

**NORTHERN VERTEX MINING CORP.**

**Management's Discussion and Analysis  
for the three and nine months ended March 31, 2015**

**Dated as of May 29, 2015**

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## **NORTHERN VERTEX MINING CORP.**

### **Management's Discussion and Analysis for the three and nine months ended March 31, 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 May 29, 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 and nine months ended March 31, 2015. This MD&A provides information on the operations of the Company for the three and nine months ended March 31, 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, 2014, 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;
- Earning a 70% interest in the Moss Mine per the Exploration and Option to Enter Joint Venture Agreement Moss Mine Project ("2011 Agreement") from Patriot Gold Corp. ("Patriot Gold") as filed on SEDAR on August 9, 2013; and
- Advancing the Moss Mine, primarily the completion of the feasibility study ("FS") necessary to earn the Company's interest in the project (as further described in Section 4 of this MD&A).

#### **2. Third Quarter 2015 Operating and Financial Highlights**

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

###### *Operations*

- To recap, Phase I – Pilot Plant Operations – of the Company's business plan was completed during the second quarter. 112,500 tonnes of mineralized material was successfully leached on the 700' by 300' heap leach pad. The objective of this phase of the Company's business plan was to "prove the concept" regarding the Company's ability to crush the Moss Mine mineralization to 95% minus 1/4 inch material, agglomerate it and recover the gold and silver by conventional heap leach processing.
- Leaching operations began on August 11, 2013 and continued until September 18, 2014. Gold recoveries to dore, from all six cells on the heap averaged 82%. This recovery rate for gold is well in excess of the 75% level used in the Company's Preliminary Economic Assessment ("PEA") and shows that the Moss Mine mineralization is amenable to heap leach processing. Silver recoveries at 38% were lower than the rate of 55% used in the PEA, attributable to the utilization of the lower capital cost carbon adsorption method rather than the higher capital cost Merrill Crowe method to recover gold and silver from leach solutions. A Merrill Crowe plant is planned for Phase II.

- As of the date of this MD&A, Moss Mine operations have been shut down and placed on care and maintenance, with the exception of the heap and solution neutralization program, which is intended to neutralize both the heap and the solutions to achieve levels at or below Arizona Drinking Water Standards. Company staff monitor the site Monday to Friday on day shifts, while Mohave Security monitors the site on night shifts, weekends and holidays. The Company continues to maintain the facilities on site, in preparation of a future construction decision relating to Phase II – Commercial Operations.

*Safety*

- The Company's exemplary safety record has continued. As of the date of this MD&A, the Company has operated for well over two and one half years without a Lost Time Accident ("LTA") or Mine Safety and Health Administration reportable accident. Safety remains a top priority going forward for the Company.

*Exploration*

- Several airborne magnetic surveys highlighted on the Moss Mine property, anomalies corresponding to mineralized structures, prompting the Company to initiate a field geological mapping and sampling programme on areas outside of the main Moss vein system. The objective of the programme was to identify and prioritize areas for future drilling where new resources may be discovered. Only approximately 5% of the property has been explored to date. In addition to the claims covered by the 2011 Agreement with Patriot Gold, this programme incorporated claims registered solely under Golden Vertex's name and the adjacent Silver Creek Property claims, for which the Company has an "earn-in" opportunity.
- Reconnaissance mapping followed by a rock chip sampling program, totaling 681 samples, was carried out to investigate a number of vein trends on the Company's unpatented claims surrounding the flagship Moss Deposit. Initial coverage was focused on prominent quartz carbonate veins and breccia zones. A number of the aeromagnetic and structural trends noted in an earlier news release (dated April 1, 2014) were tested while others still remain to be sampled.
- A significant number of samples returned gold mineralization, with assays in excess of 1 g/t (gram per tonne) being recorded in numerous samples. The highlights to date include (see news release dated March 24, 2015):

<b><u>Sample ID</u></b>	<b><u>Area</u></b>	<b><u>Sample Type</u></b>	<b><u>Au g/t</u></b>	<b><u>Ag g/t</u></b>
229184	Oatman Extension	chip	7.47	40.5
173325	Oatman Extension	chip	6.38	44.4
213195	Silver Creek Spring	grab	5.42	76.1
213364	Silver Creek Spring	grab	3.57	231.6
230217	Old Timer	grab	20.26	14.4
213134	Old Timer	chip	9.19	48.2
213010	Grapevine	chip	18.17	6.4
213293	Grapevine	grab	2.4	2.1

*Note - These results are indicative of auriferous content on a local scale only and do not represent indications of system wide or vein based mineralization.*

- Results to date indicate that a low sulphidation, epithermal, depositional model applies to the vein systems outlined to date, similar to the Moss deposit and those exploited at Oatman. The Oatman deposits are low sulphidation deposits and are similar to the Midas deposit, the Hollister deposit and others.
- The samples were collected by professional prospectors with the objective of evaluating the lithology, mineralogy and structure of the identified vein systems both along and across strike. A significant number of samples showed evidence of gold mineralization with a portion having gold grades in excess of 1 g/t indicating that a number of vein exposures on the property are auriferous at surface with others showing alteration and trace elements that indicate their surface expression is above the boiling zone where gold might be found in the system.
- Due to the success of the current program in outlining areas of high potential for future exploration mapping, sampling and, eventually, drilling, the Company will be developing plans for a further mapping and sampling program. Several target areas remain to be sampled and others require follow-up sampling to further define their potential. Once this work is complete, the Company will assess the prospects for a property wide drilling

program to test the potential for further discoveries on the Moss and Silver Creek claims; however, at this time, no drilling is planned on public lands. Given the success to date, the Company believes that the prospects for additional discoveries of gold bearing veins and structures continue to be good.

- In addition, the Moss deposit is open along strike, in both directions, and is open to depth. Furthermore, several flexure zones, with elevated grades and increased thickness, have been identified further highlighting the potential to add near-surface resources. On December 31, 2014, the Company 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 report outlines those areas in the immediate vicinity of the main Moss vein system that hold excellent exploration potential to add near-surface resources.
- The independent technical report mentioned above entitled "Technical Report on the 2014 Mineral Resource Update, Moss Mine Gold-Silver Project, Mohave County, Arizona, USA" (the "Technical Report") is dated December 30, 2014 and has an effective date of October 31, 2014. It was prepared by MineFill Services, Inc. of Washington, USA. The Technical Report was authored by David M.R. Stone, P.Eng., David Thomas, P.Geo., Daniel Kilby, P.Eng. and Douglas Brownlee, P.Geo., all Qualified Persons as defined by NI 43-101 requirements. All of the Qualified Persons are independent of the Company. The Technical Report is available on SEDAR at [www.sedar.com](http://www.sedar.com) and is available on the Company's website: [www.northernvertex.com](http://www.northernvertex.com).

#### *Feasibility Study*

- The FS is expected to culminate with the completion of a Technical Report prepared in accordance with NI 43-101 Standards of Disclosure for Mineral Projects towards the end of the second quarter of calendar 2015. The Technical Report is anticipated to demonstrate the economic viability of a mining operation on the Moss Mine Property, and if so, will enable the conversion of a portion of the Moss Mineral Resource to a Mineral Reserve. The Technical Report is expected to meet the definition of "Bankable Feasibility Study" ("BFS") for purposes of, and as defined in, the 2011 Agreement with Patriot Gold.
- The first component of the FS was completed on December 31, 2014, with the filing of the Technical Report referenced above. The updated resource was constrained by an optimized Lerchs-Grossman ("LG") pit and modeled using gold and silver prices of \$1,250/oz. and \$20/oz. respectively and a cut-off grade of 0.25 g/t Au. In addition to the updated resource being finalized, a comprehensive analysis of the metallurgy was carried out as part of this report. The previously announced highlights of the report are:
  - (i) At a cut-off grade of 0.25 g/t gold, the updated Mineral Resource consists of a Measured resource of 4.86 million tonnes grading 0.97 g/t Au and 10.4 g/t Ag for 1.10 g/t AuEq and 172,000 ounces of contained AuEq and an Indicated resource of 10.62 million tonnes grading 0.66 g/t Au and 8.7 g/t Ag for 0.77 g/t AuEq containing 263,000 ounces AuEq. Total M&I resource of 15.48 million tonnes grading 0.76 g/t Au and 9.3 g/t Ag for 0.87 g/t AuEq containing 435,000 ounces. Inferred resources are 2.18 million tonnes grading 0.55 g/t Au and 5.6 g/t Ag for 0.62 g/t AuEq, containing 43,000 ounces AuEq (see *Resource Update* section).
  - (ii) The results indicate that the majority of the resource is in the Measured and Indicated categories (over 90%) and that a very high proportion (95%) of the mineral inventory, at the 0.25 g/t Au cut-off grade, is contained in the optimized LG pit. Additionally, it highlights that the trench pit concept used in the PEA is likely to be the pit design concept used for the FS, affirming this key design parameter.
  - (iii) For the purposes of heap leach metallurgical assessment, the Moss deposit can be considered an "oxide" deposit, as against a "sulphide" deposit or an "oxide/sulphide" deposit with a "transition" zone. Evidence of oxidation extends to depths well below the water table and tests indicate no discernible differences in the metallurgical response of the mineralized material above and below the water table.
  - (iv) In contrast to many other heap leach deposits, evidence of sulphides in the Moss Mine mineralization is extremely limited, with the gold and silver being encapsulated in quartz and calcite, requiring fine crushing to ensure effective liberation. Predictive metallurgical recovery equations were developed which, along with the excellent results of the Company's Phase I – Pilot Plant Operations (see news release dated October 28, 2014 and the "*Operations*")

section above and as reported in the 2<sup>nd</sup> Quarter MD&A), provide the basis to assume an 82% recovery from dore for gold and 65% for silver, for 95% minus 1/4 inch material, for use in the FS.

- In the 3rd Quarter, all major consultants made significant progress in the following areas:
  - Geotechnical data collection and analysis;
  - Geohydrology data collection and analysis;
  - Mine design;
  - Heap leach pad design;
  - Processing facility design;
  - Site infrastructure requirements; and
  - Environmental and Permitting considerations

In addition to the above, during the quarter, the Company invited several industry experienced Mining contractors to submit bids for the mining component of the Company's Phase II – Commercial Operations Plan that is the subject of the Feasibility Study. This is consistent with the approach the Company adopted for the PEA. Provided the bids are acceptable to the Company, the Company intends to select the preferred contractor and proceed to negotiate a Services Contract with the successful bidder.

- The FS is being conducted under the overall direction of MineFill Services Inc., of Seattle, Washington, USA with a target completion date towards the end of the second quarter of the 2015 calendar year. Industry experienced consultants (all of whom are independent qualified persons as defined by NI 43-101) have been retained to address the above areas as follows:
  - Geotechnical Data Review & Analysis – MineFill Services Inc., Seattle, Washington, USA
  - Geohydrology – Rod Smith, Smith Water Management Services Inc., Richmond, BC, Canada
  - Mine Design – Scott Britton, SAB Mining Consultants Ltd., Hamilton, South Lanarkshire, UK
  - Heap Leach Pad Design – Golder Associates, Tucson, Arizona, USA
  - Process Facility and Site Infrastructure Design – M3 Engineering & Technology, Tucson, Arizona, USA
  - Environmental & Permitting – Brian Munson, CDM Smith, Phoenix, Arizona, USA

#### *Arbitration*

On January 26, 2015, the Company announced having received a notice of arbitration from Patriot Gold regarding two matters pertaining to the 2011 Agreement under which the Company can earn a 70% interest from Patriot Gold in the Moss Mine.

- The first matter is a claim by Patriot Gold that some part of the gold and silver sales from the 2013 pilot plant recovery test program constitutes "net operating profit" and so accrues to Patriot Gold under the 2011 Agreement. The Company has amply demonstrated that there was no profit from the pilot plant operations and none were ever intended because the pilot program was designed for the limited objective of proving the recoverability of metals by leach process.
- The second matter is a dispute about the scope of the BFS as that (non-NI 43-101 compliant) term is specifically used in the 2011 Agreement. That agreement was assigned to the Company in 2011 by the US entity which previously held the "earn-in" rights. The Company is required to deliver the BFS as defined in the 2011 Agreement by March 2016 in order to complete its "earn-in" requirements. The Company views the BFS definition as a customary one. The 2011 Agreement affords the Company sole discretion about technical matters including mine development. Patriot Gold has also raised other technical concerns about the BFS. The Company believes that its planned approach to the BFS represents a cogent, lower risk and methodical approach to demonstrating the feasibility of the project. Pursuant to the 2011 Agreement, the Company has

addressed the investment requirement of the "earn-in" and is in the process of completing the required feasibility study. The Company intends to submit its feasibility study to Patriot Gold towards the end of the second quarter of the 2015 calendar year, after which the 70:30 joint venture is formed and Patriot Gold will be obligated to contribute its 30% of all expenditures going forward.

During the quarter, normal course activities were carried out, as contemplated in the 2011 Agreement, where the rules and procedures of the American Arbitration Association apply.

It is the Company's belief that the two matters are without merit and will be vigorously defended.

#### *Corporate*

- 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 28, 2014, the Company granted 100,000 stock options to an officer who is also a director of the Company with an exercise price of \$0.30 and an expiry date of July 28, 2019.
- On July 11, 2014, the Company completed the second tranche of its non-brokered private placement ("Private Placement") for total gross proceeds of \$3,760,525 by issuing an aggregate total of 15,042,098 units (each "Unit") at a purchase price of \$0.25 per Unit. The initial tranche of the Private Placement closed on July 3, 2014, with an issuance of 11,042,098 Units. Each Unit consists of one common share ("Common Share") of the Company and one-half transferable share purchase warrant ("Warrant"). Each whole Warrant will entitle the holder to acquire one Common Share at an exercise price of \$0.50 for a period of 24 months. The Company paid total cash finders' fees of \$216,475 and share issuance costs of \$35,634. During the year ended June 30, 2014, the Company had received subscriptions in advance for proceeds of \$2,355,000 related to this private placement.
- On 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. Cuts of up to 50% for both the Chairman and President & Chief Executive Officer were implemented and remaining senior management and directors experienced significant reductions as well. Furthermore, with the leaching operations now shut down and the site being on a care and maintenance basis, all remaining field staff have been laid off. The Company remains committed to strict cost control and continues to respond and adapt to the ever changing environment.

#### **Financial results for the three months ended March 31, 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 as the US dollar continued to strengthen in comparison to the Canadian dollar during the period, the Company recorded significant non-cash, unrealized foreign exchange gains as a result of the translation of US dollar-denominated transactions and balances.

- Ended the third quarter of fiscal 2015 with working capital of \$2.83 million at March 31, 2015 (June 30, 2014: \$3.10 million), which included cash and cash equivalents of \$3.18 million (June 30, 2014: \$4.05 million).

- Recorded a net income of \$2.85 million, which included a non-cash, unrealized foreign exchange gain of approximately \$3.27 million attributed to the strengthening of the US dollar in comparison to the Canadian dollar, for the three months ended March 31, 2015 (2014: \$0.12 million). Excluding this non-cash, unrealized foreign exchange gain, the Company recorded a net loss of \$0.43 million (2014: \$0.91 million) for the three months ended March 31, 2015. This net loss included \$0.05 million (2014: \$0.30 million) in share-based payment expense, \$0.05 million (2014: \$0.06 million) in professional fees, \$0.18 million (2014: \$0.31 million) in salaries, wages, benefits and subcontractor expenses, and \$0.02 million (2014: \$0.04 million) in travel, meetings and conferences expenses.
- Invested \$0.57 million in the Company's exploration and evaluation assets during the three months ended March 31, 2015 (2014: \$3.56 million), all of which was incurred in respect of the development of the Moss Mine and the Silver Creek Property.

### **Financial results for the nine months ended March 31, 2015**

- Recorded a net income of \$4.99 million, which included a non-cash, unrealized foreign exchange gain of approximately \$6.08 million attributed to the strengthening of the US dollar in comparison to the Canadian dollar, for the nine months ended March 31, 2015 (2014: net loss of \$2.69 million). Excluding this non-cash, unrealized foreign exchange gain, the Company recorded a net loss of \$1.09 million (2014: \$4.06 million) for the nine months ended March 31, 2015. This net loss included \$0.16 million (2014: \$1.25 million) in share-based payment expense, \$0.10 million (2014: \$0.47 million) in professional fees, \$0.46 million (2014: \$1.06 million) in salaries, wages, benefits and subcontractor expenses, and \$0.05 million (2014: \$0.25 million) in travel, meetings and conferences expenses.
- Invested \$2.43 million in the Company's exploration and evaluation assets during the nine months ended March 31, 2015 (2014: \$8.37 million), all of which was incurred in respect of the development of the Moss Mine and the Silver Creek Property.

### **3. Subsequent Events**

On April 13, 2015, the Company received formal notice from the American Arbitration Association ("AAA") regarding the arbitration with Patriot Gold. The Company submitted a response to Patriot Gold's filing notice and claim within the fourteen day time requirement. As of the date of this MD&A, the Company is expecting to receive the arbitrator recommendations from the AAA within the next two weeks, following which Arbitrator selection procedures will apply. Once an Arbitrator has been selected, the timetable will be formalised. The timing and outcome of the arbitration cannot be predicted at this time but the Company remains very confident in its legal positions with respect to the matters in dispute. In the meantime, the Company anticipates submitting the feasibility study to Patriot Gold and the Arbitrator towards the end of the second quarter of the 2015 calendar year.

### **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 (completed) and must complete a BFS. The BFS is expected to be completed towards the end of the second quarter of the 2015 calendar year. 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 pays a 3% finder's fee on exploration expenditures, in quarterly installments, to a non-related party. On commercial production as defined in the 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. Royalties during Phase I – Pilot Plant are 1% of net smelter returns



("NSR") and are recognized when the Company receives 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%.

Receipts from refiners 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 sales 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. With the decrease in metals prices since the date of the PEA, the increase in sales proceeds over the PEA budget can be attributed to the additional tonnage placed on the leach pad and the significantly higher recoveries of gold from solution (82% versus 75%, as per the PEA).

As of March 31, 2015, total exploration and evaluation costs for the Moss Mine amounted to \$28.4 million less proceeds from gold and silver sales of \$6.7 million, net \$21.7 million. Additional costs associated with the Moss Mine were recorded in property, plant and equipment and intangible assets (total Moss Mine costs of \$29.7 million). As of the date of this MD&A, the Company had fulfilled its "earn-in" obligation excluding completion of the BFS, which is expected towards the end of the second quarter of the 2015 calendar year.

The heap leach pad operation of Phase I - Pilot Plant Operations has been shut-down and placed on care and maintenance including the associated infrastructure. Mohave Security monitors 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 property will generate tax benefits that are expected to significantly offset taxable income in the initial years of commercial production.

#### *Resource Update*

On December 31, 2014, the Company announced that it has 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 entitled "Technical Report on the 2014 Mineral Resource Update, Moss Mine Gold-Silver Project, Mohave County, Arizona, USA" (the "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.Geo (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)
Moss & Ruth Veins							
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
West Extension							
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
Combined Total							
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.
- No Mineral Reserves have been estimated 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 property 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 Property and that previously outlined the prospectivity of the Moss property 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 completion of the FS and 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 further US\$5,000 for a total of US\$15,000 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 nine months ended March 31, 2015, the Company recorded \$11,118 as part of the deferred cash payments from ISGC. During the year ended, June 30, 2014, the Company recorded \$58,650 from ISGC as part of the deferred cash payments and total payments received to date was \$69,768. Because of 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 priority for the Company is to complete the FS to satisfy the "earn-in" requirement as per the 2011 Agreement with Patriot Gold and allow the Company to earn its 70% interest in the Moss Mine property. Subsequent to the "earn-in", financing of the project will be on a proportional basis. The Company has addressed the investment requirement of the "earn-in" and expects to submit the FS to Patriot Gold towards the end of the second quarter of the 2015 calendar year, after which the 70:30 joint venture is formed and Patriot Gold will be obligated to contribute its 30% of all expenditures going forward.

Completion of this objective will strategically position the Company for a future decision regarding Phase II – Commercial Operations.

The Company will require further funding to proceed with development for Phase II – Commercial Operations as described in the *Liquidity and Capital Resources* section below.

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, 2014	Year Ended June 30, 2013	Year Ended June 30, 2012
Revenue <sup>1</sup>	\$ -	\$ -	\$ -
Net loss	(4,166,638)	(7,919,005)	(1,881,990)
Basic and diluted loss per share	(0.074)	(0.160)	(0.048)
Total assets	23,036,722	21,203,692	15,743,123
Total non-current financial liabilities	-	-	-

<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.

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 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. The net loss for the year ended June 30, 2012 included an impairment charge of \$160,578, in relation to the abandonment of the Company's investment in the Deer Creek Property and share-based payment expense of \$527,578.

## 7. Summary of Quarterly Results

	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	Three Months Ended September 30, 2013	Three Months Ended June 30, 2013
Revenue <sup>1</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net income (loss)	2,846,919 <sup>4</sup>	899,275 <sup>3</sup>	1,242,767 <sup>2</sup>	(1,476,670)	119,519	(607,380)	(2,202,107)	(1,233,008)
Basic and diluted income (loss) per share	0.039	0.012	0.017	(0.026)	0.002	(0.011)	(0.042)	(0.028)

<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 \$1,602,356 that was attributed to the 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 gain of \$1,205,220 that was attributed to the continued strengthening of the US dollar in comparison to the Canadian 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.

The variation in the net income (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 a

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 the net income (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. The three months also saw the transition of the heap leach pad operations to care and maintenance mode, which resulted in decreased expenses. The Company also recorded a foreign exchange gain of \$1,205,220 in the second quarter due to the appreciation of the US dollar against the Canadian dollar.

The variation in the net income (loss) for the three months ended September 30, 2014 to the three months ended June 30, 2014 reflected substantial reductions to senior management compensation and directors' consulting fee arrangements that resulted in decreased professional fees, salaries, wages, benefits and subcontractor expenses. The Company also recorded a foreign exchange gain of \$1,602,356 in the first quarter due to the appreciation of the US dollar against the Canadian dollar.

The variation in the net income (loss) for the three months ended June 30, 2014 to the three months ended March 31, 2014 was primarily due to a foreign exchange loss of \$961,450 as a result of the quarter-to-quarter devaluation of the US dollar against the Canadian dollar. The Company realized additional decreases in aggregate administrative expenses owing to the continued cost reduction initiatives that were introduced in the three months ended March 31, 2014.

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 and nine months ended March 31, 2015, the Company incurred a net income of \$2,846,919 and \$4,988,961, respectively, compared to a net income of \$119,519 and a net loss of \$2,689,968 for the same periods ended March 31, 2014. The factors contributing to the decreased net loss compared to the previous comparable period are discussed below.

The Company recorded a predominately non-cash, unrealized foreign exchange gain of \$3,273,509 (2014: \$1,027,648) and \$6,081,085 (2014: \$1,371,519), respectively, during the three and nine months ended March 31, 2015. The significant appreciation of the US dollar in fiscal 2015 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 March 31, 2015, the Company incurred total administrative expenses of \$435,452 (2014: \$902,826), which included non-cash share-based payment expense of \$49,799 (2014: \$304,497); salaries, wages, benefits and subcontractor expenses of \$181,929 (2014: \$308,142); professional fees of \$47,908 (2014: \$57,305); marketing and community relations expenses of \$10,140 (2014: \$14,757); property fees of \$nil (2014: \$19,919); travel, meetings and conferences of \$16,656 (2014: \$39,637); management fees of \$30,000 (2014: \$35,990); and other office and general expenses, including depreciation, totalled \$99,020 (2014: \$122,579).

Significant variances are noted as follows: During the three months ended March 31, 2015, heap leach pad operations transitioned to care and maintenance, which resulted in reduced operating expenses. Salaries, wages, benefits and subcontractor expenses decreased due to the Company's decreased staff complement in both the Vancouver office and Bullhead City operations as a result of the cost reduction program initiated in the third quarter of fiscal 2014. In addition to the retrenchment, senior management and directors experienced significant wage and consulting fee reductions beginning July 1, 2014. These reductions resulted in minimal professional fees and management fees incurred as at March 31, 2015. Travel, meetings and conferences decreased due to less management travel and fewer conferences attended as compared to the previous period. Depreciation expense increased as a result of leasehold improvements incurred during fiscal 2014. The decrease in share-based payment expenses reflected the lower fair value of options granted during fiscal 2015 as compared to options granted in fiscal 2014. Marketing and community relations and office and miscellaneous decreased as a result of the Company's overall cost reduction program. 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 decrease in property fees during the three months reflected the Moss Mine's care and maintenance status.

For the nine months ended March 31, 2015, the Company incurred total administrative expenses of \$1,127,152 (2014: \$4,103,963), which included non-cash share-based payment expense of \$156,287 (2014: \$1,249,845); salaries, wages, benefits and subcontractor expenses of \$459,244 (2014: \$1,058,778); professional fees of \$99,918 (2014: \$465,519); marketing and community relations expenses of \$38,854 (2014: \$277,639); property fees of \$20,664 (2014: \$285,418); travel, meetings and conferences of \$51,781 (2014: \$245,965); management fees of \$30,000 (2014: \$108,011); and other office and general expenses, including depreciation, totalled \$270,404 (2014: \$412,788).

Significant variances are noted as follows: During the nine months ended March 31, 2015, heap leach pad operations transitioned to care and maintenance, which resulted in reduced operating expenses. Salaries, wages, benefits and subcontractor expenses decreased due to the Company's decreased staff complement in both the Vancouver office and Bullhead City operations as a result of the cost reduction program initiated in the third quarter of fiscal 2014. In addition to the retrenchment, senior management and directors experienced significant wage and consulting fee reductions beginning July 1, 2014. These reductions resulted in minimal professional fees and management fees incurred as at March 31, 2015. Travel, meetings and conferences decreased due to less management travel and fewer conferences attended as compared to the previous period. Depreciation expense increased as a result of leasehold improvements incurred during fiscal 2014. The decrease in share-based payment expenses reflected the lower fair value of options granted during fiscal 2015 as compared to options granted in fiscal 2014. During the previous comparable period, the Company's marketing and community relations expenses were more substantial due to its participation in sponsorships and other new initiatives intended to promote awareness of its commitment to working in partnerships within Bullhead City. During the nine months ended March 31, 2015, the Company's overall cost reduction program along with the care and maintenance status of the heap leach pad resulted in decreased marketing and community relations, office and miscellaneous, transfer agent and filing fees, and property fees.

#### *Other income and expenses*

The Company recorded interest and other income of \$8,067 during the three months ended March 31, 2015, compared to \$6,727 in the previous comparable period. The interest earned during the three months ended March 31, 2015 reflected higher average cash balances as a result of cash proceeds received from the redemption of reclamation deposits of US\$716,488, less associated cancellation fees and surety bond fees that totalled US\$39,368 in December 2014. The Company recorded \$795 (2014: \$nil) in deferred cash payments from ISGC.

The Company recorded interest and other expense of \$9,682 during the nine months ended March 31, 2015, compared to interest and other income of \$46,928 in the previous comparable period. The Company redeemed reclamation deposits of US\$716,488 and incurred associated cancellation fees and surety bond fees that totalled US\$39,368 in the nine months ended March 31, 2015. The Company recorded \$11,118 (2014: \$7,578) in deferred cash payments from ISGC. The Company received \$33,592 in taxes recovered from the Arizona Department of Revenue.

## **9. Liquidity and Capital Resources**

As at March 31, 2015, the Company had cash and cash equivalents of \$3,180,212 (June 30, 2014: \$4,052,812). The slight decrease in cash and cash equivalents compared to the year ended June 30, 2014 was primarily due to the repayment of trade accounts payable and cash used in investing activities for the Moss Mine and the Silver Creek Property, offset by the receipt of remaining cash proceeds from the July 2014 equity financing and the redemption of reclamation deposits.

Cash and cash equivalents used in operating activities during the three months ended March 31, 2015 were \$387,646 (2014: \$363,820). The increase in cash used in operating activities compared to the prior comparable period was due to repayment of trade accounts payable related to operating expenses.

Cash and cash equivalents used in investing activities during the three months ended March 31, 2015 totalled \$515,795 (2014: \$1,236,902). Cash outflows consisted of expenditures on exploration and evaluation assets of \$572,370 (2014: \$3,561,436) and purchase of property, plant and equipment of \$nil (2014: \$31,340). These cash outflows were offset during the three months ended March 31, 2015 by: proceeds from gold and silver sales of \$55,780 (2014: \$2,302,089); proceeds from the sale of property, plant and equipment of \$nil (2014: \$53,785); and proceeds from deferred cash payments from ISGC of \$795 (2014: \$nil). The majority of exploration and evaluation expenditures of \$572,370 related to the development of the Moss Mine and included significant costs for mining operations, administration, personnel costs and field expenses.

Cash and cash equivalents used in financing activities during the three months ended March 31, 2015 were \$487 (2014: \$nil). Cash and cash equivalents used in financing activities during the three months ended March 31, 2015 included share issuance costs related to the closing of a non-brokered private placement.

Cash and cash equivalents used in operating activities during the nine months ended March 31, 2015 were \$1,482,840 (2014: \$2,414,443). The decrease in cash used in operating activities compared to the prior comparable period reflected a decrease in operating expenses due to the Company's cost reduction program, which commenced in the third quarter of fiscal 2014.

Cash and cash equivalents used in investing activities during the nine months ended March 31, 2015 totalled \$682,119 (2014: \$6,005,350) and consisted of cash outflows as follows: expenditures on exploration and evaluation assets of \$2,425,109 (2014: \$8,364,468); purchases of property, plant and equipment of \$nil (2014: \$2,110,566), which primarily related to equipment purchases for the Moss Mine; and purchases of intangible assets that totalled \$2,425 (2014: \$33,903), which related to a new accounting system. These cash outflows were offset during the nine months ended March 31, 2015 by redemption of reclamation deposits of \$827,815 (2014: \$nil), proceeds from gold and silver sales of \$851,800 (2014: \$4,451,732); and proceeds from deferred cash payments from ISGC of \$65,800 (2014: \$nil). The majority of exploration and evaluation expenditures of \$2,425,109 related to the development of the Moss Mine and included significant costs for mining operations, administration, personnel costs and field expenses.

Cash and cash equivalents provided by financing activities during the nine months ended March 31, 2015 totalled \$1,153,416 (2014: \$3,169,001) and consisted of cash received from a private placement share issuance of \$3,508,416 (\$3,760,525 net of share issuance costs of \$252,109) offset by subscriptions received in the fourth quarter of fiscal 2014 of \$2,355,000. Cash and cash equivalents provided by financing activities during the nine months ended March 31, 2014 included \$3,169,001 received from the closing of a non-brokered private placement (\$3,403,400 net of share issuance costs of \$234,399).

During the nine months ended March 31, 2015, the Company completed a non-brokered private placement ("Private Placement") for total gross proceeds of \$3,760,525 by issuing an aggregate total of 15,042,098 units (each "Unit") at a purchase price of \$0.25 per Unit. Each Unit consists of one common share ("Common Share") of the Company and one-half transferable share purchase warrant ("Warrant"). Each whole Warrant will entitle the holder to acquire one Common Share at an exercise price of \$0.50 for a period of 24 months. The Private Placement was completed in two tranches with the first tranche of warrants expiring on July 3, 2016 and the second tranche expiring July 11, 2016. The Company paid total cash finders' fees of \$216,475 and share issuance costs of \$35,634. During the year ended June 30, 2014, the Company had received subscriptions in advance for proceeds of \$2,355,000 related to this private placement and paid share issuance costs in advance of \$7,662. 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 has and will use the funds for development of the Moss Mine and general working capital.

The majority of the Company's cash and cash equivalents as of March 31, 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 nine months ended March 31, 2015, working capital decreased by \$263,107 to \$2,834,414 and included cash and cash equivalents of \$3,180,212. The working capital decrease over nine month period was primarily attributable to the payment of trade accounts payable balances related to operating the Moss Mine Phase I – Pilot Plant.

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.

## **10. Contractual Obligations**

### *Office space lease agreements*

The Company has entered into lease agreements for office space with terms that expire between 2015 and 2018, as disclosed in Note 18 to the Financial Statements.

### *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*.

## **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 nine months ended March 31, 2015, the Company incurred consulting services of \$17,500 (2014: \$127,667) provided by Makwa Exploration Ltd. and \$76,667 (2014: \$nil) provided by L.J. Bardswich Mine Consultant, Inc., companies controlled by directors. These fees were included in deferred mineral property expenditures. As at March 31, 2015, \$nil (2014: \$39,000) was included in trade and other payables.

During the nine months ended March 31, 2015, the Company also incurred professional fees and subcontractor fees of \$10,500 (2014: \$45,000) and \$15,000 (2014: \$90,000) 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 March 31, 2015, \$5,238 (2014: \$60,750) was included in trade and other payables.

The Company incurred consulting and shared office expenses of \$25,723 (2014: \$94,295) 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, travel and office and miscellaneous expenses. As at March 31, 2015, \$16,247 (2014: \$94,295) was included in trade and other payables. Included in trade and other receivables as at March 31, 2015, was \$26,464 (2014: \$29,447).

The Company incurred \$18,533 (2014: \$159,970) for share based payments to related parties during the nine months ended March 31, 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, the Chief Financial Officer and Corporate Secretary and the General Manager – Moss Project. Compensation of key management personnel for the nine months ended March 31, 2015 consisted of salaries, consulting fees, and short-term benefits of \$240,077 (2014: \$564,892) and share-based payments of \$71,480 (2014: \$656,186). Compensation was included in salaries, wages, benefits and subcontractor expenses, management fees, and deferred mineral property expenditures.

## **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**

The following new IFRS pronouncement was applied effective July 1, 2014:

- IFRIC 21, Levies, establishes that the obligating event that gives rise to a liability to pay a levy imposed by a government, is the activity described in the relevant legislation that triggers the payment of the levy. This IFRIC interpretation had no impact on the Company's interim consolidated financial statements.

#### **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, 2017, 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, 2017, 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 May 29, 2015

The following table states the diluted share capital of the Company as at May 29, 2015:

	<b>Number of Shares Outstanding</b>
<b>Issued share capital as at May 29, 2015</b>	<b>72,941,446</b>
Shares reserved for issuance pursuant to share purchase options outstanding <sup>(1)</sup>	7,145,000
Shares reserved for issuance pursuant to share purchase warrants outstanding <sup>(2)</sup>	20,937,223
<b>DILUTED TOTAL</b>	<b>101,023,669</b>

### Notes:

- 1 As at May 29, 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
560,000	0.45	November 13, 2015	560,000
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
100,000	1.40	January 31, 2018	100,000
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	50,000
2,250,000	0.25	February 24, 2020	-
<b>7,145,000</b>			<b>4,845,000</b>

- 2 As at May 29, 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
1,321,500	1.15	October 4, 2015	1,321,500
5,817,174	1.55	November 23, 2015	5,817,174
3,659,500	1.75	November 26, 2015	3,659,500
2,618,000	0.90	March 25, 2016	2,618,000
5,521,049	0.50	July 3, 2016	5,521,049
2,000,000	0.50	July 11, 2016	2,000,000
<b>20,937,223</b>			<b>20,937,223</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 March 31, 2015:

<b>Financial Assets</b>		<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>		<b>Total</b>
Cash and cash equivalents	\$	3,180,212	\$	-	\$	-	\$	3,180,212

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 March 31, 2015 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 March 31, 2015, the Company's financial liabilities were comprised of trade and other payables of \$462,267 (June 30, 2014: \$1,163,497), which have a maturity of less than one year.

(c) Market risk

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

(i) Currency risk

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

At March 31, 2015, \$979,065 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 \$97,907 on annual net loss.

(ii) Commodity price risk

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

(iii) Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate as a result of changes in market interest rates. Interest rate risk arises from the interest rate impact on cash 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 March 31, 2015, the weighted-average interest rate on cash and cash equivalents was 0.81%. With other variables unchanged, a 1% increase in the annualized interest rate would reduce annual net loss by \$34,696.

## 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 project.

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 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.

### **Joint Venture Arrangements**

The Company is "earning-in" to an Exploration and Option to Enter Joint Venture Agreement ("2011 Agreement") with Patriot Gold that covers the Moss Mine property. 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 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.

## **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).