



NORTHERN VERTEX  
MINING CORP

**Management's Discussion and Analysis  
for the Three Months Ended September 30, 2016**

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## **NORTHERN VERTEX MINING CORP.**

### **Management's Discussion and Analysis for the Three Months Ended September 30, 2016**

The Management's Discussion and Analysis ("MD&A") of Northern Vertex Mining Corp. ("Northern Vertex" or the "Company"), has been prepared by management as of November 25, 2016 and provides information that management believes is relevant to assessing and understanding the financial condition of the Company and the results of its operations and cash flows for the three months ended September 30, 2016. This MD&A provides information on the operations of the Company for the three months ended September 30, 2016 and should be read in conjunction with the condensed interim consolidated financial statements and related notes thereto (the "Financial Statements"), as well as the audited annual consolidated financial statements for the year ended June 30, 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). All currency amounts are expressed in Canadian dollars, unless otherwise noted.

Unless otherwise indicated, the technical disclosure contained within this MD&A has been reviewed and approved by Mr. L.J. Bardswich, P.Eng., General Manager of Golden Vertex Corp. ("Golden Vertex") and a Qualified Person for the purpose of National Instrument 43-101 ("NI 43-101"), Standards of Disclosure for Mineral Projects.

#### **1. Business Overview**

Northern Vertex's material mineral project is the 100% owned Moss Mine gold-silver deposit (the "Moss Mine") in Mohave County, Arizona. The Company is a development stage mining company focused on advancing the Moss Mine to near term production with detailed engineering and permitting currently under way. The Company's core management and technical team are proven professionals, with extensive international experience in all aspects of mineral exploration, mine development, operations, equity and debt financing and venture capital markets. The Company is a listed issuer on the TSX Venture Exchange ("TSXV") and its common shares trade under the symbol NEE.

#### **2. First Fiscal Quarter 2017 Operating and Financial Highlights**

- On July 15, 2016 the Company announced the closing of the initial tranche of a non-brokered private placement financing to raise gross proceeds of \$7,225,000 through the issuance of unsecured convertible debentures. Subsequent to September 30, 2016 the Company closed the final tranche, raising an additional \$127,000, bringing gross proceeds raised by the financing to \$7,352,000. The proceeds from the debenture issuance will be used for the advancement of the Company's Moss Mine Project and general working capital purposes.
- On August 25th, 2016 the Company announced the appointment of M3 Engineering & Technology Corp. ("M3") of Tucson, Arizona, as the Engineering, Procurement and Construction Management ("EPCM") provider for the Company's Moss Mine Project and Dr. David Stone as Northern Vertex's construction Project Manager. M3 will be responsible for the detailed design, procurement of the necessary equipment and supplies and managing the construction of all processing and auxiliary surface facilities while Dr. Stone will be responsible for overseeing the design, procurement and construction activities of M3 and other site based contractors engaged by M3 as the mine gets built.
- On October 24, 2016 the Company provided an update of the ongoing property wide exploration program on its Moss Mine gold-silver property. The Company has identified four high priority targets that will be the focus of a proposed, upcoming multi-phase drill program on Moss.
- On November 7, 2016 the Company announced it had signed a senior secured credit facility with Sprott Private Resource Lending (Collector), LP ("Sprott"), an affiliate of Sprott Resource Lending Corp., pursuant to which Sprott may advance up to US\$20,000,000 to fund development and construction of the Company's Moss Mine Project. The facility is available to be drawn in up to four tranches, and the first tranche of US\$5,000,000 was advanced to the Company. As a result of the signing of the Sprott facility, the Company terminated the engagement letter and credit approved term sheet with Macquarie Bank announced on July 7, 2016.

### **3. Operations**

#### ***Moss Mine Project***

The Company owns 100% of the Moss Mine project. The Moss Mine Project area is located approximately 15 km by road to the east of Bullhead City, in the historically significant Oatman Mining District of Mohave County Arizona. It comprises a total area of 4,030.8 hectares of mining claims and leases centered on the approximate location of a historical headframe associated with limited historical underground mine workings that exploited the Moss Vein. The target mineralization is contained within a central area of 15 patented lode claims over 102.8 hectares.

The key strategic priorities for the Company are to fully finance the construction of the mine, commence construction of the Moss Mine Project and obtain all necessary permits which are required to advance the Moss Mine project towards commercial production. The Company is committed to an accelerated mine construction schedule to advance the mine to commercial production.

#### *Project Engineering and Procurement*

With the appointment of M3 as the EPCM provider the detailed engineering began during the quarter. The engineering focus has been on the crusher and leach pads, site roads and facilities layout while procurement has started on long lead items which includes the crushers, agglomerator and some of the equipment for the Merrill Crowe circuit.

#### *Project Permitting*

The Company has submitted an application to the Arizona Department of Environmental Quality ("ADEQ") to obtain an Air Quality Permit. The ADEQ has issued a draft of the Air Quality Permit which has been released for public review and comments. A public hearing will be conducted by the ADEQ on December 15 at the Bullhead City Council chambers.

An application to amend the company's Aquifer Protection Permit has been submitted to the ADEQ, Water Quality Division, and has been deemed administratively complete, and is currently under review.

The Company has also submitted an amendment to the Mined Land Reclamation Plan to cover the Phase II construction and operations, for review, to the Arizona Office of the State Mine Inspector. The amendment was approved on November 22, 2016.

#### *Project Finance*

During and subsequent to the quarter the Company closed two tranches of unsecured convertible debenture financings for gross proceeds of \$7,352,000 and a senior secured credit facility with Sprott for up to US\$20,000,000 to fund development and construction of the Company's Moss Mine Project. The Sprott facility is available to be drawn in up to four tranches and the first tranche of US\$5,000,000 was advanced to the Company.

The senior credit facility with Sprott provides for a security carve-out of up to US\$8,500,000 in equipment financing, and the Company is currently negotiating with certain equipment lenders for options. There is no guarantee that the remaining tranches of the Sprott facility will be advanced and the equipment finance facility will be completed on described terms or at all.

Further details regarding the convertible debenture financing and senior secured credit facility is included in the *Liquidity and Capital Resources* section of this MD&A.

#### ***Exploration***

During the quarter the Company identified four high priority targets that will be the focus of a proposed, upcoming multi-phase drill program on the Moss Mine gold-silver property. These include the West Oatman stockwork vein target, the high-grade Old Timer East and West targets and the Western Extension of the Moss. The Company intends to complete a private placement for \$1,000,000 during the second quarter of fiscal 2017 and carry out an exploration plan on the identified targets.

#### 4. Summary of Quarterly Results

	Three Months Ended September 30, 2016	Three Months Ended June 30, 2016	Three Months Ended March 31, 2016	Three Months Ended December 31, 2015	Three Months Ended September 30, 2015	Three Months Ended June 30, 2015	Three Months Ended March 31, 2015	Three Months Ended December 31, 2014
Revenue <sup>1</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net income (loss)	(926,188) <sup>2</sup>	(2,593,404) <sup>3</sup>	(3,770,409) <sup>4</sup>	461,594 <sup>5</sup>	2,153,027 <sup>6</sup>	(1,173,507) <sup>7</sup>	2,846,919	899,275
Basic and diluted income (loss) per share	(0.01)	(0.03)	(0.04)	0.01	0.03	(0.02)	0.04	0.01

<sup>1</sup> As the Company is in the development phase and not in commercial production there are no sales.

<sup>2</sup> Included was a deferred income tax recovery of \$514,429 related to the issuance of convertible debentures.

<sup>3</sup> Included was a non-cash unrealized foreign exchange loss of \$1,411,756 that was attributed to the weakening of the US dollar in comparison to the Canadian dollar from the previous quarter end.

<sup>4</sup> Included was a non-cash unrealized foreign exchange loss of \$3,144,066 that was attributed to the weakening of the US dollar in comparison to the Canadian dollar.

<sup>5</sup> Included was a non-cash unrealized foreign exchange gain of \$1,746,381 that was attributed to the strengthening of the US dollar in comparison to the Canadian dollar.

<sup>6</sup> Included was a non-cash unrealized foreign exchange gain of \$2,813,147 that was attributed to the strengthening of the US dollar in comparison to the Canadian dollar.

<sup>7</sup> Included was a non-cash unrealized foreign exchange loss of \$535,432 that was attributed to the weakening of the US dollar in comparison to the Canadian dollar.

The variation in net loss for the three months ended September 30, 2016 compared to the three months ended June 30, 2016 reflected a non-cash unrealized foreign exchange loss that was included in the net loss for the three months ended June 30, 2016 but not for the three months ended September 30, 2016. In addition, a deferred income tax recovery of \$514,429 relating to the issuance of convertible debentures was realized during the current quarter which did not occur in the quarter ended June 30, 2016.

The decrease in net loss for the three months ended June 30, 2016 compared to the three months ended March 31, 2016 reflected an increase in general and administration during the three months ended June 30, 2016 which was offset by a larger foreign exchange loss during the three months ended March 31, 2016. Increased general and administrative costs during the quarter ended June 30, 2016 related to the expensing of supporting site costs for the Moss Mine while larger foreign exchange losses during the quarter ended March 31, 2016 were the result of the weakening of the US dollar against the Canadian dollar to a larger extent than when compared to the quarter ended June 30, 2016.

The variation in net loss for the three months ended March 31, 2016 compared to the net income for the three months ended December 31, 2015 reflected a decrease in general and administration due to an increase in professional fees during the second quarter relating to the arbitration with Golden Patriot. The Company also recorded an unrealized foreign exchange loss of \$3,144,066 in the three months ended March 31, 2016 due to the weakening of the US dollar against the Canadian dollar compared with a gain during the comparative period.

The variation in net income for the three months ended December 31, 2015 compared to the three months ended September 30, 2015 reflected the increased professional, consulting and travel costs incurred as the Company prepared for and participated in the arbitration. The Company also recorded an unrealized foreign exchange gain of \$1,746,381 in the three months ended December 31, 2015 due to the strengthening of the US dollar against the Canadian dollar relating to intercompany loans.

The variation in net income for the three months ended September 30, 2015 to the three months ended June 30, 2015 reflected the increased professional, consulting and travel costs incurred as the Company prepared for arbitration. The Company also recorded an unrealized foreign exchange gain of \$2,813,147 in the three months ended September 30, 2015 due to the strengthening of the US dollar against the Canadian dollar relating to intercompany loans.

The variation in net loss for the three months ended June 30, 2015 to the net income for the three months ended March 31, 2015 reflected the continued care and maintenance operations at the Moss Mine. The Company also recorded an unrealized foreign exchange loss of \$535,432 in the three months ended June 30, 2015 due to the weakening of the US

dollar against the Canadian dollar. This was compared to a foreign exchange gain in the three months ended March 31, 2015 of \$3,273,509.

The variation in net loss for the three months ended March 31, 2015 to the three months ended December 31, 2014 reflected the care and maintenance operations at the Moss Mine. The Company also recorded an unrealized foreign exchange gain of \$3,273,509 in the three months ended March 31, 2015 due to quarter-to-quarter appreciation of the US dollar against the Canadian dollar.

Further information relating to factors which have caused period to period variations is included in the *Results of Operations* section of this MD&A.

## **5. Results of Operations**

For the three months ended September 30, 2016, the Company incurred a net loss of \$926,188, compared to net income of \$2,153,027 for the three months ended September 30, 2015. The factors contributing to the loss as compared to the previous quarter's net income are discussed below.

### *Administrative Expenses*

For the three months ended September 30, 2016, the Company incurred total administrative expenses of \$1,286,709 (2015: \$669,215), which included a non-cash share-based payment expense of \$307,001 (2015: \$53,263); salaries, wages, and severance expenses of \$572,905 (2015: \$183,383); professional fees of \$194,813 (2015: \$263,981); and marketing and community relations expenses of \$67,313 (2015: \$11,113).

The following significant variances are noted between current and prior period quarters. The increase in salaries, wages and severance expenses was primarily related to severance payments to former employees who departed the Company during the current quarter. A decrease in professional fees of \$69,168 was largely the result of legal and consulting services required for the arbitration with Patriot Gold which were incurred during the three months ended September 30, 2015 for which the arbitrator's decision was received in January 2016. Marketing and community relations increased during the three months ended September 30, 2016 due to increased site activities and financings related to the development of the Moss Mine. The increase in share-based payment expenses of \$253,738 was due the issuance of 2,645,000 stock options during the current quarter compared with no stock options issued during the previous quarter.

### *Other Income (Expenses) and Deferred Income Taxes*

The Company recorded foreign exchange gain of \$1,598 during the three months ended September 30, 2016, compared to \$2,813,147 in the three months ended September 30, 2015. The decrease compared to the previous period resulted from a change in the Company's assessment of repayment of loans receivable from its subsidiaries and, as the loans will not be repaid in the foreseeable future, all foreign exchange gains were included in other comprehensive loss for the period.

For the three months ended September 30, 2016 the Company recorded finance costs of \$165,069, consisting of interest and accretion expense, and a deferred income tax recovery of \$514,429 which were related to the convertible debentures issued during the quarter. As the finance costs and deferred tax recovery related to the convertible debentures none were recorded during the quarter ending September 30, 2015.

## **6. Liquidity and Capital Resources**

During the quarter, and subsequent to the quarter, the Company completed the following financings.

### *Unsecured Convertible Debentures*

On July 15, 2016 the Company announced the closing of the initial tranche of a non-brokered private placement financing to raise gross proceeds of \$7,225,000 through the issuance of unsecured convertible debentures. Subsequent to September 30, 2016 the Company closed the final tranche, raising an additional \$127,000, bringing gross proceeds raised by the financing to \$7,352,000. The proceeds from the debenture issuance will be used for the advancement of the Company's Moss Mine Project and general working capital purposes.

Each debenture has an issue price of \$100, matures on May 31, 2021, bears interest at 5% per annum, payable on May 31 and November 30 of each year while outstanding, which interest, subject to regulatory approval, may at the option of the Company be settled in common shares. The debentures are convertible into common shares of the Company at the price of \$0.50 per share. Aggregate finders' fees of \$430,500 payable in cash and 516,600 finders' warrants were issued on this tranche to parties at arm's length. Each finders' warrant will entitle the holder to acquire one common share of the Company at an exercise price of \$0.50 until July 14, 2019.

Each Debenture is convertible into common shares at the option of the holder at any time prior to the date fixed for redemption or maturity (as the case may be), at the conversion price, which is equivalent to 2,000 common shares for each \$1,000 principal amount of Debentures, subject to adjustment in certain circumstances. Debentures must be converted in minimum amounts of \$1,000.

The Company may redeem the debentures in cash on or after July 14, 2018, in whole or in part from time to time, upon required prior notice at a redemption price equal to their principal amount plus accrued and unpaid interest, if any, provided that the trading price of the common shares for the 20 consecutive trading days ending five trading days prior to the date of the redemption notice must be less than the conversion price.

Additionally, the Company has the option, to repay the principal amount of the debentures in common shares, provided certain circumstances are met including but not limited to: no default has occurred and is continuing at such time, and the trading price of the common shares for the 20 consecutive trading days ending five trading days prior to the date of the redemption notice or maturity date (as the case may be) is at least 150% of the Conversion Price.

#### *Senior Secured Credit Facility*

On November 7, 2016 the Company announced it had signed a senior secured credit facility with Sprott, pursuant to which Sprott may advance up to US\$20,000,000 to fund development and construction of the Company's Moss Mine Project. The facility is available to be drawn in up to four tranches, and the first tranche of US\$5,000,000 was advanced to the Company. There is no guarantee the Company will satisfy any or all of the conditions of further drawdowns under the facility or the equipment finance facility as described below.

The senior secured credit facility contains various terms and conditions, including:

- Further tranches: an aggregate of up to US\$15,000,000 in up to three additional tranches, subject to the satisfaction of certain conditions precedent, including the receipt of all key permits.
- Maturity date: November 4, 2019.
- Prepayment: at any time without penalty, subject to a minimum of six months interest having been paid on prepaid amounts.
- Annual interest Rate: 12-month USD LIBOR plus 8%, to be paid monthly.
- Costs and fees: structuring fee of US\$300,000, which was deducted from the initial draw; the Company has issued 1,498,202 common shares to Sprott for value of US\$375,000.
- Gold options: the Company has issued to Sprott gold call options to purchase up to 6,000 ounces of gold at a strike price of US\$1,350, for a period of five years, which may be settled by a cash payment based on the difference between the strike price and the prevailing market price of gold at the time of settlement.
- Anniversary fee: on each anniversary date of the facility, the Company will pay Sprott an amount equal to 3% of the principal amount of the facility outstanding, which, at the option of Sprott, may be paid in cash or the Company's shares.
- Covenants: the facility contains covenants for the Company, including restrictions on incurring further debt and the requirement to meet certain working capital requirements.
- Security: includes a first charge over assets held by the Company.

- Security carve-out for equipment finance facility: the security package for the facility provides for a carve-out of up to US\$8,500,000 in equipment financing.

#### *Liquidity and Capital Resources*

As at September 30, 2016, the Company had cash of \$6,009,526 (June 30, 2016: \$1,297,416). The increase in cash compared to the year ended June 30, 2016 was primarily due to the receipt of cash proceeds from the convertible debentures financing, of which the first tranche closed in July 2016.

Cash used in operating activities during the three months ended September 30, 2016 were \$955,299 (2015: \$648,176). The increase in cash used in operating activities was primarily due to severance paid to former employees.

Cash provided by financing activities during the three months ended September 30, 2016 were \$6,544,025 (2015: \$1,442,549) and primarily consisted of cash received from a convertible debenture financing of \$6,685,692, net of issuance costs.

Cash used in investing activities during the three months ended September 30, 2016 totalled \$869,917 (2015: \$556,307). Cash outflows consisted of mining interest and property, plant and equipment expenditures related to the detailed engineering, permitting and development of the Moss Mine Project.

A significant portion of the Company's cash as of September 30, 2016 was denominated in Canadian dollars. However, the Company does maintain cash balances denominated in US dollars and in conducting operations the Company made payments as appropriate in both Canadian and US dollars. Accordingly, the Company is subject to foreign currency rate fluctuations between the US and Canadian dollar.

During the three months ended September 30, 2016, working capital increased by \$4,683,943 to \$5,345,110. The working capital increase was primarily attributable to proceeds received from the closing of the first tranche of convertible debenture financing in July 2016.

The Company's ongoing liquidity needs will be funded from current cash and further financings as required to meet its short-term growth objectives, including the further development of the Moss Mine. The Company is endeavouring to organize equity, debt, or combined debt/equity financing to advance the Moss Mine. The Company's ability to secure the required financing is in part dependent on overall market conditions, the price of gold and other factors outside the Company's control and there is no guarantee the Company will be able to secure any or all required financing in the future.

## **7. Subsequent Events**

In addition to subsequent events mentioned in other parts of this MD&A, the following occurred after September 30, 2016:

- the Company closed the final tranche of a non-brokered private placement of unsecured convertible debentures, raising an additional \$127,000, bringing gross proceeds raised by the financing to \$7,352,000. For the final tranche, aggregate finders' fee of \$960 was paid to a party at arm's length;
- 5,817,174 warrants at an exercise price of \$1.55 expired on November 23, 2016;
- 3,659,500 warrants at an exercise price of \$1.75 expired on November 26, 2016; and
- the Company granted 250,000 stock options to consultants at an exercise price of \$0.46 with a five year expiry period.

## **8. Contractual Obligations**

### *Office space lease agreements*

The Company has entered into lease agreements for office space with terms that expire between fiscal 2017 and 2019, as disclosed in Note 14 to the condensed interim consolidated financial statements.

### *Other commitments*

The Company is committed to making finder's fee payments regarding royalty payments on future commercial production as disclosed in Note 6 to the condensed interim consolidated financial statements.

## **9. Off-Balance Sheet Arrangements**

At the date of this MD&A, there were no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company.

## **10. Related Party Transactions**

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.

Related party transactions are as follows:

	Notes	September 30, 2016	September 30, 2015
Consulting fees	(i)	\$ 67,500	\$ 78,142
Shared office expenses	(ii)	\$ 1,148	\$ 13,534

(i) Consulting fees charged by companies controlled by certain directors of the Company are included in professional fees, subcontractor expenses and mining interest expenditures.

(ii) Shared office expenses charged to and from a company with directors in common are included in marketing, rent, travel, and office and miscellaneous expenses.

Related party balances are as follows:

	September 30, 2016	September 30, 2015
Consulting fees payable	\$ 55,943	\$ 13,814
Shared office expenses payable	\$ 1,212	\$ 18,047

## **Commitments with related parties**

The Company has entered into a corporate services agreement with a related company for clerical, accounting, regulatory filing and geological services. The minimum monthly fee under the agreement is \$5,000 and renews annually.

## **Key management personnel compensation**

The remuneration of the Company's directors and other key management personnel for the three months ended September 30, 2016 and 2015 is as follows:

	Notes	September 30, 2016	September 30, 2015
Salaries and short-term benefits	(i)	\$ 274,083	\$ 123,041
Share-based payments	(ii)	\$ 242,816	\$ 12,960

(i) Salaries and short-term benefits are included in salaries, wages, benefits and subcontractor expenses, management fees, construction in progress expenditures, and mining interest expenditures.

(ii) Share-based payments are the fair value of options granted to directors and other key management personnel.

## **11. Conflicts of Interest**

The Company's directors and officers may serve as directors or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act (BC) ("Corporations Act") dealing with any conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company.

## **12. Proposed Transactions**

As of the date of this MD&A, there were no proposed asset or business acquisitions or dispositions.

## **13. Adoption of New Accounting Standards**

There were no new accounting standards adopted during the three months ended September 30, 2016.

## **14. Future Accounting Policy Changes Issued but not yet in Effect**

Pronouncements that may have a significant impact to the Company have been included in the Company's Consolidated Financial Statements for the years ended June 30, 2016 and 2015.

## **15. Corporate Governance**

The Company's Board of Directors and its committees adhere to recommended corporate governance guidelines for public companies listed on the TSXV to ensure transparency and accountability to shareholders. The current Board of Directors is comprised of five individuals, four of whom are independent of management as they are neither executive officers nor employees of the Company. The Audit Committee is currently comprised of three directors, who are independent of management.

The Audit Committee's role is to ensure the integrity of the Company's reported financial results through its review of the interim and audited annual consolidated Financial Statements prior to their submission to the Board of Directors for approval. The Audit Committee meets with management quarterly to review the consolidated Financial Statements, as well as the MD&A, and to discuss financial, operating and other matters.

## **16. Outstanding Share Data**

The total number of outstanding common shares, share options, and warrants at November 25, 2016 are 96,819,997, 8,955,000 and 29,527,524 respectively.

## **17. Financial Instruments and Financial Risk Management**

The carrying values of cash, 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 accounts receivable 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 September 30, 2016:

<b>Financial Assets</b>		<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>		<b>Total</b>
Cash	\$	6,009,526	\$	-	\$	-	\$	6,009,526
Trade and other receivables		26,787		-		-		26,787

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, trade and other receivables, and reclamation deposits. The Company considers the risk of loss relating to cash 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 September 30, 2016 related primarily to amounts due from related parties and Goods and Services Tax input credits and are expected to be collectible in full due to the nature of the counterparties and a 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 September 30, 2016, the Company's financial liabilities were comprised of trade and other payables of \$968,452 (June 30, 2016: \$694,259), 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 September 30, 2016, \$224,143 of the Company's cash were denominated in US dollars. A 10% variation in the US dollar exchange rate would result in an impact of approximately \$29,422 on annual net loss.

(ii) Commodity price risk

Commodity price 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 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 that 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 September 30, 2016, the weighted-average interest rate on cash was 0.98%. With other variables unchanged, a 1% increase in the annualized interest rate would reduce annual net loss by \$59,950.

## **18. Risks and Uncertainties**

The Company is in the business of acquiring and exploring mineral properties. It is exposed to a number of risks and uncertainties that are common to other mineral exploration companies in the same business. The industry is capital intensive at all stages and is subject to variations in commodity prices, market sentiment, exchange rates for currency, inflation and other risks. Apart from financings, the Company currently has no additional sources of cash. The Company continues to evaluate financing alternatives to advance the Moss Mine.

The risks and uncertainties described in this section are not inclusive of all the risks and uncertainties to which the Company may be subject.

### **Need for Additional Funds**

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many risks common to other companies in the same business, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources. There is no assurance that the Company will be successful in achieving a return on shareholders' investments and the likelihood of success must be considered in light of its early stage of operations.

There can be no assurance that financings currently being pursued will be available or, if available, will be on reasonable terms. If financing is obtained by issuing common shares from treasury, control of the Company may change and investors may suffer additional dilution. Furthermore, if financing is not available, lease expiry dates, work commitments, rental payments and option payments, if any, may not be satisfied and could result in a loss of the shareholders' entire investment.

### **Exploration and Development**

Exploration for and development of gold properties involves significant financial risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial

rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish mineral reserves by drilling, constructing mining and processing facilities at a site, developing metallurgical processes and extracting gold from ore. We cannot ensure that our current exploration and development programs will result in profitable commercial mining operations.

The economic feasibility of development projects is based upon many factors, including the accuracy of mineral resource and mineral reserve estimates; metallurgical recoveries; capital and operating costs; government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting and environmental management and protection; and gold prices, which are highly volatile. Development projects are also subject to the successful completion of feasibility studies, issuance of necessary governmental permits and availability of adequate financing.

### **Metal Prices**

The mining industry, in general, is intensely competitive and there is no assurance that a profitable market will exist for the sale of metals produced even if commercial quantities of precious and/or base metals are discovered. Factors beyond the control of the Company may affect the marketability of metals discovered. Pricing is affected by numerous factors beyond the Company's control, such as international economic and political trends, global or regional consumption and demand patterns, increased production and smelter availability. There is no assurance that the price of metals recovered from any mineral deposit will be such that they can be mined at a profit.

### **Title Risks**

The Company has taken steps to verify title to mining interests in which it has or is in the process of earning an interest in, 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.

### **Environmental Regulations, Permits and Licenses**

The current operations of the Company require permits from various federal and state authorities and such operations are subject to laws and regulations governing prospecting, exploration, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental, mine safety and other matters. Environmental legislation in the State of Arizona provides restrictions and prohibition on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from process ponds, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact statements. Environmental legislation is evolving in a direction of stricter standards and enforcement and higher fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies, directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

The Company believes that it is in substantial compliance with all material laws and regulation which currently apply to its activities. There can be no assurance that all permits which the Company may require for its exploration activities and operations will be obtainable on reasonable terms or on a timely basis or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake.

### **Competition and Agreements with Other Parties**

The mining industry is intensely competitive in all its phases and the Company competes with other companies that have greater financial resources and technical capacity. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future.

The Company may, in the future, be unable to meet its share of costs incurred under such agreements to which it is party and it may have its interest in the properties subject to such agreements reduced as a result. Also, if other parties to such agreements do not meet their share of such costs, the Company may not be able to finance the expenditures required to complete recommended programs.

## **Economic Conditions**

Unfavourable economic conditions may negatively impact the Company's financial viability. Unfavourable economic conditions could also increase the Company's financing costs, decrease net income or increase net loss, limit access to capital markets and negatively impact the availability of credit facilities to the Company.

## **Dependence on Management**

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result and other persons would be required to manage and operate the Company.

## **19. Disclosure Controls and Procedures and Internal Controls Over Financial Reporting**

Management is responsible for the preparation and integrity of the Financial Statements and maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable.

Management is also responsible for the design of the Company's internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with IFRS.

Readers are cautioned that the Company is not required to certify the design and evaluation of its disclosure controls and procedures and internal controls over financial reporting and has not completed such an evaluation. The inherent limitations on the ability of the Company's certifying officers to design and implement on a cost-effective basis disclosure controls and procedures and internal controls over financial reporting for the Company may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## **20. Cautionary Note Regarding Forward-Looking Information**

The Company's consolidated financial statements and this accompanying MD&A contain statements that constitute "forward-looking statements" within the meaning of National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators. Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions. Forward-looking statements in this MD&A include but are not limited to statements regarding the Company's future exploration and development plans and expenditures, the satisfaction of rights and performance of obligations under agreements to which the Company is a party, the ability of the Company to hire and retain employees and consultants and estimated administrative and other expenditures. The forward-looking statements that are contained in this MD&A involve a number of risks and uncertainties. As a consequence, actual results might differ materially from results forecast or suggested in these forward-looking statements. Some of these risks and uncertainties are identified under the heading "RISKS AND UNCERTAINTIES" in this MD&A. Additional information regarding these factors and other important factors that could cause results to differ materially may be referred to as part of particular forward-looking statements. The forward-looking statements are qualified in their entirety by reference to the important factors discussed under the heading "RISKS AND UNCERTAINTIES" and to those that may be discussed as part of particular forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause the actual results to differ include market prices, exploration success, continued availability of capital and financing, inability to obtain required regulatory approvals and general market conditions. These statements are based on a number of assumptions, including assumptions regarding general market conditions, the timing and receipt of regulatory approvals, the ability of the Company and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements. There can be no assurance that forward-looking statements will

prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

## **21. Approval**

The Board of Directors of the Company has approved the disclosure contained in this MD&A.

## **22. Additional Information**

Additional information related to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.northernvertex.com](http://www.northernvertex.com).