

*Interim Consolidated Financial Statements of*

**NORTHERN VERTEX MINING CORP.**

**For the three and nine months ended March 31, 2014 and 2013**

# **Notice of No Auditor Review of Interim Financial Statements**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

# NORTHERN VERTEX MINING CORP.

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# NORTHERN VERTEX MINING CORP.

## INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited - Expressed in Canadian Dollars  
(Exhibit 1)

	<b>March 31, 2014</b>	<b>June 30, 2013</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,680,870	\$ 7,772,612
Trade and other receivables (Note 5)	721,957	59,498
Prepaid expenses and deposits	96,280	229,114
<b>Total current assets</b>	<b>3,499,107</b>	<b>8,061,224</b>
<b>Non-current assets</b>		
Reclamation deposits (Note 6)	804,299	765,230
Property, plant and equipment (Note 7)	1,370,150	340,168
Exploration and evaluation assets (Note 9)	16,405,149	11,915,070
Intangible assets (Note 10)	129,986	122,000
<b>Total assets</b>	<b>\$ 22,208,691</b>	<b>\$ 21,203,692</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables (Note 11)	\$ 1,715,823	\$ 2,341,239
	<b>1,715,823</b>	<b>2,341,239</b>
<b>Non-current liabilities</b>		
Provision for reclamation and remediation (Note 12)	784,953	417,537
<b>Total liabilities</b>	<b>\$ 2,500,776</b>	<b>\$ 2,758,776</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Exhibit 4 and Note 13)	19,330,433	17,767,414
Contributed surplus (Exhibit 4 and Note 13)	14,345,819	11,489,992
Accumulated other comprehensive loss (Exhibit 4)	(492,579)	(26,700)
Deficit	(13,475,758)	(10,785,790)
<b>Total shareholders' equity</b>	<b>19,707,915</b>	<b>18,444,916</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 22,208,691</b>	<b>\$ 21,203,692</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 interim consolidated financial statements.

# NORTHERN VERTEX MINING CORP.

## INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND LOSS

Unaudited - Expressed in Canadian Dollars  
(Exhibit 2)

	Three months ended March 31,		Nine months ended March 31,	
	2014	2013	2014	2013
<b>Administrative expenses</b>				
Depreciation	\$ 15,616	\$ 1,804	\$ 39,444	\$ 2,408
Management fees	35,990	-	108,011	-
Marketing and community relations	14,757	45,434	277,639	150,261
Office and miscellaneous	78,937	76,634	222,493	133,384
Professional fees	57,305	90,373	465,519	177,224
Property fees (Note 9)	19,919	34,761	285,418	80,093
Rent	13,728	8,248	58,368	29,626
Salaries, wages, benefits and subcontractor expenses	308,142	286,744	1,058,778	424,814
Share-based payments (Note 13(c))	304,497	725,752	1,249,845	1,672,806
Transfer agent and filing fees	(13,319)	23,626	64,866	51,256
Tax on net proceeds from gold and silver sales	27,617	-	27,617	-
Travel, meetings and conferences	39,637	111,175	245,965	301,916
<b>Loss before other expenses (income)</b>	<b>\$ 902,826</b>	<b>\$ 1,404,551</b>	<b>\$ 4,103,963</b>	<b>\$ 3,023,788</b>
<b>Other expenses (income)</b>				
Foreign exchange loss (gain) (Note 14)	(1,027,648)	11,995	(1,371,519)	8,104
Impairment of exploration and evaluation assets (Note 9)	-	67,758	-	893,150
Interest and other income	(6,727)	(42,160)	(46,928)	(107,057)
Loss on sale of investment in joint venture interest (Note 8)	-	2,723,322	-	2,723,322
Proceeds received in respect of sale of joint venture interest (Note 8)	-	-	(7,578)	-
Loss on sale of fixed assets	12,030	-	12,030	-
	<b>\$ (1,022,345)</b>	<b>\$ 2,760,915</b>	<b>\$ (1,413,995)</b>	<b>\$ 3,517,519</b>
<b>Net loss (income) for the period</b>	<b>(119,519)</b>	<b>4,165,466</b>	<b>2,689,968</b>	<b>6,541,307</b>
<b>Deficit, beginning of the period</b>	<b>13,595,277</b>	<b>5,242,626</b>	<b>10,785,790</b>	<b>2,866,785</b>
<b>Deficit, end of the period</b>	<b>\$ 13,475,758</b>	<b>\$ 9,408,092</b>	<b>\$ 13,475,758</b>	<b>\$ 9,408,092</b>
<b>Basic and diluted loss (income) per share</b>	<b>\$ (0.002)</b>	<b>\$ 0.079</b>	<b>\$ 0.049</b>	<b>\$ 0.137</b>
<b>Weighted average number of shares outstanding</b>	<b>57,799,348</b>	<b>52,563,348</b>	<b>55,323,631</b>	<b>47,641,934</b>

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

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

Unaudited - Expressed in Canadian Dollars  
(Exhibit 3)

	Three months ended March 31,		Nine months ended March 31,	
	2014	2013	2014	2013
<b>Net loss (income) for the period</b>	\$ (119,519)	\$ 4,165,466	\$ 2,689,968	\$ 6,541,307
<b>Item which may be reclassified subsequently to profit or loss</b>				
Unrealized foreign currency translation differences of foreign operations - loss (gain)	347,580	(33,321)	465,879	218,189
<b>Comprehensive loss for the period</b>	<b>\$ 228,061</b>	<b>\$ 4,132,145</b>	<b>\$ 3,155,847</b>	<b>\$ 6,759,496</b>

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

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

Unaudited - Expressed in Canadian Dollars  
(Exhibit 4)

	Number of Shares	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
<b>Balance, June 30, 2012</b>	<b>45,019,348</b>	<b>\$ 11,196,258</b>	<b>\$ 6,936,538</b>	<b>\$ 101,652</b>	<b>\$ (2,866,785)</b>	<b>\$ 15,367,663</b>
Shares issued for cash, net of issuance costs	7,319,000	6,568,600	1,955,271	-	-	8,523,871
Shares issued for exploration and evaluation asset	200,000	260,000	-	-	-	260,000
Exercise of stock options	25,000	21,525	(10,275)	-	-	11,250
Warrant expiration date amendment	-	(278,969)	278,969	-	-	-
Share-based payments	-	-	1,672,806	-	-	1,672,806
Foreign currency translation differences of foreign operations	-	-	-	(218,189)	-	(218,189)
Net loss for the nine months	-	-	-	-	(6,541,307)	(6,541,307)
<b>Balance, March 31, 2013</b>	<b>52,563,348</b>	<b>\$ 17,767,414</b>	<b>\$ 10,833,309</b>	<b>\$ (116,537)</b>	<b>\$ (9,408,092)</b>	<b>\$ 19,076,094</b>
<b>Balance, June 30, 2013</b>	<b>52,563,348</b>	<b>\$ 17,767,414</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
Warrant expiration date amendment	-	(930,320)	930,320	-	-	-
Share-based payments	-	-	1,249,845	-	-	1,249,845
Foreign currency translation differences of foreign operations	-	-	-	(465,879)	-	(465,879)
Net loss for the nine months	-	-	-	-	(2,689,968)	(2,689,968)
<b>Balance, March 31, 2014</b>	<b>57,799,348</b>	<b>\$ 19,330,433</b>	<b>\$ 14,345,819</b>	<b>\$ (492,579)</b>	<b>\$ (13,475,758)</b>	<b>\$ 19,707,915</b>

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

# NORTHERN VERTEX MINING CORP.

## INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited - Expressed in Canadian Dollars  
(Exhibit 5)

	Three months ended March 31,		Nine months ended March 31,	
	2014	2013	2014	2013
<b>Cash flows from operating activities</b>				
Net income (loss) for the period	\$ 119,519	\$ (4,165,466)	\$ (2,689,968)	\$ (6,541,307)
Add: Items not affecting cash				
Depreciation	15,616	1,804	39,444	2,408
Property impairment (Note 9)	-	67,758	-	893,150
Loss on disposal of fixed assets	12,030	-	11,599	-
Loss on sale of investment in joint venture interest	-	2,723,322	-	2,723,322
Share-based payments (Note 13(c))	304,497	725,752	1,249,845	1,672,806
Unrealized foreign exchange gain	(1,031,083)	-	(1,378,890)	-
Changes in non-cash working capital balances:				
Trade and other receivables	630	79,468	17,872	64,820
Prepaid expenses and deposits	45,362	2,027	137,242	(102,218)
Trade and other payables	169,609	(198,767)	198,413	337,197
<b>Cash used in operating activities</b>	<b>\$ (363,820)</b>	<b>\$ (764,102)</b>	<b>\$ (2,414,443)</b>	<b>\$ (949,822)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issuance of share capital, net of issuance costs	\$ -	\$ -	\$ 3,169,001	\$ 8,535,121
<b>Cash provided by financing activities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,169,001</b>	<b>\$ 8,535,121</b>
<b>Cash flows from investing activities</b>				
Exploration and evaluation expenditures	\$ (899,278)	\$ (1,217,392)	\$ (8,376,270)	\$ (2,384,455)
Exploration and evaluation sale proceeds	2,367,629	-	5,106,210	-
Proceeds from sale of property, plant and equipment	53,785	-	51,855	-
Proceeds from sale of investment in joint venture	-	4,743,867	-	4,772,287
Purchase of property, plant and equipment	(31,340)	(83,346)	(1,227,661)	(90,959)
Purchase of intangible assets	-	-	(33,903)	-
Changes in non-cash investing working capital balances:				
Trade and other payables	(2,662,158)	-	(871,103)	-
Trade and other receivables	(65,540)	-	(654,478)	-
<b>Cash provided by (used in) investing activities</b>	<b>\$ (1,236,902)</b>	<b>\$ 3,443,129</b>	<b>\$ (6,005,350)</b>	<b>\$ 2,296,873</b>
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>	<b>101,401</b>	<b>3,648</b>	<b>159,050</b>	<b>(31,182)</b>
<b>Increase (decrease) in cash and cash equivalents during the period</b>	<b>(1,499,321)</b>	<b>2,682,675</b>	<b>(5,091,742)</b>	<b>9,850,990</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>4,180,191</b>	<b>9,581,830</b>	<b>7,772,612</b>	<b>2,413,515</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 2,680,870</b>	<b>\$ 12,264,505</b>	<b>\$ 2,680,870</b>	<b>\$ 12,264,505</b>
<b>Cash and cash equivalents consists of:</b>				
Cash on deposit	2,680,870	12,264,505	2,680,870	12,264,505
	<b>\$ 2,680,870</b>	<b>\$ 12,264,505</b>	<b>\$ 2,680,870</b>	<b>\$ 12,264,505</b>

Supplemental disclosure of non-cash activities (Note 16)

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



**NORTHERN VERTEX MINING CORP.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Three and Nine Months Ended March 31, 2014 and 2013**

(Unaudited - 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 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 sole project is the Moss gold-silver deposit (the "Moss Mine") located in Mohave County, Arizona. The Company is focused on advancing Moss Mine pilot plant operations concurrent with completing the terms necessary to earn its interest in the project (Note 9).

*Going concern*

These interim 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.

The Company is currently in Phase I - Pilot Plant Operations at the Moss Mine, which is expected to be completed in the third quarter of the 2014 calendar year. During the nine months ended March 31, 2014, construction on the pilot plant was completed, leaching had commenced and gold and silver were being produced. As of March 31, 2014, the Company had recorded sales from the pilot plant of US\$4,706,593 (before royalties and selling costs) from 3,516 ounces of gold and 13,847 ounces of silver with an average selling price for gold and silver of US\$1,259.11 and US\$20.21, respectively. The Company's financial position will be closely related to the market price of gold and silver over the next several months as the Company proceeds with Phase I and continues selling gold and silver production from the Moss Mine.

During the nine months ended March 31, 2014 and the year ended June 30, 2013, the Company was able to raise gross proceeds in excess of \$3.4 million and \$9.1 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 interim consolidated financial statements do not reflect any adjustments, which could 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.

**NORTHERN VERTEX MINING CORP.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Three and Nine Months Ended March 31, 2014 and 2013**  
(Unaudited - All dollar amounts expressed in Canadian dollars, unless otherwise noted)

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

As of March 31, 2014 and June 30, 2013 the Company had the following working capital and deficit balances:

	<b>March 31, 2014</b>	June 30, 2013
Working capital	\$ <b>1,783,284</b>	5,719,985
Deficit	<b>(13,475,758)</b>	(10,785,790)

**2 Basis of preparation**

The interim consolidated financial statements of the Company for the three and nine months ended March 31, 2014 and 2013 have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, "IFRS") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB").

These interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on May 28, 2014.

**3 Significant accounting policies**

The principal accounting policies applied in the preparation of these interim consolidated financial statements are consistent with the accounting policies disclosed in Notes 2 and 3 of the audited consolidated financial statements for the year ended June 30, 2013. These interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended June 30, 2013.

**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 interim 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 U.S. 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.

*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 are recognized in a separate component of shareholders' equity as other comprehensive income (loss).

**NORTHERN VERTEX MINING CORP.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Three and Nine Months Ended March 31, 2014 and 2013**  
(Unaudited - All dollar amounts expressed in Canadian dollars, unless otherwise noted)

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**3 Significant accounting policies** (continued)

**Basis of consolidation**

*Subsidiaries*

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Company, until the date on which control ceases. These interim 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 transactions have been eliminated for consolidation purposes.

**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, 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 a technical feasibility study has been completed and 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.

**Adoption of new accounting standards**

The following standards were adopted for the period beginning on July 1, 2013, and had no effect on the Company's interim consolidated financial statements for the periods presented.

- i) 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.
- ii) 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 upon fulfilling the terms to acquire its 70% interest in the Moss Mine.

**NORTHERN VERTEX MINING CORP.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Three and Nine Months Ended March 31, 2014 and 2013**  
(Unaudited - All dollar amounts expressed in Canadian dollars, unless otherwise noted)

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**3 Significant accounting policies** (continued)

- iii) 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 upon fulfilling the terms to acquire its 70% interest in the Moss Mine.
- iv) 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.
- v) 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 production phase, the Company is currently assessing the future impact of this interpretation.

**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 interim consolidated financial statements.

In May 2013, the IASB issued IFRIC 21, *Levies* ("IFRIC 21"), an interpretation of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The Company is currently evaluating the impact of applying IFRIC 21 on its consolidated financial statements.

The IASB intends to replace IAS 39, *Financial Instruments: Recognition and Measurement* in its entirety with IFRS 9, *Financial Instruments* ("IFRS 9") and to reduce the complexity in the classification and measurement of financial instruments. The completed version of IFRS 9 will include classification and measurement, impairment and hedge accounting requirements and the IASB has tentatively decided that the mandatory effective date of this new standard will be for annual periods beginning on or after January 1, 2018. The Company is currently monitoring the phases of this IASB project with a view to evaluating the impact of the standard when it is issued in its final form, which is expected in calendar 2014.

**4 Significant accounting estimates and judgments**

The preparation of the interim 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.

**NORTHERN VERTEX MINING CORP.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Three and Nine Months Ended March 31, 2014 and 2013**  
(Unaudited - All dollar amounts expressed in Canadian dollars, unless otherwise noted)

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

Significant estimates used in the preparation of the interim 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; and
- 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.

The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the amounts recognized in the interim 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.

ii) Share-based payments

The Company has an incentive stock option plan for directors, officers, employees and consultants. 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 the pre-tax risk-free interest rate 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.

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

Significant judgments used in the preparation of these interim 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.

**5 Trade and other receivables**

	<b>March 31, 2014</b>	June 30, 2013
Trade accounts receivable	\$ 716,250	\$ 26,788
Value-added taxes receivable	5,369	31,337
Other	338	1,373
<b>Total trade and other receivables</b>	<b>\$ 721,957</b>	<b>\$ 59,498</b>

The Company expects full recovery of trade accounts receivable, accrued receivables and value-added taxes receivable and consequently has not recorded any allowance against these receivables. At March 31, 2014, there were no receivables past due, all amounts included in trade accounts receivable were due to timing discrepancies and expected to be collected within one year and the Company did not hold any collateral for amounts due. Credit risk is further discussed in Note 19(a).

At March 31, 2014, included in trade accounts receivable is \$680,069 (June 30, 2013: \$nil) related to the sales of gold and silver produced by the Moss Mine pilot plant. While the Company is in the exploration and evaluation phase, proceeds, net of royalties, are being recorded as recoveries against the associated exploration and evaluation assets (Note 9).

**6 Reclamation deposits**

	<b>March 31, 2014</b>	June 30, 2013
Refundable reclamation deposits	\$ 12,171	\$ 11,580
Reclamation bonds	792,128	753,650
<b>Total reclamation deposits</b>	<b>\$ 804,299</b>	<b>\$ 765,230</b>

Reclamation bonds are 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. The reclamation bonds are represented by certificates of deposit ("CDs") held in the Company's name at a US-chartered commercial bank. The Company is entitled to the interest on the CDs, which is earned at a fixed annual rate of 0.6%, until maturity in 2018. The reclamation bonds cannot be withdrawn by the Company without the consents of ADEQ and ASMI and consents will only be given once the Company has completed all required reclamation and post-closure activities.

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**7 Property, plant and equipment**

Property, plant and equipment changes for the nine months ended March 31, 2014 and the year ended June 30, 2013 were as follows:

	Buildings	Vehicles	Machinery and plant equipment	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
<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	62,392	19,124	1,168,915	1,488	17,894	68,176	<b>1,337,989</b>
Disposal & write-down	-	(75,727)	(1,699)	-	-	-	<b>(77,426)</b>
Depreciation	(9,704)	(21,034)	(197,081)	(5,372)	(5,623)	(8,596)	<b>(247,410)</b>
Impact of foreign exchange	1,011	9,629	4,822	550	817	-	<b>16,829</b>
<b>Net book value at March 31, 2014</b>	<b>\$ 73,505</b>	<b>120,595</b>	<b>1,069,400</b>	<b>13,168</b>	<b>31,781</b>	<b>61,701</b>	<b>\$ 1,370,150</b>
<b>Consisting of:</b>							
Cost	83,384	150,485	1,268,691	21,565	37,564	71,004	<b>1,632,693</b>
Accumulated depreciation	(9,879)	(29,890)	(199,291)	(8,397)	(5,783)	(9,303)	<b>(262,543)</b>
	<b>\$ 73,505</b>	<b>120,595</b>	<b>1,069,400</b>	<b>13,168</b>	<b>31,781</b>	<b>61,701</b>	<b>\$ 1,370,150</b>
<b>Net book value at June 30, 2012</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>1,456</b>	<b>-</b>	<b>-</b>	<b>\$ 1,456</b>
Additions	19,494	189,795	93,378	17,233	18,804	2,828	<b>341,532</b>
Depreciation	(161)	(8,163)	(2,037)	(2,643)	(160)	(707)	<b>(13,871)</b>
Impact of foreign exchange	473	6,971	3,102	456	49	-	<b>11,051</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>
<b>Consisting of:</b>							
Cost	19,967	196,766	96,480	19,425	18,853	2,828	<b>354,319</b>
Accumulated depreciation	(161)	(8,163)	(2,037)	(2,923)	(160)	(707)	<b>(14,151)</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>

**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) for consideration consisting of US\$4.75 million cash plus US\$2.90 million in deferred cash payments. The deferred cash payments, equal to 3% of all future expenditures at the Lemhi Gold Property (the "Lemhi property") by the purchaser, are payable to the Company in quarterly instalments and capped at US\$2.90 million. ISGC previously owned the remaining 49% of the Lemhi Property and pursuant to the sale, assumed management and operating control at the Lemhi Property.

The Company realized a loss of \$2,723,322 on the sale of its interest in Lemhi JV LLC during the year ended June 30, 2013. This loss did not include any of the deferred cash payments that may be received in the future in respect of the sale of the Company's interest in Lemhi JV LLC. During the nine months ended March 31, 2014, the Company recorded US\$7,257 in respect of the deferred cash payments from ISGC.

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**9 Exploration and evaluation assets**

Changes in exploration and evaluation assets for the nine months ended March 31, 2014 and the year ended June 30, 2013 were as follows:

	Moss Mine	Copley Gold Project	Lemhi Gold Project	Total
<b>Net book value at June 30, 2013</b>	<b>\$ 11,915,070</b>	-	-	<b>\$ 11,915,070</b>
Additions (net of recoveries)	3,588,166	-	-	<b>3,588,166</b>
Recognition of remaining reclamation provision	359,407	-	-	<b>359,407</b>
Impact of foreign exchange	542,506	-	-	<b>542,506</b>
<b>Net book value at March 31, 2014</b>	<b>\$ 16,405,149</b>	-	-	<b>\$ 16,405,149</b>
<b>Net book value at June 30, 2012</b>	<b>\$ 4,366,487</b>	<b>817,879</b>	<b>68,080</b>	<b>\$ 5,252,446</b>
Additions	6,848,299	7,513	-	<b>6,855,812</b>
Initial recognition of reclamation provision	417,537	-	-	<b>417,537</b>
Impairment	-	(825,392)	(67,758)	<b>(893,150)</b>
Impact of foreign exchange	282,747	-	(322)	<b>282,425</b>
<b>Net book value at June 30, 2013</b>	<b>\$ 11,915,070</b>	-	-	<b>\$ 11,915,070</b>

**Moss Mine** – Mohave County, Arizona

The Company entered into a letter agreement with Patriot Gold Corp. ("Patriot") effective March 7, 2011, whereby the Company was granted the right to earn a 70% interest in the Moss Gold-Silver Project (the "Moss Mine") located in Mohave County, Arizona. To fulfil the terms of the exploration and option agreement and thereby earn its interest, the Company, who paid Patriot US\$500,000 upon execution of the agreement, must spend an aggregate total of US\$8 million on exploration over five years as well as complete a feasibility study. As of June 30, 2013, the Company had spent in excess of US\$8 million, thereby satisfying the earn-in obligation excluding the feasibility study. Subsequent to the Company's earn-in, 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 paid a 3% finder's fee on the initial US\$500,000 payment to Patriot to a non-related party and pays a further 3% finder's fee on exploration expenditures, in quarterly instalments, to this 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 nine months ended March 31, 2014, the Company recorded \$285,418 (2013: \$80,093) in the interim consolidated statements of operations and loss for finder's fees.

The mineral property on which the Company's pilot plant activities are currently taking place is subject to a 1% NSR royalty arrangement. The royalty obligation is recognized when the Company receives 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 totalled \$16,405,149 at March 31, 2014 (June 30, 2013: \$11,915,070) and consisted of the following:

	<b>March 31, 2014</b>	June 30, 2013
Assay, surveys and analysis	\$ <b>679,662</b>	\$ 585,967
Depreciation and accretion	<b>268,051</b>	-
Drafting	<b>44,352</b>	42,198
Drilling, blasting and hauling	<b>4,361,431</b>	4,022,887
Engineering and technical services	<b>12,559,050</b>	5,064,036
Feasibility studies	<b>7,233</b>	7,233
Field expenses	<b>484,192</b>	246,891
Geographic information services	<b>250,201</b>	129,037
Geotechnical	<b>96,282</b>	93,178
Maintenance	<b>344,199</b>	223,119
Office and administration costs	<b>543,594</b>	281,979
Process inventory	<b>253,739</b>	-
Property acquisition costs	<b>486,450</b>	486,450
Prospecting	<b>17,956</b>	17,956
Provision for reclamation and remediation	<b>776,944</b>	417,537
Scoping studies	<b>194,892</b>	185,425
Surveying	<b>50,089</b>	42,428
Technical reports	<b>72,259</b>	68,749
Proceeds from gold and silver sales <sup>1</sup>	<b>(5,085,427)</b>	-
<b>Total Moss Mine</b>	<b>\$ 16,405,149</b>	<b>\$ 11,915,070</b>

<sup>1</sup> Net of royalties and selling costs

**Copley Gold Property – Fraser Lake, British Columbia**

On November 10, 2010, the Company entered into an option agreement with Kootenay Silver Inc. ("Kootenay"), whereby the Company was granted the right to earn a 60% interest in the Copley Gold property ("Copley") located in the Nechako Plateau of Central British Columbia. The Company terminated the agreement and during the nine month period ended March 31, 2013 and recorded an impairment of \$825,392 representing its carrying value for the Copley property.

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**10 Intangible assets**

Changes in intangible assets for the nine months ended March 31, 2014 and the year ended June 30, 2013 were as follows:

		<b>Computer Software</b>
<b>Net book value at June 30, 2013</b>	<b>\$</b>	<b>122,000</b>
Additions		46,428
Depreciation		(40,585)
Impact of foreign exchange		2,143
<b>Net book value at March 31, 2014</b>	<b>\$</b>	<b>129,986</b>
<b>Consisting of:</b>		
Cost		173,884
Accumulated depreciation		(43,898)
	<b>\$</b>	<b>129,986</b>
<b>Net book value at June 30, 2012</b>	<b>\$</b>	<b>-</b>
Additions		124,773
Depreciation		(3,307)
Impact of foreign exchange		534
<b>Net book value at June 30, 2013</b>	<b>\$</b>	<b>122,000</b>
<b>Consisting of:</b>		
Cost		125,307
Accumulated depreciation		(3,307)
	<b>\$</b>	<b>122,000</b>

**11 Trade and other payables**

		<b>March 31, 2014</b>		June 30, 2013
Trade accounts payable	<b>\$</b>	<b>1,090,151</b>	<b>\$</b>	2,008,776
Accrued liabilities		<b>625,672</b>		305,880
Other		-		26,583
<b>Total trade and other payables</b>	<b>\$</b>	<b>1,715,823</b>	<b>\$</b>	<b>2,341,239</b>

**12 Provision for reclamation and remediation**

		<b>March 31, 2014</b>		June 30, 2013
Balance, beginning of period	<b>\$</b>	<b>417,537</b>	<b>\$</b>	-
Recognition of remaining provision		<b>359,407</b>		-
Accretion		<b>8,009</b>		-
Initial recognition of provision		-		417,537
<b>Balance, end of period</b>	<b>\$</b>	<b>784,953</b>	<b>\$</b>	<b>417,537</b>

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 2.1% 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 exploration and evaluation asset. The total undiscounted amount of the Company's estimated obligation for its Phase I operation at the Moss Mine is US\$855,349, of which the Company estimated US\$460,565 had been incurred at June 30, 2013 and the remainder had been incurred in the three months ended September 30, 2013. All assumptions used in the calculation of the reclamation and remediation provision are subject to change.

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**13 Share capital and contributed surplus**

**a) Share Capital**

Authorized capital consists of an unlimited number of common shares without par value. At March 31, 2014, there were 57,799,348 (June 30, 2013: 52,563,348) common shares issued and fully paid, and no common shares held in escrow.

Private placements completed during the nine months ended March 31, 2014 and the year ended June 30, 2013 were as follows:

- 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.
- On November 26, 2012, the Company issued 7,319,000 units at \$1.25 per unit for total gross proceeds of \$9,148,750. 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 \$1.75 per share expiring November 26, 2014. The Company paid finders' fees of \$557,781 and share issuance costs of \$67,098 in connection with this financing.

**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 executive officers, directors, employees and consultants, 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 nine months ended March 31, 2014 and the year ended June 30, 2013 was as follows:

	March 31, 2014		June 30, 2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	4,273,000	1.17	2,098,000	0.58
Granted	1,435,000	0.65	3,100,000	1.36
Exercised	-	-	(25,000)	0.45
Forfeited /cancelled	(813,000)	0.91	(400,000)	1.01
Expired	-	-	(500,000)	0.10
<b>Outstanding, end of period</b>	<b>4,895,000</b>	<b>1.06</b>	<b>4,273,000</b>	<b>1.17</b>

On September 25, 2013, the Company granted 1,435,000 stock options to employees, consultants, officers and directors with an exercise price of \$0.65 and an expiry date of September 25, 2018.

The Company's weighted average share price on the dates the options were exercised during the nine months ended March 31, 2014 was \$nil (June 30, 2013: \$1.30).

As at March 31, 2014, the following stock options were outstanding and exercisable:

Exercise price	Number of options outstanding	Expiry date	Number of options exercisable	Remaining contractual life (years)
\$ 0.45	560,000	November 13, 2015	560,000	1.62
1.00	200,000	May 17, 2016	200,000	2.13
1.30	200,000	December 12, 2016	200,000	2.70
1.40	2,200,000	November 11, 2017	1,650,000	3.62
1.40	200,000	January 21, 2018	150,000	3.81
1.40	100,000	February 1, 2018	75,000	3.84
0.85	200,000	June 6, 2018	100,000	4.19
0.65	1,235,000	September 25, 2018	617,500	4.49
	<b>4,895,000</b>		<b>3,552,500</b>	

The weighted-average remaining contractual life of options outstanding at March 31, 2014 was 3.55 years (June 30, 2013: 3.92 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 interim consolidated statements of operations and loss for the nine months ended March 31, 2014 totalled \$1,249,845 (2013: \$1,672,806). The weighted-average grant-date fair value of stock options issued during the nine months ended March 31, 2014 was \$0.51 (June 30, 2013: \$1.00).

The fair value of stock options granted during the nine months ended March 31, 2014 and the year ended June 30, 2013 was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	<b>March 31, 2014</b>	June 30, 2013
Risk-free interest rate	<b>1.89%</b>	1.35%
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>106.42%</b>	103.9%

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 nine months ended March 31, 2014 and the year ended June 30, 2013 were as follows:

	<b>March 31, 2014</b>		<b>June 30, 2013</b>	
	<b>Number of shares</b>	<b>Weighted average exercise price</b>	<b>Number of shares</b>	<b>Weighted average exercise price</b>
Outstanding, beginning of period	10,798,174	\$ 1.57	7,138,674	\$ 1.48
Granted	2,618,000	0.90	3,659,500	1.75
Exercised	-	-	-	-
<b>Outstanding, end of period</b>	<b>13,416,174</b>	<b>\$ 1.44</b>	<b>10,798,174</b>	<b>\$ 1.57</b>

As at March 31, 2014, the Company had outstanding share purchase warrants as follows:

Number of warrants	Exercise price	Expiry date
1,321,500	\$ 1.15	October 4, 2014
5,817,174	1.55	November 23, 2014
3,659,500	1.75	November 26, 2014
2,618,000	0.90	March 25, 2015
<b>13,416,174</b>		

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

The fair value of warrants issued is estimated using the Black-Scholes option-pricing model and 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 March 31, 2014 was 0.70 years (June 30, 2013: 0.72 years).

On September 25, 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.

On March 28, 2013, the Company announced that it amended the expiry date of an aggregate total of 1,321,500 unexercised share purchase warrants. Pursuant to the non-brokered unit private placement announced on March 2, 2011, a total of 1,571,500 warrants were issued on April 5, 2011 expiring on April 4, 2013. A total of 1,321,500 warrants remain outstanding; the original expiry date of the warrants was extended for an additional six months, to October 4, 2013, with the exercise price per warrant remaining unchanged at \$1.15. In all other respects, the terms of the warrants remained unchanged. As a result of this amendment, the Company reclassified \$278,969 of the fair value of outstanding warrants from share capital to contributed surplus.

The weighted-average fair value of warrants on their date of issue during the nine months ended March 31, 2014 was \$0.26 (June 30, 2013: \$0.53). The following weighted average assumptions were used for the Black-Scholes valuation of warrants issued during the nine months ended March 31, 2014 and the year ended June 30, 2013:

	<b>March 31, 2014</b>	June 30, 2013
Risk-free interest rate	<b>1.21%</b>	1.09%
Expected life of warrants	<b>1.5 years</b>	2 years
Dividend rate	<b>0.00%</b>	0.00%
Expected volatility	<b>104.33%</b>	86.6%

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.

**14 Foreign exchange gains and losses**

These interim 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 activities at the Moss Mine and fluctuations in the US dollar can lead to substantial unrealized foreign exchange gains and losses on the loans owing to the Canadian parent company.

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**14 Foreign exchange gains and losses** (continued)

The foreign exchange gain recorded in the interim consolidated statements of operations and loss for the nine months ended March 31, 2014 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 period. For the comparative nine-month period ended March 31, 2013 the Company recorded a foreign exchange loss of \$8,104, which reflected the comparatively minor impact of exchange rate differences and the substantially lower subsidiary loans receivable in the prior period.

**15 Income taxes**

As at June 30, 2013, the Company had non-capital loss carry-forwards of approximately \$1,435,218, which may be carried forward to apply against future years' income tax for Canadian tax purposes, subject to final determination by taxation authorities, expiring in the following years:

2027	\$	2,105
2028		60,113
2029		49,735
2030		91,794
2031		432,170
2032		688,170
2033		111,131
<b>Total</b>	<b>\$</b>	<b>1,435,218</b>

As at June 30, 2013, the Company had net operating loss carry-forwards of approximately \$2,590,087, which may be carried forward to apply against future years' income tax for U.S. tax purposes, subject to final determination by taxation authorities, expiring in the following years:

2031	\$	359,027
2032		1,475,514
2033		755,546
<b>Total</b>	<b>\$</b>	<b>2,590,087</b>

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

During the nine months ended March 31, 2014 and 2013, the following non-cash investing and financing activities occurred:

	<b>March 31, 2014</b>	March 31, 2013
Recognition of provision for reclamation and remediation	<b>\$ 359,407</b>	\$ -
Depreciation and accretion included in exploration and evaluation assets	<b>268,051</b>	-

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**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.

As part of the cost reduction program, directors, officers and related companies agreed to salary and consulting fee suspensions in the third quarter of fiscal 2014. The trade and other payables balance of \$233,045 related to: consulting services; management fees; professional fees; administrative costs; and salaries, wages, benefits and subcontractor expenses that were not paid as at March 31, 2014.

The related party expenses recorded below represent the nine-month period as of March 31, 2014 and the twelve-month period as of June 30, 2013:

	<b>March 31, 2014</b>	June 30, 2013
<b>Consolidated Statements of Financial Position</b>		
Trade and other receivables – balance due from a related company <sup>(1)</sup>	\$ <b>29,447</b>	\$ 26,788
Exploration and evaluation assets – consulting services <sup>(2)</sup>	<b>127,667</b>	181,258
Trade and other payables – balances due to a related company, and officers and directors <sup>(1) (2) (3) (5)</sup>	<b>233,045</b>	37,968
Trade and other payables – balances due to officers and directors <sup>(4)</sup>	<b>5,573</b>	21,006

The related party expenses recorded below occurred during the nine-month periods ended March 31, 2014 and March 31, 2013:

	<b>March 31, 2014</b>	March 31, 2013
<b>Consolidated Statements of Operations and Loss</b>		
Marketing, office and miscellaneous, and travel, meetings and conferences <sup>(1)</sup>	\$ <b>94,295</b>	\$ 56,681
Management fees – consulting services <sup>(5)</sup>	<b>108,011</b>	-
Professional fees – consulting services <sup>(3) (6)</sup>	<b>45,000</b>	68,542
Salaries, wages, benefits and subcontractor expenses – administrative services <sup>(3)</sup>	<b>90,000</b>	90,000
Interest and other income – administration income <sup>(7)</sup>	-	39,493

<sup>(1)</sup> The Company shares certain administrative costs with Kootenay Silver Inc. ("Kootenay"), a publicly traded company related by common directors actively involved in operating and financing activities. These administrative costs were billed by Kootenay on a cost basis.

<sup>(2)</sup> Fees charged by Makwa Exploration Ltd. for the periods ended March 31, 2014 and June 30, 2013, and by L.J. Bardswich Mine Consultant Inc. for the period ended June 30, 2013. These companies are controlled by directors.

<sup>(3)</sup> Fees charged by Touchstone Capital Inc. ("Touchstone"), a company in which two executives are directors of the Company.

<sup>(4)</sup> Balance as at March 31, 2014 due to Mr. J.R.H. (Dick) Whittington, an officer and director, and as at June 30, 2013 due to Ed Duda, an officer and to Mr. J.R.H. (Dick) Whittington.

<sup>(5)</sup> Fees charged by Mr. Ken Berry, an officer and director.

<sup>(6)</sup> Fees for the period ended March 31, 2013 were charged by Delmac Pacific Management Inc., a company controlled by an officer.

<sup>(7)</sup> Income earned from Lemhi JV LLC, prior to the Company's sale of its interest in the joint venture.



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**17 Related party transactions** (continued)

**Commitments with related parties**

The Company has entered into a corporate services agreement with Touchstone for clerical, accounting, regulatory filing and geological services. The monthly fee under the agreement is \$10,000 and renews annually on December 1 of each year.

**Key management personnel compensation**

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

As part of the cost reduction program, key management personnel agreed to salary suspensions in the third quarter of fiscal 2014. Salaries for the nine months ended March 31, 2014, included \$152,970 that had not been paid.

Compensation for the nine months ended March 31, 2014 and 2013, other than as disclosed in the table above, was as follows:

	<b>March 31, 2014</b>	March 31, 2013
Salaries and short-term employee benefits	\$ 564,892	\$ 156,415
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	<b>816,156</b>	1,346,229
<b>Total</b>	<b>\$ 1,381,048</b>	\$ 1,502,644

**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 nine months ended March 31, 2014 totalled \$58,368 (2013: \$29,626). Total future minimum lease payments (net of sub-lease arrangement) under these contracts are as follows:

Within 1 year	\$ 12,924
1 to 3 years	98,356
4 to 5 years	74,133
After 5 years	3,089

**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. Reclamation deposits consist primarily of reclamation bonds represented by certificates of deposit ("CDs") held with a US chartered commercial bank. As the CDs are highly liquid in nature and interest is paid to the Company monthly, the carrying value approximates fair value.

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.

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

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.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at March 31, 2014:

<b>Financial Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 2,680,870	\$ -	\$ -	\$ 2,680,870

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 highly-rated financial institutions. Trade and other receivables at March 31, 2014 related primarily to the sale of gold and silver to one counterparty and are expected to be collectible in full due to the nature of this counterparty.

(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.

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

As at March 31, 2014, the Company's financial liabilities were comprised of trade and other payables of \$1,715,823 (June 30, 2013: \$2,341,239), 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.

(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 March 31, 2014, \$1,369,851 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 \$136,985 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 March 31, 2014, the weighted-average interest rate on cash and cash equivalents was 0.89%. With other variables unchanged, a 1% increase in the annualized interest rate would reduce annual net loss by \$26,731.

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**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, which the Company currently is in the process of earning an interest in, 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.

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. Non-current assets (other than financial instruments) by geographic location are as follows:

		<b>March 31, 2014</b>		
		<b>Canada</b>	<b>USA</b>	<b>Total</b>
Property, plant and equipment	\$	63,788	\$ 1,306,362	\$ 1,370,150
Exploration and evaluation assets		-	16,405,149	16,405,149
Intangible assets		96,925	33,061	129,986
<b>Total</b>	<b>\$</b>	<b>160,713</b>	<b>\$ 17,744,572</b>	<b>\$ 17,905,285</b>

  

		<b>June 30, 2013</b>		
		<b>Canada</b>	<b>USA</b>	<b>Total</b>
Property, plant and equipment	\$	10,545	\$ 329,623	\$ 340,168
Exploration and evaluation assets		-	11,915,070	11,915,070
Intangible assets		80,013	41,987	122,000
<b>Total</b>	<b>\$</b>	<b>90,558</b>	<b>\$ 12,286,680</b>	<b>\$ 12,377,238</b>

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**22 Subsequent events**

On May 26, 2014, the Company announced a non-brokered private placement of up to 10 million units at a purchase price of \$0.25 per unit, for aggregate gross proceeds to the Company of up to \$2,500,000. Each unit will consist of one common share and one-half transferable share purchase warrant. Each whole warrant will entitle the holder to acquire one common share at an exercise price of \$0.60 for a period of 24 months from the closing date of the private placement.

On May 16, 2014, the Company announced that it had secured an option on the Silver Creek property, located adjacent to the Moss Mine property with La Cuesta International, Inc. The Silver Creek property, comprised of approximately 1,457 hectares, consists of 180 claims and one leased state section.

The mineral lease and option agreement, effective May 7, 2014, has a term of 35 years and requires the Company to pay La Cuesta International, Inc., ("LCI") US\$5,000 cash on execution (paid) and issue 100,000 common shares (subject to TSX Venture Exchange approval). The Company is committed to annual expenditures commencing in year 1 of US\$10,000 in cash paid to LCI and a work commitment of US\$15,000, increasing gradually to US\$50,000 with no work commitment in year 5. In year 3, a one-time US\$200,000 work commitment is required. The agreement provides for a production royalty of 1.5% NSR on claims owned by LCI and 0.5% NSR on third party claims within the claim block, with the NSR rates reduced by half once US\$4 million in total royalties has been paid. All payments other than the work commitments are credited against the royalty. The Company can also acquire the claims at any time for US\$4 million in any combination of aggregate royalty payments and lump-sum payments at its sole discretion.