

**NORTHERN VERTEX MINING CORP.**

**Management's Discussion and Analysis  
for the three months ended September 30, 2013**

**Dated as of November 29, 2013**

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## **NORTHERN VERTEX MINING CORP.**

### **Management's Discussion and Analysis for the three months ended September 30, 2013**

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 29, 2013 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, 2013. This MD&A provides information on the operations of the Company for the three months ended September 30, 2013 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, 2013, 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 geological disclosure contained within this MD&A has been reviewed and approved by Mr. Dan Kilby, P.Eng., the Company's General Manager of Exploration and a Qualified Person for the purpose of National Instrument 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 sole project is the Moss 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 and environmental regulations; and
- Advancing Moss Mine pilot plant operations concurrent with completing the terms necessary to earn its interest in the project (as further described in Section 3 of this MD&A).

#### **2. First Quarter 2014 Operating and Financial Highlights**

##### **Operating results**

- Construction of the Pilot Plant – Phase I, 100% completed in August 2013;
  - Mining operations 100% complete;
  - Mineralized material loaded onto leach pad 100% complete;
  - Gold extraction commenced 4.5 months ahead of Preliminary Economic Assessment ("PEA") scheduled timeline;
  - Initial gold extraction rates in line with PEA expectations, 61% after 40 days for the first segment of the heap;
  - Stripping has commenced and gold and silver sales are underway; and
  - Applications for a permit to increase the allowable tonnage for the Pilot Plant have been made.
- On September 25, 2013, the Company completed a non-brokered private placement of 5,236,000 units at a price of \$0.65 per unit for gross proceeds of \$3,403,400. Cash finders' fees of \$209,180 were paid to arm's length parties in relation to the private placement. Each unit consisted of one common share of the Company and one-half of one transferable common share purchase warrant, with one whole warrant entitling the holder to purchase one common share at an exercise price of \$0.90 until March 25, 2015. The expiry date of the Warrants may be accelerated, at the sole option of the Company, to 30 business days following the date on which the Company gives notice that its common shares have closed for 21 consecutive trading days at a price of \$1.40 or greater. All of the securities issued pursuant to this offering are subject to a hold period expiring on January 26, 2014;

- On September 25, 2013, the Company amended the expiration date of 1,321,500 warrants exercisable at \$1.15 from October 4, 2013 to October 4, 2014, and 5,817,174 warrants exercisable at \$1.55 from November 23, 2013 to November 23, 2014. In all other respects, the terms of these warrants remain unchanged; and
- On September 25, 2013, the Company granted 1,435,000 stock options to employees, consultants, officers and directors with an exercise price of \$0.65 and an expiry date of September 25, 2018.

### **Financial results**

- Ended the first quarter of 2014 with working capital of \$1.84 million at September 30, 2013 (June 30, 2013: \$5.72 million), which included cash and cash equivalents of \$7.59 million (June 30, 2013: \$7.77 million);
- Recorded a net loss of \$2.20 million for the three months ended September 30, 2013 (2012: \$0.27 million);
- Net loss for the three months ended September 30, 2013 included \$0.53 million (2012: \$0.03 million) in share-based payment expense, \$0.34 million (2012: \$0.02 million) in professional fees, \$0.34 million (2012: \$0.02 million) in salaries, wages, benefits and subcontractor expenses, and \$0.19 million (2012: \$0.04 million) in marketing and community relations expenses; and
- Invested \$4.58 million in the Company's exploration and evaluation assets during the three months ended September 30, 2013 (2012: \$0.06 million), all of which was incurred in respect of the development of the Moss Mine.

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

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

The Company entered into an Exploration and Option Agreement with Patriot Gold Corp. ("Patriot") effective March 7, 2011, whereby the Company was granted the right to earn a 70% interest in the Moss 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 220 meters vertically from surface. It is a potential heap leach, open pit project being advanced under a three-phase business plan, specifically designed to ensure that technical, economic, permitting and funding requirements are met prior to each phase proceeding.

To fulfil the terms of the agreement and earn its 70% interest, the Company, who paid Patriot US\$500,000 upon execution of the agreement, must spend an aggregate total of US\$8 million on exploration over five years (completed) and must complete a bankable feasibility study. Subsequent to the Company's earn-in, financing of further work on the property will be on a proportional basis under the direction of a management committee with voting rights proportional to ownership percentage and decisions based on a majority vote.

The Company paid a 3% finder's fee on the initial US\$500,000 payment to Patriot to a non-related party and pays a further 3% finder's fee on exploration expenditures, in quarterly instalments, to this non-related party. On commercial production as defined in the agreement with Patriot, 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. Royalties are expected to average 1% of net smelter returns during Pilot Plant – Phase I as per the PEA.

Mining operations and crushing, stacking and agglomeration of mineralized material for the Phase I pilot plant is now complete. A total of 90,199 dry metric tonnes grading 1.404gpt Au and 13.891gpt Ag is now under leach. An additional 12,524 tonnes has been placed on the heap and will be placed under leach when an amendment to the environmental permit governing the pilot plant is received. Leaching is expected to continue over the next six to nine months.

The Company has now made three shipments to the offsite carbon stripping facility. Proceeds received to date from the initial gold and silver shipment and carbon stripping amounted to US\$365,826 based on 270.4 received oz Au and 588.6 received oz Ag. The proceeds from gold and silver sales were based on a spot gold price of US\$1,326/oz Au, US\$22.30/oz Ag and a payable of 98.5% (Au) and 96% (Ag). The two additional shipments made to date are at various stages of precious metal processing (stripping of carbon, pouring of doré bars and refining into gold bullion) and await analysis and final determination of precious metals content.

As at September 30, 2013, the cumulative exploration and evaluation costs for the Moss Mine totalled \$16,661,109. As of the date of this MD&A, the Company had fulfilled its Earn-In obligation excluding the bankable feasibility study ("BFS") under the agreement with Patriot, and was in the process of planning the BFS, with the completion date expected in the second quarter of the 2014 calendar year.

Capital costs for the Phase I pilot plant are \$5.4 million, primarily due to significant design and engineering enhancements along with added safety and environmental considerations, not originally considered in the preliminary estimates outlined in the PEA. Current O&M costs are \$4.5 million, with final costs expected to increase from PEA estimates, predominantly due to added staffing requirements and drilling, blasting and crushing activities. Significant changes in scope were made to the original PEA scope to facilitate the "proof of concept" objective of Phase I. Significant learnings have occurred as a result as highlighted in the Company's news release dated November 15, 2013. Additionally, the nucleus of an operating team capable of moving the company forward to Phase II has been assembled.

Based on the Company's financial projection, anticipated tax benefits from current and future net operating losses estimated to be incurred, head office expenditures attributable to the support of mining activities and amortization of current and future capitalized assets (including \$16.7 million incurred, as of September 30, 2013, on the Moss property as well as PEA estimates of \$26.6 million for anticipated capital expenditures on Phase II), will substantially offset taxable income in the initial years of commercial production. Any refinement of potential tax implications will be reviewed by the Company's tax advisors.

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

The Company realized a loss of \$2,723,322 on the sale of its interest in Lemhi JV LLC during the year ended June 30, 2013. This loss did not include any of the deferred cash payments that may be received in the future in respect of the sale of the Company's interest in Lemhi JV LLC. During the three months ended September 30, 2013, the Company received US\$3,268 in respect of the deferred cash payments from ISGC.

#### **4. Outlook and Strategy**

As of the date of this MD&A, the Company had completed Pilot Plant – Phase I construction, leaching had commenced and gold and silver were being produced. On October 11, 2013, the Company received its first proceeds on production from the pilot plant, which consisted of US\$365,826 from the sale of 270.4 ounces of gold and 588.6 ounces of silver. The Company's financial position will be closely related to the market price of gold and silver within the coming year as the Company proceeds with Pilot Plant - Phase I and continues selling gold and silver production from the Moss Mine. The Company's current and future cash flows from financing activities are expected to fund the development of the Moss Mine until such time as the Company is able to generate positive cash flows from operations. The Company believes that gold and silver prices will continue to be subject to volatility in the short-to-medium term.

Other factors which may influence the Company's operations in the coming months include: production levels, which may be impacted by grades, recovery rates, ore quantity, equipment availability, unknown geotechnical and groundwater characteristics and environmental permitting; and production costs, which may be impacted by production levels, input prices, labour availability, cost and inflation rates.

The Company's primary strategic focus is to proceed in completing Pilot Plant – Phase I and complete a bankable feasibility study, which will determine the Company's position for Phase II. In order to achieve this, the Company will take measures to monitor capital and operating costs and monitor operating results including ore quantities, grades, strip ratios and other key factors. The Company will require further funding to proceed with development for Phase II as described in the "*Liquidity and Capital Resources*" section below.

## 5. 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, 2013	Year Ended June 30, 2012	Year Ended June 30, 2011
Revenue	\$ -	\$ -	\$ -
Net loss	(7,919,005)	(1,881,990)	(790,987)
Basic and diluted loss per share	(0.160)	(0.048)	(0.04)
Total assets	21,203,692	15,743,123	3,542,624
Total non-current financial liabilities	-	-	-

## 6. Summary of Quarterly Results

	Three Months Ended September 30, 2013	Three Months Ended June 30, 2013	Three Months Ended March 31, 2013	Three Months Ended December 31, 2012	Three Months Ended September 30, 2012	Three Months Ended June 30, 2012	Three Months Ended March 31, 2012	Three Months Ended December 31, 2011
Revenue	-	-	-	-	-	-	-	-
Net loss	(2,202,107)	(1,233,008)	(4,165,466)	(2,246,703)	(273,828)	(269,384)	(762,357)	(629,421)
Basic and diluted loss per share	(0.042)	(0.028)	(0.079)	(0.047)	(0.006)	(0.006)	(0.02)	(0.018)

The variation in the net loss for the three months ended September 30, 2013 to the three months ended June 30, 2013 was attributed to increased professional fees and filing costs related to a prospective financing which was ultimately not pursued, as well as increased marketing and community relations expenses.

The variation in the net loss for the three months ended June 30, 2013 to the three months ended March 31, 2013 was primarily due to the loss on the sale of the Company's investment in Lemhi JV LLC of \$2,723,322 during the three months ended March 31, 2013.

The variation in the net loss for the three months ended March 31, 2013 to the three months ended December 31, 2012 reflected the loss on the sale of the Company's investment in Lemhi JV LLC of \$2,723,322 during the three months ended March 31, 2013, offset by an impairment charge for the three months ended March 31, 2013 that was \$757,634 lower than the impairment charge recorded for the three months ended December 31, 2012.

The variation in the net loss for the three months ended December 31, 2012 to the three months ended September 30, 2012 reflected the following factors from the three months ended December 31, 2012: increased share-based payment expense of \$879,100 compared to the three months ended September 30, 2012 in connection with stock options granted to employees, consultants, officers and directors; an impairment charge of \$825,392 regarding the abandonment of the Company's interest in the Copley Gold Property; and increased salaries, wages, benefits and subcontractor expenses of \$88,002 compared to the three months ended September 30, 2012 due to the addition of staff in the Vancouver office and for Bullhead City operations.

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

## 7. Results of Operations

For the three months ended September 30, 2013, the Company incurred a net loss of \$2,202,107, compared to a net loss of \$273,828 for the three months ended September 30, 2012. The factors contributing to the increased net loss compared to the previous comparable period are discussed below.

### *Administrative expenses*

For the three months ended September 30, 2013, the Company incurred total administrative expenses of \$1,875,729 (2012: \$308,180), which included non-cash share-based payment expense of \$527,689 (2012: \$33,977); salaries, wages, benefits and subcontractor expenses of \$340,353 (2012: \$19,247); professional fees of \$335,370 (2012: \$18,412); marketing and community relations expenses of \$192,551 (2012: \$44,247); property fees of \$133,607 (2012: \$nil); travel, meetings and conferences of \$117,196 (2012: \$56,740); management fees of \$38,950 (2012: \$11,574); the Company's share of the losses in Lemhi JV LLC of \$nil (2012: \$88,265); and other office and general expenses, including depreciation, totalled \$190,013 (2012: \$35,718).

Significant variances are noted as follows: The increase in salaries, wages, benefits and subcontractor expenses related to the Company's increased staff complement as employees were added in both the Vancouver office and for Bullhead City operations. Travel, meetings and conferences increased due to a greater number of road shows and conferences attended, as well as increased travel related to management of the Moss Mine. Depreciation expenses increased as a result of new accounting software procured in May 2013 and ongoing support. Share-based payment expense had also risen over the prior comparable period due to the addition of employees and board members and the retention of consultants. The increase in marketing and community relations reflected the Company's participation in sponsorships and other new initiatives intended to promote awareness of the Company's activities and its commitment to working in partnership with various stakeholders in the communities in which it operates. General office expenses increased and were related primarily to the office in Bullhead City near the Moss Mine site and additional office space in Vancouver, as well as increased insurance costs, IT and communications services and support. Professional and filing fees also increased during the period and related to a prospective financing, which was ultimately not pursued. Property fees represented the 3% finder's fee paid to a non-related party on exploration expenditures for the Moss Mine, as further described in *Review of Development and Exploration Projects – Moss Mine*. The increase in property fees reflected the increased expenditures on the Moss Mine compared to the previous comparable period.

### *Other income and expenses*

The Company recorded interest and other income of \$23,313 during the three months ended September 30, 2013, compared to \$32,192 in the previous comparable period. The reported amount for the three months ended September 30, 2013 represents interest earned on the bank balances whereas the reported amount for the previous comparable period was comprised primarily of administrative income from management of the Lemhi JV LLC. The Company sold Lemhi JV LLC in March 2013 and no administrative income has since been earned. The Company had a higher average cash balance for the three months ended September 30, 2013 than in the previous comparative period as a result of cash proceeds from an equity financing and the sale of the Company's investment in Lemhi JV LLC. The Company also recorded a foreign exchange loss of \$353,085 during the three months ended September 30, 2013 (2012: foreign exchange gain of \$2,160). The foreign exchange loss primarily related to the unrealized loss on long-term intercompany loans receivable from one of the Company's U.S.-based subsidiaries.

## **8. Liquidity and Capital Resources**

As at September 30, 2013, the Company had cash and cash equivalents of \$7,588,390 (September 30, 2012: \$1,865,339). The increase in cash and cash equivalents compared to the three months ended September 30, 2012 was primarily due to an equity financing and to significant additional trade accounts payable in connection with the development of the Moss Mine.

Cash and cash equivalents used in operating activities during the three months ended September 30, 2013 were \$1,091,627 (2012: \$349,101). The increase in cash used in operating activities compared to the prior comparable period reflected an increase in operating expenses as the Company expanded its Vancouver operations in advancing its planned activities for the Moss Mine.

Cash and cash equivalents used in investing activities during the three months ended September 30, 2013 totalled \$2,239,411 (2012: \$67,693) and consisted of cash outflows as follows: expenditures on exploration and evaluation assets of \$4,577,155 (2012: \$63,480); cash provided in respect of reclamation bonds of \$nil (2012: \$317); purchases of property, plant and equipment of \$1,116,679 (2012: \$4,530), which primarily related to equipment purchases for the Moss Mine; and purchases of intangible assets that totalled \$10,450 (2012: \$nil), which related to a new accounting system. These cash outflows were offset during the three months ended September 30, 2013 by changes in non-cash investing working capital of \$3,464,873 (2012: \$nil). The \$4,577,155 in exploration and evaluation expenditure and the change in non-cash working capital of \$3,464,873 for the three months ended September 30, 2013 related entirely to

the development of the Moss Mine and included significant costs for pilot plant construction, pilot plant mining operations, administration and personnel costs and field expenses.

Cash and cash equivalents provided by financing activities during the three months ended September 30, 2013 totalled \$3,169,316 (2012: \$11,250) and consisted of cash received from a private placement share issuance of \$3,169,316 (net of share issuance costs of \$234,084). Cash and cash equivalents provided by financing activities during the three months ended September 30, 2012 included \$11,250 received from the exercise of options.

On September 25, 2013, the Company completed a non-brokered private placement of \$3,403,400 described in the section *First Quarter 2014 Operating and Financial Highlights*. 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 project, and general corporate purposes.	The Company has and will use the funds for development of the Moss Mine and general working capital. There has been no impact on the ability of the Company to achieve its business objectives and milestones.

The majority of the Company's cash and cash equivalents as of September 30, 2013 were denominated in Canadian dollars. However, the Company does maintain cash balances denominated in U.S. dollars and in conducting operations the Company made payments as appropriate in both Canadian and U.S. dollars. Accordingly, the Company is subject to foreign currency rate fluctuations between the U.S. and Canadian dollar.

During the three months ended September 30, 2013, working capital decreased by \$3,881,280 to \$1,838,705 and included cash and cash equivalents of \$7,588,390. The working capital decrease was primarily attributable to increased trade accounts payable related to operating the Moss Mine Pilot Plant – Phase I.

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

## **9. Contractual Obligations**

### *Office space lease agreements*

The Company has entered into lease agreements for office space with terms that expire between 2013 and 2018, as disclosed in Note 17 to the Financial Statements.

### *Capital expenditure commitments*

The Company has entered into various contracts in respect of Pilot Plant – Phase I operations at the Moss Mine for mining, processing and fine crushing, and agglomerating and stacking. Commitments that remained on these contracts as of September 30, 2013 amounted to \$0.35 million. The Company expects to meet its existing capital expenditure commitments with funds from working capital.

Expenditures not yet committed but required to fund planned development of the Moss Mine – Phase I are expected to be met from existing working capital and from sales of gold and silver produced from the Pilot Plant. The Company is also endeavouring to organize a financing as described in the section *Liquidity and Capital Resources*.

### *Other commitments*

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



## 10. 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.

## 11. Related Party Transactions

During the three months ended September 30, 2013, the Company incurred consulting services of \$35,001 (three months ended September 30, 2012: \$30,000) provided by Makwa Exploration Ltd. and \$nil (September 30, 2012: \$37,640) provided by L.J. Bardswich Mine Consultant, Inc., companies controlled by directors. These fees were included in exploration and evaluation assets on the consolidated statements of financial position.

During the three months ended September 30, 2013, the Company incurred consulting fees of \$15,000 (September 30, 2012: \$15,000) and corporate service fees of \$30,000 (September 30, 2012: \$30,000) for services provided by Touchstone Capital Inc. ("Touchstone"), a company 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 monthly fee under the agreement is \$10,000 and renews annually on December 1 of each year. The consulting fees are included in professional fees and the corporate service fees are included in salaries, wages, benefits and subcontractor expenses on the interim consolidated statements of operations and loss.

The interim consolidated statements of operations and loss also included management fees of \$38,950 (September 30, 2012: \$11,574) charged by Mr. Ken Berry, an officer and director. The interim consolidated statements of financial position included \$nil (June 30, 2013: \$21,006) in trade and other payables due to officers and directors.

The Company shared certain administrative costs with Kootenay Silver Inc. ("Kootenay"), a publicly traded company related by common directors actively involved in operating and financing activities. The interim consolidated statements of financial position at September 30, 2013 included the following balances with Kootenay: trade accounts receivable of \$9,582 (June 30, 2013: \$26,788) and trade accounts payable of \$66,852 (June 30, 2013: \$37,968). The interim consolidated statements of operations and loss for the three months ended September 30, 2013 included administrative costs billed by Kootenay for marketing expenses, office and miscellaneous expenses and travel, meetings and conferences that totalled \$25,707 (September 30, 2012: \$35,022).

Prior to the sale of its interest in Lemhi JV LLC, the Company received administration income from the joint venture of \$nil (September 30, 2012: \$28,034), recorded as other income in the consolidated statements of operations and loss.

### *Key Management Personnel Compensation*

Key management personnel included the Company's directors and key employees consisting of the President and Chief Executive Officer, the Chief Financial Officer and Corporate Secretary and the General Manager – Moss Project. Compensation of key management personnel for the three months ended September 30, 2013, other than as disclosed elsewhere in this section, consisted of salaries and short-term benefits of \$188,327 (September 30, 2012: \$nil) and share-based payments of \$353,699 (September 30, 2012: \$24,729).

## 12. 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.

### 13. Proposed Transactions

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

### 14. Adoption of New Accounting Standards

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

- IFRS 10, *Consolidated Financial Statements*, requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IAS 27, *Consolidated and Separate Financial Statements* and IAS 28, *Investments in Associates* were revised and reissued as IAS 27, *Separate Financial Statements* and IAS 28, *Investments in Associates and Joint Ventures* to align with the new consolidation guidance.
- IFRS 11, *Joint Arrangements*, requires an entity to classify its interest in a joint arrangement as either a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting, while joint operations will require the entity to recognize its share of the assets, liabilities, revenue and expenses of the joint operation. While the Company does not currently have any joint arrangements, the Company may be subject to such arrangements in the future upon fulfilling the terms to acquire its 70% interest in the Moss Mine.
- IFRS 12, *Disclosure of Interests in Other Entities*, establishes disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. Matters covered include information about the significant judgments and assumptions that any entity has made in determining whether it has control, joint control or significant influence over another entity. The Company may be subject to joint arrangements in the future upon fulfilling the terms to acquire its 70% interest in the Moss Mine.
- IFRS 13, *Fair Value Measurement*, is a comprehensive new standard for fair value measurement and disclosure across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price.
- IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, sets out principles for the accounting for overburden waste removal (stripping) costs during the production phase of a mine. While the Company is not yet in the production phase, the Company is currently assessing the future impact of this interpretation.

### 15. 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.

The following new standard was issued by the IASB and was intended to be effective for annual periods beginning after January 1, 2015.

The IASB issued a new standard, IFRS 9, *Financial Instruments* ("IFRS 9"), which will ultimately replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase of this project. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 requires a single impairment method to be used, replacing multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in an entity's credit risk are presented in other comprehensive income.

On November 19, 2013, the IASB announced it had decided that a mandatory date of January 1, 2015 would not allow sufficient time for entities to prepare to apply the new Standard because the impairment phase of the IFRS 9 project had not yet been completed. The IASB decided that it would be necessary to have a later mandatory effective date and that the new date should be determined when IFRS 9 is closer to completion.

## 16. Corporate Governance

The Company's Board of Directors and its committees adhere to recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The current Board of Directors is comprised of seven individuals, five 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.

## 17. Disclosure of Share Data as of November 29, 2013

The following table states the diluted share capital of the Company as at November 29, 2013:

	<b>Number of Shares Outstanding</b>
<b>Issued share capital as at November 29, 2013</b>	<b>57,799,348</b>
Shares reserved for issuance pursuant to share purchase options outstanding <sup>(1)</sup>	5,708,000
Shares reserved for issuance pursuant to share purchase warrants outstanding <sup>(2)</sup>	13,416,174
<b>DILUTED TOTAL</b>	<b>76,923,522</b>

### Notes:

- 1 As at November 29, 2013, 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
823,000	0.45	November 13, 2015	823,000
200,000	1.00	May 17, 2016	200,000
200,000	1.30	December 12, 2016	200,000
2,400,000	1.40	November 11, 2017	1,800,000
350,000	1.40	January 20, 2018	175,000
100,000	1.40	January 31, 2018	50,000
200,000	0.85	June 6, 2018	50,000
1,435,000	0.65	September 25, 2018	358,750
5,708,000			3,656,750

- 2 As at November 29, 2013, 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
1,321,500	1.15	October 4, 2014	1,321,500
5,817,174	1.55	November 23, 2014	5,817,174
3,659,500	1.75	November 26, 2014	3,659,500
2,618,000	0.90	March 25, 2015	2,618,000
13,416,174			13,416,174

## 18. Financial Instruments and Financial Risk Management

The carrying values of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their fair values due to the short-term nature of these instruments. Reclamation deposits consist primarily of reclamation bonds represented by certificates of deposit ("CDs") held with a U.S.-chartered commercial bank. As the CDs are highly liquid in nature and interest is paid to the Company monthly, the carrying value approximates fair value.

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

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, 2013:

<b>Financial Assets</b>		<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>		<b>Total</b>
Cash and cash equivalents	\$	7,588,390	\$	-	\$	-	\$	7,588,390

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

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

### (a) Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations. The Company has credit risk in respect of its cash and cash equivalents, trade and other receivables, and reclamation deposits. The Company considers the risk of loss relating to cash and cash equivalents and reclamation deposits to be low because these instruments are held only with highly rated financial institutions. Trade and other receivables at September 30, 2013 related primarily to the sale of gold and silver to one customer and are expected to be collectible in full due to the nature of the counterparty.

(b) Liquidity risk

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

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

As at September 30, 2013, the Company's financial liabilities were comprised of trade and other payables of \$6,353,716 (June 30, 2013: \$2,341,239), which have a maturity of less than one year.

(c) Market risk

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

(i) Currency risk

Foreign currency exchange rate risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate as a result of changes in foreign exchange rates. The Company is considered to be in the exploration and development stage and has not yet developed commercial mineral interests; the underlying market prices realized by the Company for mineral sales are impacted by changes in the exchange rate between the Canadian and the U.S. 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, 2013, \$54,520 of the Company's cash and cash equivalents were denominated in U.S. dollars. A 10% variation in the U.S. dollar exchange rate would result in an impact of approximately \$5,452 on annual net loss.

(ii) Commodity price risk

Commodity price risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and U.S. 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, 2013, the weighted-average interest rate on cash and cash equivalents was 1.31%. With other variables unchanged, a 1% increase in the annualized interest rate would reduce annual net loss by \$73,662.

## **19. 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. The Company currently has no source of income 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 will rely mainly on equity financing to fund exploration and operating activities on its mineral properties.

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

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

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

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

## **Economic Conditions**

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

## **Dependence on Management**

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

## **20. 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.

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

The Company's interim 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.

## **22. Approval**

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

## **23. 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).