The National Instrument 43-101, Disclosure Standards for Mineral Projects ("NI 43-101") Technical Report regarding the feasibility study results was filed on SEDAR on July 23, 2015.

Financing of further work on the property will be on a proportional basis under the direction of a management committee with voting rights proportional to ownership percentage and decisions based on a majority vote. If either party does not contribute their proportional share on future work programs, their interest will be diluted according to an agreed formula, and if either party's interest is diluted to less than 10%, that interest will be converted to a 3% net smelter returns ("NSR") royalty.

The Company pays a further 3% finder's fee on exploration expenditures, in quarterly instalments, to a non-related party. On commercial production, a fee of up to US\$15 per troy ounce of gold produced and up to US\$0.35 per troy ounce of silver produced is payable to this non-related party. The fee can be purchased by the Company for US\$2.4 million. For the year ended June 30, 2015, the Company recorded \$147,609 (2014: \$298,105) in the consolidated statements of operations and loss for finder's fees. Included in this figure is a provision for estimated finder's fee obligations.

The mineral property on which the Company's pilot plant activities occurred is subject to a 1% NSR royalty arrangement. The royalty obligation was recognized when the Company received payment on the sale of gold and silver produced from the pilot plant.

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**9 Exploration and evaluation assets** (continued)

Exploration and evaluation costs at the Moss Mine Property totalled \$22,254,636 at June 30, 2015 (2014: \$16,618,124) and consisted of the following:

	<b>June 30, 2015</b>	June 30, 2014
Assays, surveys and analysis	\$ <b>809,562</b>	\$ 675,232
Depreciation and accretion	<b>802,846</b>	344,251
Drafting	<b>50,110</b>	42,808
Engineering and technical services	<b>16,266,600</b>	12,590,953
Exploration drilling, blasting and hauling	<b>4,925,695</b>	4,207,939
Feasibility studies	<b>1,267,356</b>	7,233
Field expenses	<b>565,957</b>	466,097
Geographic information services	<b>327,306</b>	243,143
Geotechnical	<b>113,878</b>	94,056
Maintenance	<b>488,943</b>	342,346
Office and administration costs	<b>886,553</b>	569,122
Process inventory	<b>425,255</b>	279,299
Property acquisition costs	<b>624,500</b>	486,450
Prospecting	<b>35,209</b>	17,956
Provision for reclamation and remediation	<b>905,305</b>	771,690
Scoping studies	<b>220,190</b>	188,105
Surveying	<b>60,525</b>	48,345
Technical reports	<b>97,875</b>	83,613
Total Moss Mine Property exploration and evaluation expenditures	<b>28,873,665</b>	21,458,638
Proceeds from gold and silver sales <sup>1</sup>	<b>(6,619,029)</b>	(4,840,514)
<b>Moss Mine Property exploration and evaluation expenditures</b>	<b>\$ 22,254,636</b>	\$ 16,618,124

<sup>1</sup> Net of royalties and selling costs that totalled \$253,960 (2014: \$181,420).

*Arbitration*

The Company and Patriot Gold are engaged in an arbitration process under the 2011 Agreement in connection with certain allegation by Patriot Gold that, amongst other items, allege that a) Patriot Gold is entitled to the "operating profits" portion of the approximately US\$5.5 million in gross metals revenue from pilot plant operations while the Company denies there were operating profits from those operations, and b) that the feasibility study was required to analyze a property-wide mine whereas the 2011 Agreement expressly provides that the scope of any mine is within the Company's discretion. The Company rejects both allegations and is vigorously challenging Patriot Gold's allegations. The arbitration is scheduled to be heard in early December 2015. The outcome of the arbitration cannot be predicted with any degree of certainty at this time.



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**9 Exploration and evaluation assets** (continued)

**Silver Creek Property** – Mohave County, Arizona

On May 7, 2014 (the "Effective Date"), the Company secured an option on the Silver Creek property, located adjacent to the Moss Mine with La Cuesta International, Inc. ("LCI"). To fulfil the terms of the 35 year mineral lease and option agreement, the Company, who paid LCI US\$5,000 and issued 100,000 common shares of the Company upon execution of the agreement, must also meet the following commitments:

- i. Pay LCI US\$10,000 cash and fund a minimum of US\$15,000 on work commitments by the first anniversary of the Effective Date;
- ii. Pay LCI US\$20,000 cash and fund a minimum of US\$20,000 on work commitments by the second anniversary of the Effective Date;
- iii. Pay LCI US\$30,000 cash and fund a minimum of US\$200,000 on work commitments by the third anniversary of the Effective Date;
- iv. Pay LCI US\$45,000 cash by the fourth anniversary of the Effective Date; and
- v. Pay LCI US\$25,000 cash every six months, thereafter.

The agreement provides for a production royalty of 1.5% NSR on claims owned 100% by LCI and 0.5% NSR on third party claims within the claim block. To acquire the claims, the Company is required to make payments to LCI totalling US\$4 million in any combination of aggregate royalty payments and lump-sum payments at its sole discretion. All payments other than the work commitments are credited against the royalty. Once US\$4 million has been paid, the NSR rates, on claims not otherwise acquired, reduce by 50%.

The Company has paid LCI US\$10,000 for the year ended June 30, 2015 in cash payments and has fulfilled its minimum work commitment for Year 1. Total cash paid to LCI to date is US\$15,000.

**Silver Creek Property** – Mohave County, Arizona

	<b>June 30, 2015</b>	June 30, 2014
Assays, surveys and analysis	\$ 8,386	\$ -
Engineering and technical services	1,424	-
Field expenses	475	-
Geographic information services	4,788	-
Geological mapping and database consulting	1,807	-
Maintenance	35,428	-
Property acquisition costs	55,685	37,517
Prospecting	5,550	-
<b>Silver Creek Property exploration and evaluation expenditures</b>	<b>\$ 113,543</b>	<b>\$ 37,517</b>

**Summary of Total Exploration and Evaluation Assets**

	<b>June 30, 2015</b>	June 30, 2014
Total Moss Mine Property	\$ 22,254,636	\$ 16,618,124
Total Silver Creek Property	113,543	37,517
<b>Total exploration and evaluation assets</b>	<b>\$ 22,368,179</b>	<b>\$ 16,655,641</b>

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**10 Intangible assets**

Changes in intangible assets for the years ended June 30, 2015 and 2014 were as follows:

	<b>Computer Software</b>
<b>Net book value at June 30, 2014</b>	<b>\$ 111,472</b>
Additions	2,425
Depreciation	(62,451)
Impact of foreign exchange	4,835
<b>Net book value at June 30, 2015</b>	<b>\$ 56,281</b>
<b>Consisting of:</b>	
Cost	179,513
Accumulated depreciation	(123,232)
	<b>\$ 56,281</b>
<b>Net book value at June 30, 2013</b>	<b>\$ 122,000</b>
Additions	43,894
Depreciation	(55,028)
Impact of foreign exchange	606
<b>Net book value at June 30, 2014</b>	<b>\$ 111,472</b>
<b>Consisting of:</b>	
Cost	169,811
Accumulated depreciation	(58,339)
	<b>\$ 111,472</b>

**11 Trade and other payables**

	<b>June 30, 2015</b>	June 30, 2014
Trade accounts payable	<b>\$ 279,091</b>	\$ 420,673
Accrued liabilities	<b>141,886</b>	742,824
<b>Total trade and other payables</b>	<b>\$ 420,977</b>	\$ 1,163,497

**12 Provision for reclamation and remediation**

	<b>June 30, 2015</b>	June 30, 2014
Balance, beginning of year	<b>\$ 782,761</b>	\$ 417,537
Recognition of remaining provision	<b>1,987</b>	348,118
Accretion	<b>15,855</b>	11,072
Impact of foreign exchange	<b>133,517</b>	6,034
<b>Balance, end of year</b>	<b>\$ 934,120</b>	\$ 782,761

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**12 Provision for reclamation and remediation** (continued)

The Company's provision for reclamation and remediation relates to the environmental restoration and closure costs associated with the Moss Mine. The provision has been recorded at its net present value using a discount rate of 1.85% and a long-term inflation rate of 2%, with expenditures anticipated over a ten-year period beginning in 2020. The provision is re-measured at each reporting date, with accretion being charged to the associated property asset. The total undiscounted amount of the Company's estimated obligation for its Phase I operation at the Moss Mine is US\$855,349. All assumptions used in the calculation of the reclamation and remediation provision are subject to change.

**13 Share capital and contributed surplus**

**a) Share Capital**

Authorized capital consists of an unlimited number of common shares without par value. At June 30, 2015, there were 72,941,446 (2014: 57,899,348) common shares issued and fully paid, and no common shares held in escrow.

Private placements completed during the years ended June 30, 2015 and 2014 were as follows:

- Subsequent to June 30, 2015, the Company closed a non-brokered private placement for total gross proceeds of \$2,863,300, of which \$1,280,400 was received as at June 30, 2015 (see Note 22).
- During the year ended June 30, 2015, the Company completed a non-brokered private placement ("Private Placement") for total gross proceeds of \$3,760,525 by issuing an aggregate total of 15,042,098 units (each "Unit") at a purchase price of \$0.25 per Unit. Each Unit consists of one common share ("Common Share") of the Company and one-half transferable share purchase warrant ("Warrant"). Each whole Warrant entitles the holder to acquire one Common Share at an exercise price of \$0.50 for a period of 24 months. The Private Placement was completed in two tranches with the first tranche of warrants expiring on July 3, 2016 and the second tranche expiring July 11, 2016. The Company paid total cash finders' fees of \$216,475 and share issuance costs of \$35,634. During the year ended June 30, 2014, the Company had received subscriptions in advance for proceeds of \$2,355,000 related to this private placement.
- On June 20, 2014, the Company issued 100,000 common shares in respect of the Silver Creek mineral lease and option agreement to LCI. The fair value of shares were measured at \$32,000.
- On September 25, 2013, the Company issued 5,236,000 units at \$0.65 per unit for total gross proceeds of \$3,403,400. Each unit consisted of one common share and one-half of a share purchase warrant. One whole warrant is exercisable into an additional common share for \$0.90 per share expiring March 25, 2015. The Company paid finders' fees of \$209,180 and share issuance costs of \$25,219 in connection with this financing. The fair value of warrants was estimated as \$675,662, using Black-Scholes option-pricing model and recorded to contributed surplus.

**b) Stock Options**

The Company has adopted an incentive stock option plan under the rules of the TSX Venture Exchange ("TSXV") pursuant to which it is authorized to grant options to employees, consultants, directors and officers, enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option is equal to the market price of the Company's shares on the date of grant. The options can be granted for a maximum term of 10 years and generally vest 25% in specified increments. No individual may be granted options exceeding 5% of the Company's common shares outstanding in any 12-month period.

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**13 Share capital and contributed surplus** (continued)

Continuity of the Company's stock options issued and outstanding for the years ended June 30, 2015 and 2014 was as follows:

	<b>June 30, 2015</b>		<b>June 30, 2014</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>
Outstanding, beginning of year	4,895,000	\$ 1.06	4,273,000	\$ 1.17
Granted	2,350,000	0.25	1,435,000	0.65
Forfeited /cancelled	(100,000)	0.65	(813,000)	0.91
<b>Outstanding, end of year</b>	<b>7,145,000</b>	<b>\$ 0.80</b>	<b>4,895,000</b>	<b>\$ 1.06</b>

On February 24, 2015, the Company granted 2,250,000 stock options to 19 employees, consultants, directors and officers with an exercise price of \$0.25 and an expiry date of February 24, 2020.

On July 28, 2014, the Company granted 100,000 stock options to an officer, who is also a director of the Company, with an exercise price of \$0.30 and an expiry date of July 28, 2019.

As at June 30, 2015, the following stock options were outstanding and exercisable:

<b>Exercise price</b>	<b>Number of options outstanding</b>	<b>Expiry date</b>	<b>Number of options exercisable</b>	<b>Remaining contractual life (years)</b>
\$ 0.45	560,000	November 13, 2015	560,000	0.37
1.00	200,000	May 17, 2016	200,000	0.88
1.30	200,000	December 12, 2016	200,000	1.45
1.40	2,200,000	November 11, 2017	2,200,000	2.37
1.40	200,000	January 21, 2018	200,000	2.56
1.40	100,000	February 1, 2018	100,000	2.59
0.85	200,000	June 6, 2018	200,000	2.94
0.65	1,135,000	September 25, 2018	1,135,000	3.24
0.30	100,000	July 28, 2019	50,000	4.08
0.25	2,250,000	February 24, 2020	-	4.66
	<b>7,145,000</b>		<b>4,845,000</b>	

The weighted-average remaining contractual life of options outstanding at June 30, 2015 was 3.05 years (2014: 3.30 years).

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**13 Share capital and contributed surplus** (continued)

**c) Share-based payment expense**

Share-based payment expense is measured at fair value and recognized over the vesting period from the date of grant. Share-based payment expense recognized in the consolidated statements of operations and loss for the year ended June 30, 2015 totalled \$223,999 (2014: \$1,391,262). The weighted-average grant-date fair value of stock options issued during the year ended June 30, 2015 was \$0.10 (2014: \$0.51).

The fair value of stock options granted during the years ended June 30, 2015 and 2014 was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	<b>June 30, 2015</b>	June 30, 2014
Risk-free interest rate	<b>0.74%-1.48%</b>	1.89%
Expected life of options	<b>5 years</b>	5 years
Dividend rate	<b>0.00%</b>	0.00%
Expected forfeiture rate	<b>0.00%</b>	0.00%
Expected volatility	<b>105.94-115.81%</b>	106.42%

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. The Company has used historical volatility in its share price to estimate expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimated.

**d) Warrants**

Share purchase warrants enable the holders to acquire common shares of the Company upon exercise. Continuity of warrants issued and outstanding for the years ended June 30, 2015 and 2014 were as follows:

	<b>June 30, 2015</b>		<b>June 30, 2014</b>	
	<b>Number of warrants</b>	<b>Weighted average exercise price</b>	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
Outstanding, beginning of year	13,416,174	\$ 1.44	10,798,174	\$ 1.57
Issued	7,521,049	0.50	2,618,000	0.90
<b>Outstanding, end of year</b>	<b>20,937,223</b>	<b>\$ 1.10</b>	<b>13,416,174</b>	<b>\$ 1.44</b>

As at June 30, 2015, the Company had outstanding share purchase warrants as follows:

Number of warrants	Exercise price	Expiry date
1,321,500	\$ 1.15	October 4, 2015
5,817,174	1.55	November 23, 2015
3,659,500	1.75	November 26, 2015
2,618,000	0.90	March 25, 2016
5,521,049	0.50	July 3, 2016
2,000,000	0.50	July 11, 2016
<b>20,937,223</b>		

The fair value of warrants issued is estimated using the Black-Scholes option-pricing model and is included in contributed surplus until exercised, at which time the fair value is reclassified to share capital.

The weighted average remaining life of the outstanding warrants as at June 30, 2015 was 0.66 years (2014: 0.45 years).

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**13 Share capital and contributed surplus** (continued)

On March 18, 2015, the Company amended the expiration date of 2,618,000 share purchase warrants exercisable at \$0.90 by twelve months from March 25, 2015 to March 25, 2016. In all respects, the terms of these warrants remain unchanged. As a result of this amendment, the Company reclassified \$15,937 of the fair value of outstanding warrants from share capital to contributed surplus.

On November 18, 2014, the Company amended the expiration of 5,817,174 share purchase warrants exercisable at \$1.55 from November 23, 2014 to November 23, 2015. Additionally, 3,659,500 share purchase warrants exercisable at \$1.75 and expiring November 26, 2014, were extended by an additional twelve months to November 26, 2015. In all other respects, the terms of these warrants remain unchanged. As a result of this amendment, the Company reclassified \$33,280 of the fair value of outstanding warrants from share capital to contributed surplus.

On September 25, 2014, the Company amended the expiration date of 1,321,500 warrants exercisable at \$1.15 from October 4, 2014 to October 4, 2015. In all other respects, the terms of these warrants remain unchanged. As a result of this amendment, the Company reclassified \$33,679 of the fair value of outstanding warrants from share capital to contributed surplus.

On September 24, 2013, the Company amended the expiration date of 1,321,500 warrants exercisable at \$1.15 from October 4, 2013 to October 4, 2014 and 5,817,174 warrants exercisable at \$1.55 from November 23, 2013 to November 23, 2014. In all other respects, the terms of these warrants remain unchanged. As a result of this amendment, the Company reclassified \$930,320 of the fair value of outstanding warrants from share capital to contributed surplus.

The following weighted average assumptions were used for the Black-Scholes valuation of warrants issued and or amended during the years ended June 30, 2015 and 2014:

	<b>June 30, 2015</b>	June 30, 2014
Risk-free interest rate	<b>0.49%-1.13%</b>	1.21%
Expected life of warrants	<b>1.01-2 years</b>	1.5 years
Dividend rate	<b>0.00%</b>	0.00%
Expected volatility	<b>99.2%-134.5%</b>	104.33%
Fair value per warrant issued and/or amended	<b>\$0.003-\$0.268</b>	\$0.26

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. The Company has used historical volatility in its share price to estimate expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimated.

**e) Earnings per Share**

The calculation of basic (income) loss per share for the year ended June 30, 2015 was based on income of \$3,815,454 (2014: loss of \$4,166,638) and the weighted average number of common shares outstanding of 72,730,141 (2014: 56,554,055), respectively. The Company does not have any instruments that would give rise to a dilution effect as of June 30, 2015. The Company has 4,845,000 exercisable options and 20,937,223 warrants that are anti-dilutive and not included in diluted (income) loss per share as of June 30, 2015.

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**14 Foreign exchange gains and losses**

These consolidated financial statements are presented in Canadian dollars which is the Company's presentation and functional currency, while the functional currency of the Company's subsidiaries is the US dollar. Foreign exchange gains and losses therefore arise from the translation of US dollar-denominated transactions and balances relative to the Canadian dollar. The Company has accumulated significant loans receivable from its subsidiaries as it continues to fund exploration and development activities at the Moss Mine and fluctuations in the US dollar can lead to substantial unrealized foreign exchange gains or losses on the loans owing to the Canadian parent company.

The foreign exchange gain recorded in the consolidated statements of operations and loss for the year ended June 30, 2015 reflected the strengthening of the US dollar compared to the Canadian dollar as well as significant increases in loans to the subsidiaries as exploration and development activities increased at the Moss Mine during the year. Of the \$5.546 million (2014: \$0.410 million) recorded as a foreign exchange gain in the consolidated statements of operations and loss, \$5.394 million (2014: \$nil) is an unrealized foreign exchange gain related to the translation of inter-company loans. It is the Company's expectation that loans advanced will be repaid once the Moss Mine is generating sufficient cash flow.

**15 Income taxes**

**a) Income tax expense**

The following table reconciles the expected income tax expense (recovery) at Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations and loss for the years ended June 30, 2015 and 2014:

	<b>June 30, 2015</b>	June 30, 2014
Net loss before taxes	\$ <b>3,815,454</b>	\$ (4,166,638)
Canadian statutory income tax rate	<b>26.00%</b>	26.00%
Expected income tax (recovery)	\$ <b>992,018</b>	\$ (1,083,326)
Non-deductible items	<b>(2,161,818)</b>	261,690
Change in estimates	<b>(613,118)</b>	(196,326)
Change in enacted tax rate	<b>175,587</b>	-
Functional currency adjustments	<b>(612,789)</b>	(33,677)
Share issuance costs	-	-
Foreign tax rate difference	<b>(585,961)</b>	(702,923)
Change in unrecognized deferred tax asset	<b>2,806,081</b>	1,754,562
Total income taxes (recovery)	\$ -	\$ -

**b) Deferred tax assets and liabilities**

Temporary differences and tax losses arising in Canada and the United States have not been recognized as deferred tax assets due to the fact that management has determined it is not probable that sufficient future taxable profits will be earned in these jurisdictions to recover such assets. The unrecognized net deferred tax assets as at June 30, 2015 and 2014 are summarized as follows:

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**15 Income taxes** (continued)

	<b>June 30, 2015</b>	June 30, 2014
<b>Canada</b>		
Non-capital loss carry-forwards	\$ 214,904	\$ 68,646
Exploration and evaluation assets	347,931	291,298
Property, plant and equipment	-	10,722
Financial instruments	(5,057)	-
Share issuance costs	201,201	249,982
	<b>758,979</b>	620,648
Deferred tax asset not recognized	<b>(758,979)</b>	(620,648)
<b>Net deferred tax asset</b>	<b>\$ -</b>	<b>\$ -</b>

	<b>June 30, 2015</b>	June 30, 2014
<b>United States</b>		
Net operating loss carry-forwards	\$ 4,461,242	\$ 2,496,172
Financial instruments	3,792,650	2,500,647
Property, plant and equipment	(1,509,875)	17,355
Exploration and evaluation assets	(52,055)	(907,015)
	<b>6,691,962</b>	4,107,159
Deferred tax asset not recognized	<b>6,691,962</b>	4,107,159
<b>Net deferred tax asset</b>	<b>\$ -</b>	<b>\$ -</b>

Management assess these temporary differences regularly and adjusts the unrecognized deferred tax assets in the period when management determines it is probable that some portion of the assets will be realized.

The Company has non-capital loss carryforwards of approximately \$826,555 (2014: \$264,023), which may be carried forward to apply against future year income tax for Canadian tax purposes, subject to the final determination by taxation authorities.

2032	\$ 9,876
2033	-
2034	-
2035	816,679
<b>Total</b>	<b>\$ 826,555</b>

The Company has net operating loss carryforwards of approximately \$12,039,475 (2014: \$6,390,678), which may be carried forward to apply against future year income tax for US tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

2031	\$ 371,276
2032	1,469,399
2033	5,762,252
2034	1,317,207
2035	3,119,341
<b>Total</b>	<b>\$ 12,039,475</b>



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**16 Supplemental disclosure of non-cash activities**

During the years ended June 30, 2015 and 2014, the following non-cash investing and financing activities occurred:

	<b>June 30, 2015</b>	June 30, 2014
Recognition of provision for reclamation and remediation	\$ -	\$ 349,195
Issuance of share capital for exploration and evaluation asset	-	32,000
Changes in trade and other payables included in exploration and evaluation assets	<b>(19,650)</b>	1,910,155
Depreciation and accretion included in exploration and evaluation assets	<b>376,380</b>	345,315

**17 Related party transactions**

The following related party transactions were incurred in the normal course of business and measured at their fair value as determined by management. Amounts due to or from related parties are non-interest bearing, unsecured and due on demand.

Pursuant to the cost reduction program initiated during the third quarter of fiscal 2014, the Company implemented further reductions to directors' consulting fee agreements, which included substantial write-offs of amounts previously recorded as amounts owing.

During the year ended June 30, 2015, the Company entered into the following transactions with related parties:

- a) Consulting fees of \$207,238 (2014: \$342,775) included in professional fees, subcontractor expenses and exploration and evaluation expenditures were charged by companies controlled by certain directors of the Company. Included in trade and other payables at June 30, 2015 was \$5,000 (2014: \$179,530) accrued for these services.
- b) Consulting fees and shared office expenses of \$34,474 included in marketing, rent, travel, and office and miscellaneous expenses was charged to a company with directors in common. During the previous year ended June 30, 2014, the Company incurred \$28,891 of these shared office expenses. Included in trade and other payables at June 30, 2015 was \$9,433 (2014: \$92,686). Included in trade and other receivables at June 30, 2015 was \$20,872 (2014: \$26,642).
- c) The Company incurred \$41,961 (2014: \$224,062) for share based payments to related parties during the year ended June 30, 2015.

**Commitments with related parties**

The Company has entered into a corporate services agreement with Touchstone Capital Inc. ("Touchstone") for clerical, accounting, regulatory filing and geological services. The minimum monthly fee under the agreement is \$5,000 and renews annually on December 1 of each year. Touchstone is an organization in which two executives are directors of the Company.

**Key management personnel compensation**

Key management personnel includes the Company's directors and key employees consisting of the Chairman of the Board, the President and Chief Executive Officer, the Chief Financial Officer and Corporate Secretary and the General Manager – Moss Project.

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**17 Related party transactions** (continued)

Pursuant to the cost reduction program initiated during the third quarter of fiscal 2014, the Company implemented further reductions to key management compensation, which included substantial write-offs of amounts previously recorded as amounts owing.

Compensation for the years ended June 30, 2015 and 2014 was as follows:

	<b>June 30, 2015</b>	June 30, 2014
Salaries and short-term benefits <sup>1</sup>	\$ 422,537	\$ 929,728
Share-based payments	88,527	689,917
<b>Total</b>	<b>\$ 511,064</b>	<b>\$ 1,619,645</b>

<sup>1</sup>Salaries and short-term benefits are included in salaries, wages, benefits and subcontractor expenses, management fees, and exploration and evaluation expenditures.

**18 Commitments**

**Lease commitments** - The Company has entered into contracts for leased premises, which expire at various dates through to July 2018. Lease payments recognized as an expense during the year ended June 30, 2015 totalled \$43,355 (2014: \$74,231). Total future minimum lease payments (net of sub-lease arrangement) under these contracts are as follows:

Within 1 year	\$	47,521
2 to 3 years		75,611
4 to 5 years		3,150

**19 Financial instruments and financial risk management**

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

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

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

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

Cash and cash equivalents are valued using quoted market prices and have been included in Level 1 of the fair value hierarchy.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly. The Company has no financial instruments classified in Level 2.

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

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**19 Financial instruments and financial risk management** (continued)

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at June 30, 2015:

<b>Financial Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 3,209,343	\$ -	\$ -	\$ 3,209,343

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments.

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout the consolidated financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations. The Company has credit risk in respect of its cash and cash equivalents, trade and other receivables, and reclamation deposits. The Company considers the risk of loss relating to cash and cash equivalents and reclamation deposits to be low because these instruments are held only with a Canadian Schedule I financial institution, a US-chartered commercial bank and a US government agency. Trade and other receivables at June 30, 2015 related primarily to amounts due from related parties and value-added taxes are expected to be collectible in full due to the nature of the counterparties and previous history of collectability.

(b) Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company manages its liquidity risk through the preparation of annual expenditure budgets, which are regularly monitored and updated as management considers necessary, and through the Company's capital management activities.

As at June 30, 2015, the Company's financial liabilities were comprised of trade and other payables of \$420,977 (2014: \$1,163,497), which have a maturity of less than one year.

(c) Market risk

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns.

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**19 Financial instruments and financial risk management** (continued)

(i) Currency risk

Foreign currency exchange rate risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate as a result of changes in foreign exchange rates. The Company is considered to be in the exploration and development stage and has not yet developed commercial mineral interests; the underlying market prices realized by the Company for mineral sales are impacted by changes in the exchange rate between the Canadian and the US dollar. The Company has not entered into any formal arrangements to hedge currency risk but does maintain cash balances within each currency. Canadian dollars are exchanged when needed to meet foreign denominated liabilities.

At June 30, 2015, \$147,736 of the Company's cash and cash equivalents were denominated in US dollars. A 10% variation in the US dollar exchange rate would result in an impact of approximately \$14,774 on annual net loss.

(ii) Commodity price risk

Commodity price risk is the risk that the current and future cash flows from the Company's financial instruments will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and US dollar, as outlined above. Management closely monitors trends in commodity prices of gold and other precious and base metals as part of its routine activities, as these trends could significantly impact future cash flows.

(iii) Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate as a result of changes in market interest rates. Interest rate risk arises from the interest rate impact on cash and cash equivalents, which are held at variable market rates. The Company closely monitors its exposure to interest rate risk and has not entered into any derivative contracts to manage this risk. At June 30, 2015, the weighted-average interest rate on cash and cash equivalents was 0.97%. With other variables unchanged, a 1% increase in the annualized interest rate would reduce the annual net loss by \$31,952.

**20 Capital management**

In assessing the capital structure of the Company, management includes in its assessment the components of shareholders' equity. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company does not have any debt obligation other than unsecured trade accounts payable. The availability of capital is solely through the issuance of the Company's common shares. There are no assurances that funds will be made available to the Company when required. The Company makes every effort to safeguard its capital and minimize the dilution to its shareholders. The property is in the exploration and development stage and the Company has recorded limited recoveries from gold and silver produced at the property to date. The Company's historical sources of capital have consisted of the sale of equity securities. In order for the Company to carry out planned exploration and development and pay for administrative costs, the Company will spend its working capital and expects to raise additional amounts externally, as needed.

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**20 Capital management** (continued)

The Company is not subject to any externally imposed capital requirements. Since there has been significant uncertainty in the capital markets along with depressed commodity prices, the Company continues to evaluate financing alternatives to advance the Moss Mine Project. The ability to raise additional funding for future activities may be impaired due to market or other risks, or such financing may not be available on favourable terms, due to conditions beyond the control of the Company.

The Company manages capital through its operating and financial budgeting and forecasting processes on a regular basis. The Company reviews its working capital and forecasts its future cash flows, based on actual and forecasted operating results and other investing and financing activities. This information along with possible alternatives are reviewed by management and the Board of Directors of the Company on a regular basis to ensure the best mix of capital resources meet the Company's needs. The Company makes strategic and financial adjustments according to market conditions in an effort to meet its objectives given the Company's operating and financial performance and the current outlook for the business and for the industry in general.

**21 Segmented information**

The Company has one reportable operating segment, being the acquisition, exploration and future development of mineral properties. Reporting by geographical area follows the same accounting policies as those used to prepare the consolidated financial statements. Non-current assets (other than financial instruments) by geographic location are as follows:

				<b>June 30, 2015</b>
		<b>Canada</b>	<b>USA</b>	<b>Total</b>
Property, plant and equipment	\$	42,910	\$ 1,004,922	\$ 1,047,832
Reclamation deposits		-	13,752	13,752
Exploration and evaluation assets		-	22,368,179	22,368,179
Intangible assets		39,771	16,510	56,281
<b>Total</b>	<b>\$</b>	<b>82,681</b>	<b>\$ 23,403,363</b>	<b>\$ 23,486,044</b>

				<b>June 30, 2014</b>
		<b>Canada</b>	<b>USA</b>	<b>Total</b>
Property, plant and equipment	\$	59,544	\$ 1,172,807	\$ 1,232,351
Reclamation deposits		-	776,240	776,240
Exploration and evaluation assets		-	16,655,641	16,655,641
Intangible assets		83,123	28,349	111,472
<b>Total</b>	<b>\$</b>	<b>142,667</b>	<b>\$ 18,633,037</b>	<b>\$ 18,775,704</b>

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**22 Subsequent events**

On October 2, 2015, the Company announced that it had amended the expiration date of 1,321,500 warrants exercisable at \$1.15 from October 4, 2015 to April 4, 2016. In all other respects, the terms of these warrants remain unchanged.

On September 15, 2015, the Company announced that it had signed an Engagement Letter with indicative terms for Macquarie Bank Limited to provide project finance facilities of up to US\$20 million (the "Macquarie Facility") to be used to fund the majority of the projected development costs of the Company's 70% beneficially owned Moss Mine Project. As announced on June 8, 2015, the Company has also received indicative terms for a US\$6.5 million Equipment Finance Facility (the "Equipment Facility") from a major US bank. The Macquarie Facility and the Equipment Facility are complementary and together provide up to US\$26.5 million towards the estimated pre-production capital of US\$33.0 million required to construct the planned 5,000 tonnes per day, open pit, heap leach, gold-silver mine at the Moss Mine site.

On July 23, 2015, the Company filed a NI 43-101 Technical Report regarding the Feasibility Study results. Additional information is available on SEDAR ([www.sedar.com](http://www.sedar.com)).

On July 9, 2015, the Company announced that it had closed its non-brokered private placement ("Private Placement") and raised aggregate gross proceeds of \$2,863,300 by issuing an aggregate total of 13,015,000 units (each "Unit") at a purchase price of \$0.22 per Unit. Each Unit consists of one common share ("Common Share") of the Company and one transferable share purchase warrant ("Warrant"). Each whole Warrant will entitle the holder to acquire one Common Share at an exercise price of \$0.45 until July 8, 2017. Cash finders' fees of \$115,482 and share issuance costs of \$24,869 were paid to arm's length parties in relation to the private placement. As at June 30, 2015, the Company had received subscriptions in advance for proceeds of \$1,280,400 related to this private placement. All of the securities issued pursuant to the Private Placement will be subject to a minimum four-month hold period, which expires November 9, 2015. The Company intends to use the net proceeds of the Private Placement for the advancement of the Company's Moss Mine and for general corporate purposes.