

**NORTHERN VERTEX MINING CORP.**

**Management's Discussion and Analysis  
for the three months ended September 30, 2015**

**Dated as of November 30, 2015**

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## **NORTHERN VERTEX MINING CORP.**

### **Management's Discussion and Analysis for the three months ended September 30, 2015**

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 30, 2015 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, 2015. This MD&A provides information on the operations of the Company for the three months ended September 30, 2015 and should be read in conjunction with the 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, 2015, 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. Background and Core Business**

The Company is an exploration and development stage mining company focused on identifying mineralized deposits economically worthy of subsequent development, mining or sale. The Company's primary project is the Moss Mine gold-silver deposit (the "Moss Mine") in Mohave County, Arizona. 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'.

The Company's primary objectives are:

- Operating in a socially responsible manner with high regard to safety standards, environmental regulations and community relations; and
- Advancing the Moss Mine to the development stage, primarily through the completion of the arbitration and establishment of the joint venture agreement with Patriot Gold Corp. ("Patriot Gold"), and the subsequent closing of the Macquarie Bank Limited ("Macquarie Bank") debt financing, equipment financing with a major US bank and an equity financing.

#### **2. First Quarter 2016 Operating and Financial Highlights**

##### **Operating Results and Corporate Developments**

###### *Operations*

- Phase I – Pilot Plant Operations is on scheduled care and maintenance. Company staff continue to monitor the site Monday to Friday on day shifts, while Mohave Security monitors the site on night shifts, weekends and holidays. The Company maintains the facilities on site in preparation of a future construction decision relating to Phase II – Commercial Operations.

###### *Safety*

- The Company's exemplary safety record continues and safety remains a top priority for the Company. As of the date of this MD&A, the Company has operated for over three years without a Lost Time Accident or Mine Safety and Health Administration ("MSHA") reportable incident.

###### *Exploration*

- Exploration potential is considered to be excellent both adjacent to the main Moss Vein System, both on strike and to depth, as well as property wide. The Company has completed a field geological mapping and sampling program on areas outside of the main Moss vein system, indicating the property wide potential. As

exploration to date has only focused on known mineral occurrences, only approximately 5% of the property has been explored to date.

- Several target areas remain to be sampled and others require follow-up sampling to further define their potential. The Company plans to assess the prospects for a property wide drilling program to test the potential for further discoveries on the Moss and Silver Creek claims. Given the success to date, the Company believes that the prospects for additional discoveries of gold bearing veins and structures continue to be good.

#### *Feasibility Study*

- On June 8, 2015, the Company announced the results of the Feasibility Study ("FS") that will serve as the "Bankable Feasibility Study" ("BFS") required by the Company's 2011 Exploration and Option to Enter Joint Venture Agreement, Moss Mine Project with Patriot Gold (the "2011 Agreement") and the Company had spent well in excess of US\$8 million. The BFS was delivered and received by Patriot Gold on July 20, 2015 which completes the final requirement of the "earn-in" obligation.
- On July 23, 2015, the Company filed, in support of its June 8, 2015 announcement, a NI 43-101, Disclosure Standards for Mineral Projects Technical Report entitled "Moss Gold-Silver Project, NI 43-101 Technical Report Feasibility Study, Mohave County, Arizona" (the "Technical Report"), which is dated July 13, 2015 and has an effective date of June 8, 2015. The report was prepared by MineFill Services, Inc. of Washington, USA ("MineFill") and M3 Engineering and Technology Corporation, Tucson, Arizona ("M3"), with contributions by David M.R. Stone, P.E. of MineFill, Thomas Drielick, P.E. of M3, Daniel K. Roth, P.E. of M3, Eugene Muller, P.E., of Golder Associates and Scott Allan Britton, C.Eng. of SAB Mining Consultants Ltd., all of whom are independent Qualified Persons as defined by NI 43-101 (further details are described in Section 4 of this MD&A).
- The mineral reserve estimate utilizing two cut-off grades were applied to the mineral reserves. Primary Ore material assumes an economic cut-off grade of 0.25 g/t Au whereas Low Grade Ore assumes a cut-off of 0.20 g/t Au. During mining, it is assumed the Low Grade ore will be stockpiled for processing towards the end of the mine life when the Primary Ore nears depletion and there is insufficient ore feed for processing. The reserve figures include 5% dilution with zero grade waste and 95% in-pit mining recovery. The reserve estimate is summarized below (further details are described in Section 4 of this MD&A):

Material	Category	ROM (MT)	Diluted Au (g/t)	Diluted Ag (g/t)	Contained Au (oz)	Contained Ag (oz)	Diluted AuEq (g/t)	Contained AuEq (oz)
Primary Ore	Proven	4.20	0.95	10.01	128,160	1,352,030	1.07	144,490
	Probable	3.30	0.75	9.20	79,770	976,260	0.86	91,240
	Combined	7.50	0.86	9.66	207,930	2,328,290	0.97	233,900
Low Grade Ore	Proven	0.25	0.22	2.99	1,740	24,070	0.25	2,010
	Probable	0.21	0.22	3.54	1,460	23,920	0.26	1,760
	Combined	0.46	0.22	3.24	3,190	47,980	0.25	3,700
<b>ALL</b>	<b>Combined</b>	<b>7.96</b>	<b>0.82</b>	<b>9.29</b>	<b>211,130</b>	<b>2,376,270</b>	<b>0.93</b>	<b>238,010</b>

- The economic highlights, at prices of US\$1,250/oz Gold and US\$20/oz Silver, 100% Project basis using a discount factor of 5% in arriving at the Project Net Present Value ("NPV") and recoveries to Doré for gold and silver of 82% and 65%, respectively are summarized in the following table:

	Pre-Tax	After-Tax
NPV@ 5%	US\$75.30 M	US\$55.30 M
IRR%	54.6%	44.3%
Payback (yrs)	2.3	2.4

#### *Socioeconomic*

- The Company, through its US subsidiary, Golden Vertex, has continued its active involvement in local community initiatives while maintaining a transparent approach to the Company's activities. During fiscal 2015, the Company focused on the creation of a Cultural Heritage Center in Bullhead City's Community Park, where the unique and diverse local history can be showcased and celebrated. This initiative will continue through the 2016 financial year. The other main initiative is the educational enhancement programme and the creation of an Earth Sciences Centre at the local High School. This has been accentuated by the creation

of a "pathway to a mining engineer" program with the University of Arizona. The Company also maintains continuous dialogue with the Bullhead City Council, the Mohave State Board of Supervisors, the Arizona Governor's office, and with the office of Congressman Gosar. It is the goal of the Company to be an integral and contributing member of the local Bullhead City area and to help enhance the social and economic capacity of the local communities at the same time.

#### *Debt Financing*

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

The Macquarie Facility term sheet sets out detailed indicative terms and conditions, which include the following:

- Bridge Loan. Up to US\$7.5 million available, prior to final operating permits being in place, to fund initial development of the Moss Mine Project. This portion of the Macquarie Facility will be a US dollar loan and will bear interest at 11.75% per annum.
- Refinancing & Development Facility. Up to US\$20 million available, upon final operating permits being received, to refinance the Bridge Loan with the balance available for additional development expenditures of the Moss Mine Project. This portion of the Macquarie Facility will be a combination of a US dollar denominated, interest bearing loan and a gold loan. The US dollar portion of this facility is repayable in US dollars over a 4-year repayment profile and includes a hedging requirement that is expected to be less than 9% of the Moss Mine Project's reserves and less than 5% of the Moss Mine Project's measured and indicated resources. It will be priced at Libor (London Interbank Offered Rate) plus 9% and may be prepaid in full. The gold loan portion of this facility is repayable with ounces produced at the Moss Mine Project over the same 4-year repayment profile and has an implied interest rate of 11.75% per annum.
- Two series of warrants aggregating approximately 9 million warrants will be issuable in conjunction with the Bridge Facility – the first (Series A warrants) will be priced at an exercise price premium of 30% to VWAP (volume-weighted average price) for the 20 days prior to the date of issue while the second series (Series B warrants) will have a fixed price of \$0.50. A third series, linked to the Refinance and Development Facility, will be issuable and priced at the time of its execution. The warrants will be subject to TSXV approval.
- Security will include a charge over the Moss Mine Project assets and completion guarantees from the Company. The security package for the Macquarie Facility carves out the equipment to be financed by the Equipment Facility.
- Customary covenants and conditions precedent for secured project financings of this nature.
- Customary fees for facilities of this nature will be payable upon acceptance of the Engagement Letter and drawdown of the Bridge Loan and Refinancing and Development Facility.
- The Engagement Letter contains customary break fees and payment of lender costs.
- The provision of the Macquarie Facility is subject to a number of conditions including additional legal and technical due diligence, internal credit approval by Macquarie Bank, final documentation, the resolution of the arbitration and satisfactory arrangements between the Company and Patriot Gold to share all costs and to provide the necessary guarantees, securing sufficient equity to fully fund the Moss Mine Project and customary corporate approvals of final documentation. Patriot Gold has advised that it will not support this debt financing with the Company until the previously disclosed arbitration issues are resolved. The terms and conditions of the Macquarie Facility, once finalized, may change from those described above.

### *Arbitration*

- As previously announced, the Company and Patriot Gold are engaged in an arbitration process under the 2011 Agreement in connection with certain allegations by Patriot Gold that, amongst other items, allege that a) the pilot plant was profitable and that Patriot Gold is entitled to the profits, and b) that the scope of the FS, as it relates to the BFS requirement under the 2011 Agreement, is too limited by focusing on the patented Moss lands only. The Company's position is that it is completely within its discretion under the 2011 Agreement to evaluate a mine within the patented lands of the Moss Mine given that a mine outside the patented area will potentially be subject to significant additional risks and delays. The evaluation of a patented lands first strategy does not negate or even reduce the likelihood that the mine will be capable of being expanded to include potential future resources should those resources be discovered and be deemed economic. It is the Company's belief that the two matters are without merit and will be vigorously defended. The arbitration is scheduled to be heard in early December 2015. The outcome of the arbitration cannot be predicted with any degree of certainty at this time.

### *Corporate*

- Subsequent to September 30, 2015, the Company announced that due to low trading volumes and an evaluation of the lack of continued benefit of the listing, the common shares of the Company will be voluntarily delisted from the OTCQX in the United States effective December 31, 2015. The common shares of the Company will continue to trade on the TSXV under the symbol "NEE".
- Subsequent to September 30, 2015, the Company announced the approval of an Advance Notice Policy. The purpose of the Advance Notice Policy is to provide shareholders, directors and management of the Company with a clear framework for nominating directors. Amongst other items, the Advance Notice Policy fixes a deadline by which shareholders must submit director nominations to the Company prior to any annual or special meeting of the shareholders and sets forth the minimum information that a shareholder must include in the notice to the Company for the notice to be in proper written form.

The Company believes that adopting the Advance Notice Policy is considered to be sound corporate governance. The Advance Notice Policy provides a clear process for shareholders to follow for director nominations and sets out a reasonable time frame for nominee submissions and the provision of accompanying information. The purpose of the Advance Notice Policy is to treat all shareholders fairly by ensuring that all shareholders receive adequate notice of the nominations to be considered at a meeting and can subsequently exercise their voting rights in an informed manner. In addition, the Advance Notice Policy should assist in facilitating an orderly and efficient meeting process.

The Advance Notice Policy, as adopted by the Company's Board, will be placed before the shareholders of the Company for ratification at the annual meeting of shareholders to be held on December 29, 2015. A full description of the Advance Notice Policy will be included in the Information Circular for this meeting.

- On July 9, 2015, the Company closed its oversubscribed June 15, 2015 announced non-brokered private placement. The Company issued 13,015,000 units at a price of \$0.22 per unit for total gross proceeds of \$2,863,300. Each unit consists of one common share of the Company and one transferable share purchase warrant, with each whole warrant entitling the holder to acquire one common share at an exercise price of \$0.45 until July 8, 2017. Cash finders' fees of \$115,482 and share issuance costs of \$24,869 were paid to arm's length parties in relation to the private placement. During the year ended June 30, 2015, the Company had received subscriptions in advance for proceeds of \$1,280,400 related to this private placement.
- On March 18, 2015, the Company amended the expiration date of 2,618,000 warrants exercisable at \$0.90 from March 25, 2015 to March 25, 2016. In all other respects, the terms of these warrants remain unchanged.
- On February 24, 2015, the Company granted 2,250,000 stock options to 19 employees, consultants, directors and officers with an exercise price of \$0.25 and expiry date of February 24, 2020. The option grant is the result of the Company's compensation review and the issuance is made under the stock option plan of the Company that was approved by shareholders on December 30, 2014.
- On November 18, 2014, the Company amended the expiration date of 5,817,174 warrants exercisable at \$1.55 from November 23, 2014 to November 23, 2015, and 3,659,000 warrants exercisable at \$1.75 from

November 26, 2014 to November 26, 2015. In all other respects, the terms of these warrants remain unchanged.

- On September 25, 2014, the Company amended the expiration date of 1,321,500 warrants exercisable at \$1.15 from October 4, 2014 to October 4, 2015. In all other respects, the terms of these warrants remain unchanged.
- On July 1, 2014, the Company implemented significant reductions to senior management compensation and directors' consulting fee arrangements that included a substantial write-off of amounts previously recorded as amounts owing. Aggressive cuts of up to 50% for the Chairman, President & Chief Executive Officer and remaining senior management and directors were implemented. Furthermore, with the leaching operations now shut down and the mine site shifting to a care and maintenance basis, remaining field staff have been laid off.
- The Company has taken significant measures to optimize and preserve its cash position and continues to adapt to the challenging external environment.

### **Financial results for the three months ended September 30, 2015**

The Company is subject to foreign currency rate fluctuations between its presentation currency (Canadian dollar) and the Company's subsidiaries' functional currency (US dollar). Such fluctuations can lead to foreign exchange gains or losses and since the US dollar strengthened in comparison to the Canadian dollar during the three months ended September 30, 2015, the Company recorded a non-cash, unrealized foreign exchange gain as a result of the translation of US dollar-denominated transactions and balances.

- Ended the first quarter of fiscal 2016 with working capital of \$3.38 million at September 30, 2015 (June 30, 2015: \$2.89 million).
- Recorded a net income of \$2.15 million (2014: \$1.24 million), which included a non-cash, unrealized foreign exchange gain of approximately \$2.81 million (2014: \$1.60 million) attributed to the strengthening of the US dollar in comparison to the Canadian dollar, for the three months ended September 30, 2015. Excluding this non-cash, unrealized foreign exchange gain, the Company recorded a net loss of \$0.66 million (2014: \$0.36 million) for the three months ended September 30, 2015. This net loss included \$0.05 million (2014: \$0.08 million) in share-based payment expense, \$0.26 million (2014: \$0.03 million) in professional fees and \$0.18 million (2014: \$0.13 million) in salaries, wages, benefits and subcontractor expenses.
- Invested \$0.56 million in the Company's exploration and evaluation assets during the three months ended September 30, 2015 (2014: \$0.99 million), all of which was incurred in respect of the development of the Moss Mine and the Silver Creek Properties.

### **3. Subsequent Events**

On November 30, 2015, the Company announced that the common shares of the Company will be voluntarily delisted from the OTCQX in the United States effective December 31, 2015. The common shares of the Company will continue to trade on the TSXV.

On November 30, 2015, the Company announced the adoption of an Advance Notice Policy, the purpose of which is to provide shareholders, directors and management of the Company with a clear framework for the nomination of directors. The Advance Notice Policy allows the Company to fix a deadline by which shareholders of the Company must submit director nominations to the Company prior to any annual or applicable special meeting of shareholders and sets forth the information that a shareholder must provide to the Company for its nomination to be eligible for election. The Advance Notice Policy, as adopted by the Company's Board, will be placed before the shareholders of the Company for ratification at the annual meeting of shareholders to be held on December 29, 2015.

On November 20, 2015, the Company announced that it had amended the expiration of 5,817,174 share purchase warrants exercisable at \$1.55 from November 23, 2015 to November 23, 2016. Additionally, 3,659,500 share purchase warrants exercisable at \$1.75 and expiring November 26, 2015, were extended by an additional twelve months to November 26, 2016. In all other respects, the terms of these warrants remain unchanged.

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

#### **4. Review of Development and Exploration Projects**

##### **Moss Mine, Mohave County, Arizona**

The Company entered into the 2011 Agreement as referenced above, with Patriot Gold effective March 7, 2011, whereby the Company was granted the right to earn a 70% interest in the Moss Mine. The Moss Mine is an epithermal, low sulphidation quartz-calcite vein and stockwork system which extends over a strike length of 1,400 meters and has been drill tested to depths of 370 meters vertically from surface. It is a potential heap leach, open pit project being advanced and specifically designed to ensure that technical, economic, permitting and funding requirements are met prior to each phase proceeding.

To fulfill the terms of the agreement and earn its 70% interest, the Company, who paid Patriot Gold US\$500,000 upon execution of the agreement, must spend an aggregate total of US\$8 million over five years and complete a BFS. On June 8, 2015, the Company announced the results of the FS that will serve as the BFS required for the 2011 Agreement. The Company had spent well in excess of US\$8 million thereby satisfying the "earn-in" obligation. With the formation of a Joint Venture LLC, 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.

The Company pays a 3% finder's fee on exploration expenditures, in quarterly installments, to a non-related party. On commercial production as defined in the 2011 Agreement with Patriot Gold, 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. As of September 30, 2015, the Company has recorded expenses to date of US\$729,752 regarding finder's fees. Included in this figure is a provision for US\$103,258 estimated to settle any obligations before commercial production commences. It is expected that payment will be made to the non-related party before the end of the next calendar year.

Royalties during Phase I – Pilot Plant were 1% of net smelter returns ("NSR") and were recognized when the Company received payment on the sale of gold and silver produced from the Moss Mine. During Phase II – Commercial Operations, the NSR royalties on the patented claims are expected to be in the 1% – 3.5% range. With one of the claims having a 3.5% NSR royalty and containing about 40% of the gold and silver resources, the average NSR royalty for the second phase of the Company's business plan, Phase II – Commercial Operations, is expected to be approximately 2%.

Gold and silver proceeds regarding the Pilot Plant to date have totalled US\$5.5 million from 4,065 ounces of gold at an average selling price of US\$1,259.31 per ounce and 19,494 ounces of silver at an average selling price of US\$19.67 per ounce. Gold and silver proceeds from the Pilot Plant as per the PEA budget were estimated at US\$5.3 million, using prices for gold and silver of US\$1,500 and US\$30 per ounce, respectively.

As of September 30, 2015, total exploration and evaluation costs for the Moss Mine amounted to \$31.3 million less proceeds from gold and silver sales of \$7.1 million, for a net of \$24.2 million. Additional costs associated with the Moss Mine were recorded in property, plant and equipment; reclamation deposits; and intangible assets (total Moss Mine capitalized costs of \$32.5 million). Further cumulative costs of approximately \$13.8 million, including interest on intercompany loans and head office costs as of September 30, 2015, have been expensed in Golden Vertex regarding the Moss Mine. On June 8, 2015, the Company announced the results of the FS that will serve as the BFS required for the 2011 Agreement and as the Company had spent well in excess of US\$8 million. The Technical Report regarding the FS results was filed on SEDAR on July 23, 2015. The BFS was delivered and received by Patriot Gold on July 20, 2015 which completes the requirement of the "earn-in" obligation. It is the Company's position that all costs incurred for services rendered or supplies received after July 20, 2015 will be shared on a 70:30 basis. As of the date of this MD&A, total costs of US\$2,212,465 associated with the Moss Mine have been incurred since July 20, 2015 and Patriot Gold is responsible for US\$763,300, which is its 30% portion along with an administration fee.

Phase I - Pilot Plant Operations has been shut-down and placed on care and maintenance including the associated infrastructure. Mohave Security continues to monitor the site outside working hours, including weekends and holidays while Company staff monitor the site during working hours. The Company continues to maintain the facilities on site, in preparation of a future construction decision pertaining to Phase II – Commercial Operations.



Based on the Company's forecast, head office expenditures attributable to the support of mining activities; past, current and estimated future net operating losses; and depreciation of current and future (Phase II – Commercial Operations) capitalized assets on the Moss Mine will generate tax benefits that are expected to significantly offset taxable income in the initial years of commercial production. As of September 30, 2015, the Company has approximately US\$30.8 million in tax deduction pools that can be applied directly to the Company's 70% share of taxable income to off-set future tax liabilities. Utilizing these tax deduction pools to the Company's portion of the joint venture will significantly enhance the Moss Mine's economics.

## Feasibility Study

The FS, which was completed on time and on budget, will serve as the BFS required by the 2011 Agreement. The FS was prepared in accordance with standard industry practices and is summarized and disclosed in accordance with NI 43-101.

The FS envisions an open-pit mining operation with crushing, agglomeration and stacking of ore onto a conventional heap leach pad. Gold and silver recovery will be achieved by a Merrill Crowe process to produce doré bar at the project site. The Moss Mine Project has been designed to have a 5 year mine life at a projected mining rate of 5,000 tonnes per day ("tpd").

The key highlights, at prices of US\$1,250/oz Gold and US\$20/oz Silver, 100% Project basis are:

Annual Production (5,000 tpd)	1,750,000 tonnes per year
Strip Ratio	1.62
Average Gold grade	0.826 grams per tonne ("g/t")
Average Silver grade	9.282 g/t
Average Gold Equivalent ("AuEq") grade*	0.93 g/t
Recoveries to Doré	Gold 82% and Silver 65%
Life of Mine Gold Production	173,490 oz
Life of Mine Silver Production	1,530,650 oz
Initial Capital Costs (including indirects)	US\$33 million
Operating Costs (@5,000 tpd)	US\$13.19/tonne
Gold Equivalent Ounces/yr (Avg. @5,000 tpd)	42,000 oz/yr
Gold Equivalent Cash Cost (@5,000 tpd)	US\$514.27/oz
Cash Cost net of Ag/oz (@5,000 tpd)	US\$409.07
All-in Sustaining Costs AuEq**(LOM)	US\$624.01/oz
NPV 5% after tax	US\$55.25 million
IRR after tax	44.3%
Payback Period after tax	2.4 years

\*Gold equivalent grades are defined in the footnotes to the Reserve Statement below

\*\*All-in Sustaining Costs ("AISC") as presented are defined by the World Gold Council less corporate G&A

The Moss Mine Project encompasses 15 patented lode claims covering 102.8 hectares and 468 unpatented lode claims for a total of 4,030.8 hectares. The focus of the FS is the gold-silver mineralization associated with the Moss Vein, the West Extension and adjacent stockworks on the patented claims. All of the project facilities, including the open-pit, heap leach pad, waste dumps and other ancillary works are designed to be constrained wholly within the patented claims.

The FS is based on contract mining for the full 5 year mine life. Mine production will ramp up from an initial 2,500 tpd at Month 1, to 3,500 tpd at Month 7 and then full production of 5,000 tpd in Month 13. Current Federal and Arizona State taxes were incorporated into the cash flow model and the "unit of production" depreciation method was used to calculate taxable income. The economic analysis was carried out on a project basis and does not take into account any potential tax savings available to Golden Vertex. Given the location and relatively uncomplicated nature of the project, the Base Case uses a 5% discount factor in arriving at the project Net Present Value ("NPV"). Standard payback calculation methodology was also utilized.

The FS was prepared by a team of independent specialist consultants that included M3 (process facility and site infrastructure design and costing), Golder Associates of Tucson, AZ (heap leach design and costing and storm water management designs and costing), SAB Mining Consultants of Hamilton, UK (mineral reserves, mine planning and production scheduling), MineFill (pit geotechnical), Smith Water Management Consultants of Richmond, B.C. (groundwater resources), and CDM Smith of Phoenix, AZ (project permitting). The FS team was managed by Dr. David Stone, PE of MineFill.

#### Mineral Resource Estimate

The FS is based on the previously reported mineral resource estimate prepared by David Thomas, P.Geo., with an effective date of October 31, 2014, which is referenced later in this section.

#### Mineral Reserve Estimate

Mineral resources were estimated from conventional Lerchs-Grossman ("LG") techniques to establish mineable shapes with the mineral resource block model and an optimum pit shell. Only Measured and Indicated resources can be upgraded to a mineral reserve. For the FS, a detailed mine plan was developed within the LG defined pit, to which the detailed operating costs were then applied.

Two cut-off grades were applied to the mineral reserves. Primary Ore material assumes an economic cut-off grade of 0.25 g/t Au whereas Low Grade Ore assumes a cut-off of 0.20 g/t Au. During mining, it is assumed the Low Grade ore will be stockpiled for processing towards the end of the mine life when the Primary Ore nears depletion and there is insufficient ore feed for processing. The reserve figures include 5% dilution with zero grade waste and 95% in-pit mining recovery.

Results of the mineral reserve estimation are shown below.

Material	Category	ROM (MT)	Diluted Au (g/t)	Diluted Ag (g/t)	Contained Au (oz)	Contained Ag (oz)	Diluted AuEq (g/t)	Contained AuEq (oz)
<b>Primary Ore</b>	Proven	4.20	0.95	10.01	128,160	1,352,030	1.07	144,490
	Probable	3.30	0.75	9.20	79,770	976,260	0.86	91,240
	<i>Combined</i>	<i>7.50</i>	<i>0.86</i>	<i>9.66</i>	<i>207,930</i>	<i>2,328,290</i>	<i>0.97</i>	<i>233,900</i>
<b>Low Grade Ore</b>	Proven	0.25	0.22	2.99	1,740	24,070	0.25	2,010
	Probable	0.21	0.22	3.54	1,460	23,920	0.26	1,760
	<i>Combined</i>	<i>0.46</i>	<i>0.22</i>	<i>3.24</i>	<i>3,190</i>	<i>47,980</i>	<i>0.25</i>	<i>3,700</i>
<b>ALL</b>	<b>Combined</b>	<b>7.96</b>	<b>0.82</b>	<b>9.29</b>	<b>211,130</b>	<b>2,376,270</b>	<b>0.93</b>	<b>238,010</b>

#### **Footnotes to Mineral Reserve statement:**

- *The Mineral Reserve estimate is constrained within a pit-constrained LG pit with maximum slope angles of 65°. Metal prices of US\$1,250/oz and US\$18.50/oz were used for gold and silver respectively. Metallurgical recoveries of 82% for gold and 65% for silver were applied.*
- *A variable gold cut-off was estimated based on a mining cost of US\$2.75/t mined, and a total process and G&A operating cost of US\$6.48/t of ore mined. Primary ore is based on a cut-off of 0.25 g/t Au, and low grade ore is based on a cut-off of 0.2 g/t Au.*
- *The gold equivalent ("AuEq") formulae, applied for purposes of estimating AuEq grades and ounces, are as follows:*
  - *Factor A (gold) = 1 / 31.10346 x metallurgical recovery (82%) x smelter recovery (99%) x refinery recovery (99%) x unit Au price (US\$1,250 / oz)*
  - *Factor B (silver) = 1 / 31.10346 x metallurgical recovery (65%) x smelter recovery (98%) x refinery recovery (99%) x unit Ag price (US\$18.50 / oz)*
  - *AuEq grade = Au grade + (Ag grade x [Factor B / Factor A])*
  - *AuEq ounces = (AuEq grade x material tonnes)/31.10346*
- *All figures have been rounded to reflect accuracy and to comply with securities regulatory requirements. Summations within the tables may not agree due to rounding.*
- *The Mineral Reserves were defined in accordance with CIM Definition Standards dated May 10, 2014.*
- *The Measured and Indicated Resources are inclusive of those Mineral Resources modified to produce the Mineral Reserves.*
- *Tonnages listed (ROM) are in millions of tonnes ("MT").*

The above in-pit reserves do not include unprocessed ore mined during Phase I – Pilot Plant operations. The following table outlines the additional reserves available in stockpiles.

Existing Stockpiles	Au (g/t)	Ag (g/t)	Tonnes	Au (oz)	Ag (oz)	AuEq (g/t)	AuEq (oz)
<b>High Grade Stockpile</b>	2.126	29.99	1,922	130	1,850	2.47	150
<b>Low Grade Stockpile</b>	0.854	10.70	23,913	660	8,230	0.98	750
<b>Waste Dump</b>	0.654	6.49	36,130	760	7,540	0.73	850
<b>Total</b>	<b>0.777</b>	<b>8.84</b>	<b>61,965</b>	<b>1,550</b>	<b>17,620</b>	<b>0.88</b>	<b>1,750</b>

**Footnotes to Stockpile Reserves Statement:**

- The footnotes to the Mineral Reserve Statement above apply to this estimate, where applicable.
- The Mineral Reserves reported for stockpiles are not included in the Mineral Resources.
- The Mineral Reserves for stockpiles are based on legal surveys conducted by a registered Land Surveyor (for volumes), and trench samples on 4.5m centers cut across the stockpile to generate bulk samples which were split into 3 assay splits for analysis by fire assay with a gravimetric finish (for grade). Based on the surveys and sampling the stockpiles were deemed to be classed as Probable Reserves based on the CIM definitions.

**Mining**

Mine design has been tailored to take advantage of the natural linear structural features of the Moss deposit. The mine production schedule is shown below. Tonnages are in millions of tonnes ("MT").

*Mine Production Schedule*

Category	Year 1	Year 2	Year 3	Year 4	Year 5	Total
<b>Total In-Pit Material MT</b>	3.5	6.0	4.3	4.3	2.9	<b>21.0</b>
<b>Waste MT</b>	2.4	4.2	2.4	2.5	1.6	<b>13.0</b>
<b>Strip Ratio</b>	2.1	2.3	1.3	1.4	1.2	<b>1.6</b>
<b>Total ROM MT</b>	1.135	1.809	1.903	1.822	1.293	<b>7.962</b>
<b>Au g/t (diluted)</b>	0.86	0.84	0.82	0.59	1.11	<b>0.82</b>
<b>Ag g/t (diluted)</b>	8.69	9.01	9.53	7.14	12.84	<b>9.28</b>
<b>Primary ROM MT</b>	1.079	1.688	1.781	1.690	1.262	<b>7.500</b>
<b>Au g/t (diluted)</b>	0.89	0.88	0.87	0.62	1.13	<b>0.86</b>
<b>Ag g/t (diluted)</b>	8.99	9.46	9.96	7.41	13.06	<b>9.66</b>
<b>Low Grade ROM Tonnes</b>	<i>0.056</i>	<i>0.121</i>	<i>0.121</i>	<i>0.132</i>	<i>0.031</i>	<b>0.461</b>
<b>Au g/t (diluted)</b>	<i>0.21</i>	<i>0.22</i>	<i>0.22</i>	<i>0.22</i>	<i>0.22</i>	<b>0.22</b>
<b>Ag g/t (diluted)</b>	<i>2.85</i>	<i>2.81</i>	<i>3.26</i>	<i>3.67</i>	<i>3.70</i>	<b>3.24</b>

Mining will produce roughly 13 MT of waste rock during the life-of-mine. The project facilities include the capacity to store 14 MT of waste on the patented claims including 2.7 MT placed as backfill into the mined out open-pit, and 0.6 MT classed as low grade ore in stockpiles.

**Metallurgy**

Bench scale and pilot scale metallurgical testing have shown the Moss deposit mineralization to be amenable to precious metals recovery by cyanide leaching in a heap leach environment.

Pilot heap operations in Phase I were used to confirm the total precious metals recovery, and recovery curves for commercial operations. The pilot heap achieved a total gold recovery of 82%, and a total silver recovery of 38%. The low silver recoveries in the pilot heap can be attributed to the carbon-in-pulp recovery plant which typically performs poorly with silver. A Merrill Crowe process was thus selected for the Phase II commercial operations in order to maximize the recovery of silver, and to allow the production of doré bars on site.

**Processing**

Ore from the open pit will be crushed to 6.35 mm and then agglomerated with cement prior to loading on the heap leach pad in 10 m lifts. The crushing circuit will employ three stages of crushing consisting of a primary jaw crusher, a secondary cone crusher, and a two-stage tertiary cone crusher. After agglomeration, the fine ore will be conveyed to the leach pad with a series of grasshopper conveyors feeding a radial stacker.

The heap leach pad has been designed to accommodate 8.5 MT of ore. The pad covers an area of 215,000 m<sup>2</sup> and will be constructed in 3 stages. During peak operations, some 45,000 m<sup>2</sup> of pad area will be under leach.

*Gold and Silver production (oz/year) by year is highlighted below:*

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>Total</b>
<b>Au</b>	17,227	37,086	41,581	30,589	37,378	11,383	175,244
<b>Ag</b>	135,300	316,372	366,006	288,554	349,330	106,322	1,561,884
<b>AuEq</b>	19,392	42,148	47,437	35,206	42,968	13,084	200,234

#### Infrastructure and Services

The Moss Mine site is not connected to the main electrical grid that serves Mohave County, hence the FS assumes diesel power generation using five 750kW generators. Three of the generators will be located at the crusher, and two will be located at the Merrill Crowe plant. There are no material infrastructure requirements due to the favourable location of the Moss Mine Project, situated only 6 miles from Bullhead City and a paved highway system that leads south to Phoenix and north to Las Vegas.

The primary water source for the heap leaching operations will be groundwater wells and dewatering of the open-pit.

#### Capital Estimate

The FS capital estimate is based on vendor quotes for all the major capital items including conveyors, crushers, the Merrill Crowe facility, heap leach pad construction (earthworks and liners) and other ancillary works.

Capital savings of approximately US\$1.3 million were achieved by the re-use and recycle of components already purchased for the Phase I pilot heap operations. This included office trailers, laboratory facilities, staff vehicles, solution pumps, twelve 10,000 gallon water tanks, a 350 tonne cement silo, and the re-use of the spent ore from the Phase I heap for inter-liner material in the Phase II leach pad area.

Total initial capital costs are estimated at US\$33.0 million comprising US\$24.8 million in direct costs, US\$4.3 million in indirect costs, a 7.5% contingency on the direct and indirect costs and US\$1.65 million in owner costs.

#### *Initial Capital Cost Estimate*

<b>Area</b>	<b>Capital (US\$)</b>
Site General Costs	\$ 895,619
Mine Equipment *	\$ -
Primary Crushing	\$ 1,914,626
Fine Crushing	\$ 4,311,434
Crushed Ore Transfer	\$ 1,479,804
Leach Pad Piping	\$ 1,482,549
Leach Pad Earthworks/Liner	\$ 5,251,058
Pond Earthworks/Liner	\$ 1,202,534
Merrill Crowe	\$ 4,410,729
Refinery	\$ 1,726,463
Water Systems	\$ 1,062,094
Power Generation	\$ 838,330
Reagents	\$ 195,297
Ancillary	\$ 68,348
<b>TOTAL DIRECT COSTS</b>	<b>\$ 24,838,885</b>
INDIRECTS	\$ 4,339,641
CONTINGENCY	\$ 2,180,434
OWNERS COSTS	\$ 1,650,000
<b>TOTAL CAPITAL COST</b>	<b>\$ 33,008,960</b>

*\*Mining equipment is being supplied by the mining contractor.*

### Operating Costs

Operating costs were calculated in three areas – Mining, Process and G&A. Mining costs were derived directly. The Company invited several industry experienced mining contractors to submit bids for the mining component of the FS. The Company intends to select the preferred contractor and proceed to negotiate a Services Contract with the successful bidder. Process and G&A operating costs were estimated largely from first principles and from quotes for some of the major consumables including cyanide, cement and fuel. The life of mine operating cost estimate is shown below:

#### Operating Cost Estimate – per tonne processed

Mining	US\$5.96/tonne
Process	US\$6.65/tonne
General/Administration	US\$0.95/tonne
<b>TOTAL OPERATING COST</b>	<b>US\$13.56/tonne</b>

### Project Economics and Sensitivity Analyses

The following tables illustrate the Base Case project economics and the sensitivity of the Moss Mine Project to changes in the base case metal prices, operating costs and capital costs. As is typical with precious metal projects, the Moss Mine Project is most sensitive to metal prices, followed by operating costs, and initial capital costs. As noted below, the Moss Mine Project is relatively insensitive to changes in these items.

#### Project Economics

	Pre-Tax	After-Tax
NPV@ 5%	US\$75.30 M	US\$55.30 M
IRR%	54.6%	44.3%
Payback (yrs)	2.3	2.4

#### Metal Price Sensitivity – After-Tax

	Gold Price (US\$)	Silver Price (US\$)	Metal Price Sensitivity			IRR	Payback
			NPV @ 0% (US\$)	NPV @ 5% (US\$)	NPV @ 10% (US\$)		
<b>+20%</b>	\$1,500	\$24	\$103,667,000	\$84,231,000	\$68,709,000	62.7%	2.1
<b>+10%</b>	\$1,375	\$22	\$87,063,000	\$69,817,000	\$56,056,000	53.7%	2.2
<b>0%</b>	\$1,250	\$20	\$70,288,000	\$55,253,000	\$43,271,000	44.3%	2.4
<b>-10%</b>	\$1,125	\$18	\$52,954,000	\$40,199,000	\$30,050,000	34.2%	2.7
<b>-20%</b>	\$1,000	\$16	\$34,861,000	\$24,454,000	\$16,195,000	23.2%	3.3

#### Operating Cost Sensitivity – After-Tax

	Operating Cost Sensitivity			IRR	Payback
	NPV @ 0% (US\$)	NPV @ 5% (US\$)	NPV @ 10% (US\$)		
<b>+20%</b>	\$55,493,000	\$42,171,000	\$31,581,000	34.7%	2.7
<b>+10%</b>	\$63,010,000	\$48,824,000	\$37,530,000	39.5%	2.6
<b>0%</b>	\$70,288,000	\$55,253,000	\$43,271,000	44.3%	2.4
<b>-10%</b>	\$77,259,000	\$61,415,000	\$48,775,000	48.8%	2.3
<b>-20%</b>	\$84,082,000	\$67,448,000	\$54,165,000	53.4%	2.2

### Capital Cost Sensitivity – After-Tax

	Capital Cost Sensitivity				
	NPV @ 0% (US\$)	NPV @ 5% (US\$)	NPV @ 10% (US\$)	IRR	Payback
<b>+20%</b>	\$66,008,000	\$50,653,000	\$38,414,000	36.4%	2.6
<b>+10%</b>	\$68,162,000	\$52,966,000	\$40,854,000	40.1%	2.5
<b>0%</b>	\$70,288,000	\$55,253,000	\$43,271,000	44.3%	2.4
<b>-10%</b>	\$72,384,000	\$57,515,000	\$45,665,000	49.1%	2.3
<b>-20%</b>	\$74,457,000	\$59,757,000	\$48,043,000	55.0%	2.2

### Manpower

The Moss Mine Project is expected to employ a full-time staff of 83 at the 5,000 tpd production rate. The staffing includes 18 for the contract miner, 49 in the process plant and 16 general and administrative staff.

### Permitting

All of the facilities of the Moss Mine Project that are the subject of the FS, have been constrained to be entirely within the boundaries of the 15 patented claims. This will allow the project to be developed exclusively on private land pursuant to applicable state and federal law. This development plan will allow early development of the Moss Mine Project as the timelines for permit approvals on patented lands are shorter than those that would be required if mining on the unpatented claims are incorporated into the development plan. Mine life extension studies and exploration programs on the unpatented claims will be investigated once the mine is in production.

### Corporate Initiatives/Socio-Economics

The Company, through its US subsidiary, Golden Vertex, is endeavouring to be an organization recognized for its safety culture, community commitment, tribal involvement, educational enhancement, open communication culture and transparency that will create a legacy for the stakeholders in the Bullhead City area for many years to come.

As the FS contemplates a mine developed exclusively on patented lands, there are no land ownership conflicts or specific surface use agreements that have to be negotiated. The mine will be accessed via an existing road, which has been used for over 100 years for mining and related activities in the surrounding area. The road crosses public land on which the Company owns or controls unpatented mining claims associated with the mine. The mine is removed from the nearest community – Bullhead City – and does not infringe upon any other land uses apart from periodic off-road recreational activities. The Company remains focused on working effectively and respectfully with local stakeholders to enhance the capacity of the local communities in the area.

### **Resource Update**

On December 31, 2014, the Company announced that it filed a technical report in accordance with NI 43-101 in support of the Company's November 17, 2014 news release, which outlined an updated Mineral Resource estimate at its Moss Mine. The independent Technical Report is dated December 30, 2014 and has an effective date of October 31, 2014.

The updated Mineral Resources for the Project were classified under the 2014 CIM Definition Standards for Mineral Resources and Mineral Reserves by application of a cut-off grade that incorporated mining and metallurgical recovery parameters and on-site cost estimates. Additionally, the updated Mineral Resources are constrained within a pit constrained LG pit shell defined by commodity prices, metallurgical recoveries, operating costs and final pit slope angles. Long-term metal prices of \$1,250/oz. and \$20/oz. for gold and silver, respectively were used. The updated Mineral Resources are tabulated in the table below and have an effective date of October 31, 2014. The Qualified Person for the Mineral Resource Estimate, as defined by NI 43-101, is David G. Thomas, P.Ge0 (refer to November 17, 2014 news release).

The updated Mineral Resource is as follows:

Category	Tonnes	Au (g/t)	Ag (g/t)	Au (oz)	Ag (oz)	Au Eq g/t	Au Eq (oz)
<b>Moss &amp; Ruth Veins</b>							
Measured	4,265,000	1.03	10.9	141,000	1,490,000	1.17	160,000
Indicated	4,910,000	0.87	11.8	137,000	1,860,000	1.02	161,000
<b>Measured &amp; Indicated</b>	<b>9,175,000</b>	<b>0.94</b>	<b>11.4</b>	<b>278,000</b>	<b>3,350,000</b>	<b>1.09</b>	<b>321,000</b>
Inferred	805,000	0.60	4.5	16,000	120,000	0.66	17,000
<b>West Extension</b>							
Measured	595,000	0.54	7.3	10,000	140,000	0.63	12,000
Indicated	5,710,000	0.48	6.1	88,000	1,110,000	0.55	102,000
<b>Measured &amp; Indicated</b>	<b>6,305,000</b>	<b>0.48</b>	<b>6.2</b>	<b>98,000</b>	<b>1,250,000</b>	<b>0.56</b>	<b>114,000</b>
Inferred	1,375,000	0.52	6.3	23,000	280,000	0.59	26,000
<b>Combined Total</b>							
Measured	4,860,000	0.97	10.4	152,000	1,630,000	1.10	172,000
Indicated	10,620,000	0.66	8.7	225,000	2,980,000	0.77	263,000
<b>Measured &amp; Indicated</b>	<b>15,480,000</b>	<b>0.76</b>	<b>9.3</b>	<b>377,000</b>	<b>4,610,000</b>	<b>0.87</b>	<b>435,000</b>
Inferred	2,180,000	0.55	5.6	38,000	390,000	0.62	43,000

- The Moss and Ruth veins are the major veins for which resources are estimated; however, other minor veins have also been included.
- The West Extension resources are resources west of the Canyon fault, and are generally lower grade but near surface resources.
- The Company's quality assurance and quality control programs on the Mineral Resource data were reviewed. After removing samples with data quality issues, it was concluded that the collar, survey, assay and lithology data are adequate to support Mineral Resource estimation.
- Domains were modelled in 3D to separate mineralized rock types from surrounding waste rock. The domains were modelled based on quartz veining and gold grades.
- Raw drillhole assays were composited to 1.5 m lengths, broken at domain boundaries.
- Capping of high grades was considered necessary and was completed for each domain on assays prior to compositing.
- Block grades for gold and silver were estimated from the composites using ordinary kriging interpolation into 3 m x 3 m x 3 m blocks coded by domain.
- A dry bulk density of 2.51 g/cm<sup>3</sup> was used for material with a depth less than 12 m from surface. A dry bulk density of 2.58 g/cm<sup>3</sup> was used for all other material. The dry bulk densities are based on 506 specific gravity measurements.
- Blocks were classified as Measured, Indicated and Inferred in accordance with CIM Definition Standards 2014. Inferred resources are classified on the basis of blocks falling within the mineralised domain wireframes (i.e. reasonable assumption of grade/geological continuity) with a maximum distance of 100 m to the closest composite. Indicated resources are classified based on a drillhole spacing of 50 m. Measured resources are classified based on a 25 m x 12.5 m drillhole spacing.
- The Mineral Resource estimate is constrained within a pit constrained LG pit with maximum slope angles of 65°. Metal prices of \$1,250/oz and \$20/oz were used for gold and silver respectively. Metallurgical recoveries of 82% for gold and 65% for silver were applied.
- A 0.25 g/t gold cut-off was estimated based on a total process and G&A operating cost of \$6.97/t of ore mined.
- The gold equivalent ("AuEq") formulae, applied for purposes of estimating AuEq grades and ounces, are as follows:
  - Factor A (gold) = 1 / 31.10346 x metallurgical recovery (82%) x smelter recovery (99%) x refinery recovery (99%) x unit Au price (US\$1,250 / oz)
  - Factor B (silver) = 1 / 31.10346 x metallurgical recovery (65%) x smelter recovery (98%) x refinery recovery (99%) x unit Ag price (US\$20 / oz)
  - AuEq grade = Au grade + (Ag grade x [Factor B / Factor A])
  - AuEq ounces = (AuEq grade x material tonnes) / 31.10346
- The contained gold and silver figures shown are in situ. No assurance can be given that the estimated quantities will be produced. All figures have been rounded to reflect accuracy and to comply with securities regulatory requirements. Summations within the tables may not agree due to rounding.
- Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.
- The quantity and grade of reported Inferred resources in this estimation are conceptual in nature and there has been insufficient exploration to define these Inferred resources as an Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.
- This updated Mineral Resource did not include any Mineral Reserves estimates for the Moss project; the Mineral Resource estimate includes all mineralized material above cut-off and captured within the optimized LG pit shell.

## Silver Creek Property, Mohave County, Arizona

On May 16, 2014, the Company announced that it had secured a lease and option on the Silver Creek property, located adjacent to the Moss Mine with La Cuesta International, Inc. ("LCI"). 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 ("Effective Date"), has a term of 35 years and requires the Company to pay LCI US\$5,000 cash and issue 100,000 common shares on execution. The US\$5,000 cash payment and 100,000 share issuance have been paid. Payments and commitments to LCI are as follows:

	<u>Cash Payments</u>	<u>Minimum Work Commitments</u>
Year 1 (12 months from Effective Date)	US\$10,000	US\$15,000
Year 2 (24 months from Effective Date)	US\$20,000	US\$20,000
Year 3 (36 months from Effective Date)	US\$30,000	US\$200,000
Year 4 (48 months from Effective Date)	US\$45,000	No Minimum
Each 6 Months, thereafter	US\$25,000	No Minimum

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

To date, only surface work has been carried out on the property (rock sampling, mapping and geophysics). No drilling has taken place. The Company is currently conducting ground-level exploration to evaluate the various exploration targets on the property, which is intended to complement the exploration plan that is underway on the Moss Mine and that previously outlined the prospectivity of the Moss Mine as a result of a recent airborne magnetics survey. These exploration elements will run concurrently with the Company's business plan for the Moss Mine including the potential development for Phase II – Commercial Operations.

In addition to the cash paid and shares issued upon execution of the agreement, as of the date of this MD&A, the Company has paid LCI a total of US\$25,000 in cash payments and has fulfilled its minimum work commitment for Year 1.

## Lemhi Gold Property, Lemhi County, Idaho

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

During the three months ended September 30, 2015, the Company recorded \$nil (2014: \$10,323) as part of the deferred cash payments from ISGC. Total payments received to date remained at \$70,043. Due to the uncertainty regarding the collectability of the deferred cash payments, payments will be recorded as income when received.

## 5. Outlook and Strategy

The key strategic priorities for the Company are to reach closure regarding the arbitration, finalize a joint venture agreement on a 70:30 basis with Patriot Gold and complete debt, equipment and equity financings, following which the Company's development plans for the Moss Mine Project will commence. Financing of the Moss Mine Project will be on a proportional basis with Patriot Gold. The arbitration is scheduled to be heard in early December 2015.

Currency fluctuations between the Canadian and the US dollar continue to be volatile and the Company continuously monitors the rates and its US dollar obligations.

Gold prices, have also been unpredictable, which have adversely affected access to capital for gold mining companies, particularly junior ones, and the Company is not immune from these challenges.



Additional priorities involve the continued exploration of the Moss and Silver Creek properties where the potential exists to make new discoveries and to continue to support the various community related initiatives that the Company has started in both the educational and community development areas.

## 6. Selected Annual Information

The following selected annual financial information is derived from the audited Financial Statements of the Company for the three most recently completed financial years:

	Year Ended June 30, 2015	Year Ended June 30, 2014	Year Ended June 30, 2013
Revenue <sup>1</sup>	\$ -	\$ -	\$ -
Net income (loss)	3,815,454	(4,166,638)	(7,919,005)
Basic and diluted income (loss) per share	0.052	(0.074)	(0.160)
Total assets	26,798,148	23,036,722	21,203,692
Total non-current financial liabilities	1,063,089	782,761	417,537

<sup>1</sup> As the Company is in the exploration and evaluation phase and not in commercial production, proceeds from the sale of gold and silver produced at the pilot plant (net of royalties and selling costs) are offset against capitalized costs incurred.

Factors that have caused period to period variations in total assets include significant financings, as further described in the Liquidity and Capital Resources section of this MD&A. The net income for the year ended June 30, 2015 included a foreign exchange gain of \$5,545,653; salaries, wages, benefits and subcontractor expenses of \$696,673; share-based payment expense of \$223,999; and professional fees of \$218,077 as a result of continued cost reduction efforts and the strengthening of the US dollar. The net loss for the year ended June 30, 2014 included salaries, wages, benefits and subcontractor expenses of \$1,270,602; share-based payment expense of \$1,391,262; and professional fees of \$506,265 as a result of Company's expansion in fiscal 2014. The net loss for the year ended June 30, 2013 included an impairment charge of \$893,150, in relation to the abandonment the Company's interest in the Copley Gold Property and the sale of the Lemhi Gold Property and a loss on the sale of the Company's investment in Lemhi JV LLC of \$2,723,322, as well as share-based payment expense of \$2,329,489.

## 7. Summary of Quarterly Results

	Three Months Ended September 30, 2015	Three Months Ended June 30, 2015	Three Months Ended March 31, 2015	Three Months Ended December 31, 2014	Three Months Ended September 30, 2014	Three Months Ended June 30, 2014	Three Months Ended March 31, 2014	Three Months Ended December 31, 2013
Revenue <sup>1</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net income (loss)	2,153,027 <sup>2</sup>	1,173,507 <sup>3</sup>	(2,846,919) <sup>4</sup>	(899,275) <sup>5</sup>	(1,242,767)	1,476,670	(119,519)	607,380
Basic and diluted income (loss) per share	0.025	0.016	(0.039)	(0.012)	(0.017)	0.026	(0.002)	0.011

<sup>1</sup> As the Company is in the exploration and evaluation phase and not in commercial production, proceeds from the sale of gold and silver produced at the pilot plant are offset against capitalized costs incurred.

<sup>2</sup> Included was a non-cash unrealized foreign exchange gain of \$2,813,147 that was attributed to the continued strengthening of the US dollar in comparison to the Canadian dollar and reflects the translation into Canadian dollars of the balance sheets and income statements of all subsidiaries that do not use the Canadian dollar as their functional currency.

<sup>3</sup> Included was a non-cash unrealized foreign exchange loss of \$535,432 that was attributed to the strengthening of the Canadian dollar in comparison to the US dollar.

<sup>4</sup> Included was a non-cash unrealized foreign exchange gain of \$3,273,509 that was attributed to the continued strengthening of the US dollar in comparison to the Canadian dollar.

<sup>5</sup> Included was a non-cash unrealized foreign exchange gain of \$1,205,220 that was attributed to the continued strengthening of the US dollar in comparison to the Canadian dollar.

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 on intercompany loans.

The variation in net income for the three months ended June 30, 2015 to 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.

The variation in net loss for the three months ended March 31, 2015 to the three months ended December 31, 2014 reflected the continued 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 further quarter-to-quarter appreciation of the US dollar against the Canadian dollar.

The variation in net loss for the three months ended December 31, 2014 to the three months ended September 30, 2014 reflected the continued reduction of senior management compensation and directors' consulting fee arrangements that resulted in decreased professional fees; and salaries, wages, benefits and subcontractor expenses. The three months also saw the transition of the heap leach pad operations to care and maintenance mode, which resulted in decreased overall expenses. The Company also recorded an unrealized foreign exchange gain of \$1,205,220 in the second quarter due to the 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.

## **8. Results of Operations**

For the three months ended September 30, 2015, the Company incurred a net income of \$2,153,027, compared to a net income of \$1,242,767 for the three months ended September 30, 2014. The factors contributing to the increased net income as compared to the previous comparable period are discussed below.

The Company recorded a predominately non-cash, unrealized foreign exchange gain of \$2,813,147 (2014: \$1,602,356) during the three months ended September 30, 2015. The significant appreciation of the US dollar in the first quarter of fiscal 2016 resulted in foreign exchange gains primarily related to unrealized gains on long-term intercompany loans receivable from one of the Company's US-based subsidiaries.

### *Administrative expenses*

For the three months ended September 30, 2015, the Company incurred total administrative expenses of \$669,215 (2014: \$384,200), which included a non-cash share-based payment expense of \$53,263 (2014: \$81,562); salaries, wages, benefits and subcontractor expenses of \$183,383 (2014: \$127,652); professional fees of \$263,981 (2014: \$32,676); marketing and community relations expenses of \$11,113 (2014: \$6,153); property fees of \$nil (2014: \$20,664); travel, meetings and conferences of \$50,361 (2014: \$23,735); management fees of \$30,000 (2014: \$nil); and other office and general expenses, including depreciation, that totalled \$77,114 (2014: \$91,758).

Significant variances are noted as follows: The increase in salaries, wages, benefits and subcontractor expenses related primarily to the Company's scheduled reduced reinstatement of key management compensation effective January 2015. Professional fees increased significantly as a result of legal and consulting services required for the arbitration as well as costs incurred in respect of the Macquarie Facility due diligence. Travel, meetings and conferences also increased as a result of arbitration related management travel and meetings. Marketing and community relations increased due to the continuation of fiscal 2015 community initiatives. The decrease in share-based payment expenses reflected the lower fair value of options granted recently as compared to the higher fair value of options granted in the previous comparable period. Office and miscellaneous expenses decreased as a result of the Company's overall cost reduction program.

### *Other income and expenses*

The Company recorded interest and other income of \$9,095 during the three months ended September 30, 2015, compared to \$14,288 in the three months ended September 30, 2014. The Company recorded \$nil (2014: \$10,323) in deferred cash payments from ISGC.

## 9. Liquidity and Capital Resources

As at September 30, 2015, the Company had cash and cash equivalents of \$3,458,183 (June 30, 2015: \$3,209,343). The increase in cash and cash equivalents compared to the year ended June 30, 2015 was primarily due to the receipt of the remaining cash proceeds from the July 2015 equity financing.

Cash and cash equivalents used in operating activities during the three months ended September 30, 2015 were \$648,176 (2014: \$827,576). The reduction of cash used in operating activities was primary due to an unrealized foreign exchange gain of \$2,807,349 (2014: \$1,548,833) and substantially diminished trade accounts payable outstanding during the first quarter of fiscal 2016 as compared to the same period in previous fiscal year.

Cash and cash equivalents used in investing activities during the three months ended September 30, 2015 totalled \$556,307 (2014: \$449,968). Cash outflows consisted of expenditures on exploration and evaluation assets of \$556,307 (2014: \$988,951); and purchases of intangible assets that totalled \$nil (2014: \$2,425). These cash outflows were offset during the three months ended September 30, 2015 by: proceeds from gold and silver sales of \$nil (2014: \$490,392); and proceeds from deferred cash payments from ISGC of \$nil (2014: \$51,016).

Cash and cash equivalents provided by financing activities during the three months ended September 30, 2015 were \$1,442,549 (2014: \$1,153,903) and consisted of cash received from a private placement share issuance of \$2,722,949 (\$2,863,300 net of share issuance costs of \$140,351) (2014: \$3,508,903, that consisted of \$3,760,525 net of share issuance costs of \$251,622) offset by subscriptions received in the fourth quarter of fiscal 2015 of \$1,280,400 (2014: \$2,355,000).

During the three months ended September 30, 2015, the Company completed a non-brokered private placement ("Private Placement") for total gross proceeds of \$2,863,300 by issuing an aggregate total of 13,015,000 units (each "Unit") at a purchase price of \$0.22 per Unit. Each Unit consists of one common share ("Common Share") of the Company and one transferable share purchase warrant ("Warrant"). Each whole Warrant entitles the holder to acquire one Common Share at an exercise price of \$0.45 for a period of 24 months. The Company paid total cash finders' fees of \$115,482 and share issuance costs of \$24,869. During the year ended June 30, 2015, the Company had received subscriptions in advance for proceeds of \$1,280,400 related to this private placement. The following table sets out the intended use of proceeds and the actual use of proceeds as of the date of this MD&A.

<b>Intended Use of Proceeds</b>	<b>Actual Use of Proceeds</b>
The Company intends to use the net proceeds of the private placement for the advancement of the Moss Mine and general corporate purposes.	The Company will continue to use the funds for development of the Moss Mine and general working capital.

A significant portion of the Company's cash and cash equivalents as of September 30, 2015 were 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, 2015, working capital increased by \$490,414 to \$3,381,541. The working capital increase was primarily attributable to proceeds received from an equity financing in July 2015.

The Company's ongoing liquidity needs will be funded from current cash and cash equivalents 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 an 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.

## 10. Contractual Obligations

### *Office space lease agreements*

The Company has entered into lease agreements for office space with terms that expire between fiscal 2016 and 2019, as disclosed in Note 18 to the Financial Statements.

### *Other commitments*

The Company is committed to making finder's fee payments regarding royalty payments on future commercial production as described in the section *Review of Development and Exploration Projects – Moss Mine*.

## **11. 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.

## **12. Related Party Transactions**

During the three months ended September 30, 2015, the Company incurred consulting service fees of \$15,000 (2014: \$nil) provided by Makwa Exploration Ltd. and \$37,642 (2014: \$19,167) provided by L.J. Bardswich Mine Consultant, Inc., companies controlled by directors. These fees were included in exploration and evaluation expenditures. As at September 30, 2015, \$nil (2014: \$9,583) was included in trade and other payables.

During the three months ended September 30, 2015, the Company also incurred professional fees and subcontractor expenses of \$10,500 (2014: \$nil) and \$15,000 (2014: \$nil) respectively, for services provided by Touchstone Capital Inc. ("Touchstone"), an organization in which two executives are directors of the Company. The Company has a corporate services agreement with Touchstone for clerical, accounting, regulatory filing and geological services. The minimum monthly fee under the agreement is \$5,000 and renews annually on December 1 of each year. As at September 30, 2015, \$5,000 (2014: \$nil) was included in trade and other payables.

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 costs were included in marketing, rent and travel. As at September 30, 2015, \$13,534 (2014: \$5,695) of consulting fees and shared office expenses was charged by Kootenay. As at September 30, 2015, \$29,626 (2014: \$5,695) was included in trade and other payables. Included in trade and other receivables as at September 30, 2015, was \$11,571 (2014: \$11,696).

The Company incurred \$18,471 (2014: \$15,781) regarding share based payments to related parties during the three months ended September 30, 2015.

### *Key Management Personnel Compensation*

Key management personnel included the Company's directors and key employees consisting of the Chairman of the Board, the President and Chief Executive Officer, and the Chief Financial Officer and Corporate Secretary. Compensation of key management personnel for the three months ended September 30, 2015 consisted of salaries, consulting fees, and short-term benefits of \$123,041 (2014: \$94,842) and share-based payments of \$12,960 (2014: \$36,917). Compensation was included in salaries, wages, benefits and subcontractor expenses and management fees.

## **13. 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.

#### **14. Proposed Transactions**

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

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

There were no new accounting standards adopted during the three months ended September 30, 2015.

#### **16. 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 the MD&A.

- In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments ("IFRS 9") that replaces IAS 39 Financial Instruments: Recognition and Measurement in its entirety and reduce the complexity in the classification and measurement of financial instruments. The completed version of IFRS 9 includes classification and measurement, impairment and hedge accounting requirements and is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of the standard on its interim consolidated financial statements.
- In May 2014, the IASB issued IFRS 15, Revenue from Contracts and Customers ("IFRS 15") that will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations. IFRS 15 establishes a single five-step model to be applied for all contracts with customers. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently reviewing the standard to determine the expected impact on its interim consolidated financial statements.

#### **17. 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 six 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.

## 18. Disclosure of Share Data as of November 30, 2015

The following table states the diluted share capital of the Company as at November 30, 2015:

	Number of Shares Outstanding
<b>Issued share capital as at November 30, 2015</b>	<b>85,956,446</b>
Shares reserved for issuance pursuant to share purchase options outstanding <sup>(1)</sup>	6,485,000
Shares reserved for issuance pursuant to share purchase warrants outstanding <sup>(2)</sup>	33,952,223
<b>DILUTED TOTAL</b>	<b>126,393,669</b>

### Notes:

- 1 As at November 30, 2015, the Company had outstanding stock options enabling holders to acquire common shares of the Company as follows:

Number of Options	Exercise Price \$	Expiry Date	Options Exercisable
200,000	1.00	May 17, 2016	200,000
200,000	1.30	December 12, 2016	200,000
2,200,000	1.40	November 11, 2017	2,200,000
200,000	1.40	January 20, 2018	200,000
200,000	0.85	June 6, 2018	200,000
1,135,000	0.65	September 25, 2018	1,135,000
100,000	0.30	July 28, 2019	75,000
2,250,000	0.25	February 24, 2020	750,000
<b>6,485,000</b>			<b>4,960,000</b>

- 2 As at November 30, 2015, the Company had outstanding share purchase warrants enabling holders to acquire common shares of the Company as follows:

Number of Warrants	Exercise Price \$	Expiry Date	Warrants Exercisable
2,618,000	0.90	March 25, 2016	2,618,000
1,321,500	1.15	April 4, 2016	1,321,500
5,521,049	0.50	July 3, 2016	5,521,049
2,000,000	0.50	July 11, 2016	2,000,000
5,817,174	1.55	November 23, 2016	5,817,174
3,659,500	1.75	November 26, 2016	3,659,500
13,015,000	0.45	July 8, 2017	13,015,000
<b>33,952,223</b>			<b>33,952,223</b>

## 19. Financial Instruments and Financial Risk Management

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

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

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

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

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

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

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

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

<b>Financial Assets</b>		<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>		<b>Total</b>
Cash and cash equivalents	\$	3,458,183	\$	-	\$	-	\$	3,458,183

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

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

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations. The Company has credit risk in respect of its cash and cash equivalents, trade and other receivables, and reclamation deposits. The Company considers the risk of loss relating to cash and cash equivalents and reclamation deposits to be low because these instruments are held only with a Canadian Schedule I financial institution, a US-chartered commercial bank and a US government agency. Trade and other receivables at September 30, 2015 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, 2015, the Company’s financial liabilities were comprised of trade and other payables of \$310,055 (June 30, 2015: \$420,977), 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, 2015, \$201,003 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 \$20,100 on 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 and cash equivalents 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, 2015, the weighted-average interest rate on cash and cash equivalents was 0.97%. With other variables unchanged, a 1% increase in the annualized interest rate would reduce net loss by \$34,435.

## **20. 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 source of cash other than interest on cash balances and proceeds from the sale of gold and silver produced from the Moss Mine pilot plant operations. 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.

### **Early Stage – 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.

The Company anticipates future expenses will require additional infusions of capital and there can be no assurance that such financing 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**

Mineral exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but



also from finding mineral deposits that, though present, are of insufficient size and/or grade quality to return a profit from production.

All of the mineral claims to which the Company has a right to acquire an interest are in the exploration and pre-production stages only and are without a known body of commercial ore. Upon discovery of a mineralized occurrence, several stages of exploration and assessment are required before its economic viability can be determined. Development of the subject mineral properties would follow only if favourable results are determined at each stage of assessment. Few precious and base metal deposits are ultimately developed into producing mines.

### **Operating Hazards and Risks**

Mining operations involve many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. In the course of exploration, development and production of mineral properties, certain risks, in particular unexpected or unusual geological operating conditions, including rock bursts, cave-ins, fires, flooding and earthquakes, may occur. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of mineral deposits, any of which could result in damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage.

### **Market Conditions**

Improved market conditions for resource commodities, during the last decade, have resulted in a dramatic increase in mineral exploration, which led to widespread shortages of experienced technical personnel and heavy demand for drillers, helicopters and crews and geophysical surveying crews, as well as other goods and services required by exploration companies to perform work. With the global financial crisis and the current downturn in the resource sector, particularly in gold and equity markets, mineral exploration expenditures have been reduced until the fall out from the current situation is truly known.

It is difficult at this stage to quantify the effect of the current downturn in resource equity markets with respect to the demand for exploration goods and services, but it is forecasted that costs for the upcoming year may well be less than has been seen in the past twelve months.

### **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 exploration and evaluation assets 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.

### **Debt Financing**

The Company has signed an engagement letter, namely the Macquarie Facility, and has received a proposal regarding the Equipment Facility. The closing of both financings are subject to numerous terms and conditions and as such, there can be no assurance that either facility will close or that the indicative terms defined will not change.

### **Joint Venture Arrangements**

The Company has "earned-in" regarding the 2011 Agreement with Patriot Gold pertaining to the Moss Mine. The 2011 Agreement has certain conditions contained therein and there is no assurance that the Company will be successful in consummating the 2011 Agreement.

### **Arbitration**

The Company's belief that the two matters pertaining to the 2011 Agreement with Patriot Gold are without merit and will be vigorously defended in the Arbitration however, the Company cannot provide assurance as to the outcome.

### **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.

## **21. 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.

## **22. 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.

## **23. Approval**

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

## **24. 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).