



NORTHERN VERTEX  
MINING CORP

**Management's Discussion and Analysis  
for the Year Ended June 30, 2018**

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## **NORTHERN VERTEX MINING CORP.**

### **Management's Discussion and Analysis for the Year Ended June 30, 2018**

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 October 26, 2018 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 fiscal year ended June 30, 2018. This MD&A provides information on the operations of the Company for the year ended June 30, 2018 and should be read in conjunction with the audited annual consolidated financial statements for the years ended June 30, 2018 and 2017 and related notes thereto (the "Financial Statements"), 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, and gold equivalents are calculated using gold and silver prices of \$1,200 and \$14 per ounce respectively, 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., President of Golden Vertex Corp. ("Golden Vertex") and a Qualified Person for the purpose of National Instrument 43-101 ("NI 43-101"), Standards of Disclosure for Mineral Projects.

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

Northern Vertex's material mineral project is the 100% owned Moss Mine gold-silver deposit (the "Moss Mine") in Mohave County, Arizona. As of June 30 2018 the Company was a development stage mining company and as of September 1, 2018 has transitioned to a producing mining company having declared commercial production. The Company's core management and technical team are proven professionals, with extensive international experience in all aspects of mineral exploration, mine development, operations, equity and debt financing and venture capital markets. The Company is a listed issuer on the TSX Venture Exchange ("TSXV") and its common shares trade under the symbol NEE.

#### **2. Fourth Fiscal Quarter 2018 Operating and Financial Highlights**

- Commissioning and ramp up of the crushing plant, Merrill Crowe plant and refinery continued and subsequent to fiscal year were completed with the Company declaring commercial production at the Moss Mine with an effective date of September 1, 2018.
- During the quarter the Company stacked 8,632 recoverable gold equivalent ounces and produced 2,992 gold equivalent ounces.
- Operations teams consisted of 60 full time employees and 36 contract employees which is close to the full amount expected when operations are at steady state production.
- Certified grant letters were received for power-line and access road construction for the Moss Mine. The power-line installation directly to site is expected to result in significant operational savings over the lifetime of the mine.
- A non-brokered private placement of up 4,623,076 units (each "Unit") closed at a purchase price of \$0.52 per Unit, for aggregate gross proceeds to the Company of \$2,404,000. Each Unit consists of one common share of the Company and one-half non-transferable common share purchase warrant. Each whole warrant will entitle the holder to acquire one common share of the Company at an exercise price of \$0.68 until April 27, 2020.

Further details regarding the financings highlighted above are disclosed in the *Liquidity and Capital Resources* section of this MD&A.

#### **3. Operations**

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

The Company owns 100% of the Moss Mine which is located approximately 15 km by road to the east of Bullhead City, in the historically significant Oatman Mining District of Mohave County Arizona. It comprises a total area of 4,030.8 hectares of mining claims and leases centered on the approximate location of the historical Moss Vein. The proven and probable ore reserves of 8,035,000 tonnes with a gold equivalent grade of 0.933 g/t containing 241,060 gold equivalent

ounces (213,100 Au ounces and 2,396,590 Ag ounces) are within a central area of 15 patented lode claims totaling 102.8 hectares. The reserves comprise a portion of the mine total measured and indicated resource of 15,480,000 tonnes with a gold equivalent grade of 0.87 g/t containing 430,783 gold equivalent ounces (377,000 Au ounces and 4,610,000 Ag ounces). For further details refer to the Company's NI 43-101 Preliminary Economic Analysis ("PEA") as filed on SEDAR on November 22, 2017.

The key strategic priorities for the Company have been to complete commissioning of the Moss Mine and enter commercial production which was declared subsequent to fiscal year end with an effective date of September 1, 2018. The Company's key strategic priorities going forward are to generate positive cashflow from the Moss Mine and to explore accretive assets with long term growth potential.

#### *Mine Permitting*

The Company is fully permitted to operate an open pit, heap leach operation with Merrill Crowe recovery of gold and silver.

Work has continued on the permitting processes for mine optimization throughout the year. Included was preparation of two Right of Way permit applications to the Bureau of Land Management for construction of a power-line, partially located on federal lands, to access utility grid power and for reconstruction of a Moss Mine access road. These permit applications culminated with the approval and issuance of the Grants of Right of Way in June 2018. The road will be reconstructed by widening it to two lanes, onto Federal lands, and will eliminate blind spots by lessening the severity of vertical and horizontal curves, thereby increasing the level of traffic safety and increasing efficiency for all stakeholders using the public road. The construction of the powerline will enable access to utility power which will eliminate diesel emissions to the atmosphere from the primary on-site generators and lower operating costs.

Preparatory work on other permitting activities on Federal lands are in progress. A Notice of Operations permit application for exploration drilling on both the western and eastern boundaries of the patented Moss claims was submitted and approved during the fourth fiscal quarter of 2018. The company is close to the upper limits of ground disturbance acreage permitted under a Federal Notice Level Plan and may have to move up to the Exploration Plan of Operations ("EPO") permit level and an Environmental Assessment ("EA") to permit any further significant exploration.

A Mining Plan of Operations ("MPO") to permit expansion of mining, processing and barren rock storage onto adjacent Federal lands is required to enable mining and processing of the resources described in the PEA issued on November 22, 2017.

To improve efficiencies for both the Company and regulatory authorities the preparation of a combined EPO and MPO with a single EA is underway. Submission of the combined MPO and EPO to permit drilling on other targets on Company mining claims in the Oatman area and to permit expansion of mining operations onto Federal lands is expected during the 2019 fiscal year.

#### *Construction and Commissioning*

During the first and second fiscal quarters engineering, procurement and civil earthworks of the Moss Mine were completed. Construction was completed during the third fiscal quarter including the mechanical and electrical installation of the crushing and Merrill Crowe plants and the Moss Mine transitioned to commissioning.

Commissioning of the crushing plant, power station, overland conveyors, Merrill Crowe plant and dore refinery continued during the fourth fiscal quarter which included the following: the ramp up of mining operations and crusher throughput, stacking of ore on the leach pad, pumping of leach solution to the pad and processing of pregnant solution through the Merrill Crowe plant. At the beginning of March 2018 the Company achieved a significant commissioning milestone with the first gold pour at the Moss Mine. Production steadily increased month over month during the fourth fiscal quarter and as of June 30, 2018 a total of 3,029 gold ounces and 9,542 silver ounces had been produced.

Ramp up of operations continued subsequent to year end resulting in achieving commercial production with an effective date of September 1, 2018. During commissioning approximately 746,131 tonnes were stacked on the leach pad containing 16,477 recoverable gold ounces and 118,896 recoverable silver ounces and 6,701 gold ounces and 21,551 silver ounces were produced.

The Company has been successful at building a permanent operating team which includes the following under the direction of the General Manager: crushing plant operators under the direction of the Crushing Manager, heap leach pad operators under the direction of the Plant Manager, and Merrill Crowe/refinery operators and assay lab technicians under the direction of the Process Manager.

#### *Preliminary Economic Analysis*

During the fiscal year ended June 30, 2018, the Company released an NI 43-101 PEA, in respect of a mine life extension at the Moss Mine. **The Company cautions that the PEA is preliminary in nature in that it includes Inferred Mineral Resources which are considered too speculative geologically to have the economic considerations applied to them that would enable them to be characterized as mineral reserves, and there is no certainty that the PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.** Highlights of the PEA are as follows:

	<b>Years 1-4</b>	<b>Years 5-10</b>	<b>Life of Mine</b>
Annual Production	1.9 million tonnes	1.9 million tonnes	
Mineralized Material to Leach	7.1 million tonnes	10.0 million tonnes	17.1 million tonnes
Strip Ratio	1.77	1.92	1.85
Average Gold grade - gpt	0.95	0.52	0.70
Average Silver grade - gpt	10.5	6.78	8.33
Average "AuEq" grade* - gpt	1.12	0.62	0.83
Recoveries to Doré	Au - 82%, Ag - 65%	Au - 82%, Ag - 65%	Au - 82%, Ag - 65%
Contained Gold – troy oz	216,750	165,150	381,900
Contained AuEq – troy oz	255,209	199,916	455,125
Gold Production – troy oz	167,170	145,980	313,150
AuEq Metal – troy oz	190,740	170,010	360,750
Capital Costs (incl indirects)**			US\$61.6 million
Operating Costs	US\$76.6 million	US\$113.5 million	US\$190.021 million
AuEq Cash Cost per troy oz.	US\$401	US\$667	US\$527
Cash Cost net of Ag credits	US\$283	US\$573	US\$418
AISC per troy oz AuEq.	US\$472	US\$753	US\$603
Life of Mine			10 years
IRR (before/after tax) ***			73.1% / 52.5%
NPV 5% (before/after tax) ***			US\$133M / US\$93M
Payback Period (before/after tax) ***			20 mo. / 27 mo.

\* Gold equivalent ounces of silver calculated by multiplying by 20 and dividing by 1250

\*\* Includes US\$37.5 million of previously funded Phase II committed costs.

\*\*\* Using a US Federal corporate tax rate of 34% prior to the enactment of the Tax Cuts and Jobs Act in December 2017.

The PEA results above were previously disclosed in the Company's news release dated October 9, 2017. The PEA sets out the technical and economic viability of extending the Moss Mine to include mining of resources not included in feasibility reserves. This scenario includes surface disturbance and an expansion of the mine facilities onto federal public lands administered by the BLM and would therefore require the submission and approval of a Mine Plan of Operations. After tax internal rate of return ("IRR"), net present value ("NPV") and payback period were determined using a US Federal corporate tax rate of 34% in effect prior to the enactment of the Tax Cuts and Jobs Act in December 2017 which reduced the US Federal corporate tax rate to 21%. Using a reduced enacted rate of 21% in determining after tax IRR, NPV and payback periods has a positive impact on these metrics compared to results disclosed on October 9, 2017 and included in the table above.

#### *Mine Finance*

During the fiscal year ended June 30, 2018, the Company completed the final tranche of a US\$20,000,000 non-brokered private placement with Greenstone Resources II L.P. ("Greenstone"), issuing 23,849,230 units at a price of \$0.52 per unit for gross proceeds of US\$9,417,983. The Company also closed two separate non-brokered private placement raising gross proceeds of \$5,435,860, issuing 10,453,576 units at a purchase price of \$0.52 per unit.

The Company drew the third and fourth tranches totaling US\$10,000,000 from its senior secured credit facility with Sprott Resource Lending (the "Sprott Facility"). With the third and fourth tranches drawn, a total of US\$20 million has been received under the Sprott Facility.

The Sprott Facility provides for a security carve-out for certain equipment financing. The Company executed a definitive Master Lease Agreement with Cat Financial and received funding for the crushing plant, ancillary mobile equipment, and diesel generators of approximately US\$8,700,000.

The Company entered into a definitive agreement with Greenstone in respect of an unsecured subordinated non-revolving working capital facility (the "Working Capital Facility") in the aggregate principal amount of US\$6,000,000. The Company drew two tranches of US\$3,000,000 as evidenced in way of convertible debentures.

Material terms and conditions regarding the non-brokered private placements, the senior secured credit facility, the Working Capital Facility and the equipment finance lease facility are included in the Liquidity and Capital Resources section of this MD&A. The Company was in compliance or has received waivers for externally imposed debt covenants relating to its debt facilities and lease obligations as at June 30, 2018.

Construction of the Moss Mine was completed during the third fiscal quarter. Capital cost estimates contained within the feasibility study was US\$33,008,960 which assumed a mine life of five years, of which, only the Moss Mine reserves would be mined and the pit footprint would be restricted to the Company's patented land.

During the course of the construction of the Moss Mine the Company made certain value added construction decisions with the expectation the mine life would be extended to 10 ten years, as disclosed in the PEA released on November 22, 2017, and the surrounding resources not included in the feasibility study reserves would be mined and the resulting pit footprint would be extended to the Company's unpatented claims. Value added decisions made in this context included: increasing the size and durability of the crushing circuit, adding additional diesel generators to accommodate the change in crusher specifications, pouring concrete as foundations for the crushing circuit to accommodate the change in crusher specifications and extended mine life, designing the power distribution to accommodate hookup to a powerline connected to the power grid and associated engineering costs.

A summary of the Moss Mine construction costs are as follows:

<i>(Shown in USD)</i>	<b>Actual Costs</b>	<b>Feasibility Budget</b>	<b>(Over)/Under Budget</b>
Direct Costs	\$ 32,973,000	\$ 24,838,885	\$ (8,134,115)
Indirect Costs	3,963,000	6,520,075	2,557,075
Owner's Costs	1,802,000	1,650,000	(152,000)
<b>Total Construction Costs</b>	<b>\$ 38,738,000</b>	<b>\$ 33,008,960</b>	<b>\$ (5,729,040)</b>

A summary of value added construction costs to optimize the Moss Mine for a potential 10 year mine life are as follows:

<i>(Shown in USD)</i>	<b>Actual Costs</b>
<b>Direct Costs:</b>	
Crushing Circuit Upgrade	\$ 989,000
Additional Diesel Generators	229,000
Additional Concrete	816,000
Overhead Power Distribution	707,000
	2,741,000
<b>Indirect Costs:</b>	
Associated Engineering Costs	189,000
<b>Total Additional Construction Costs</b>	<b>\$ 2,930,000</b>

### **Exploration**

During the year ended June 30, 2018, the Company, in acknowledgment of the advantages of having a producing mine serving as a central focus in the Oatman area, recognized the importance of possibly expanding the resource base through detailed exploration of their extensive claim holdings in the Oatman area. Historically, the Oatman epithermal deposits have produced in excess of 2 million ounces of gold from three historical mines and little modern exploration has been conducted in the area with the exception of programs by Fischer-Watt Gold. On October 16, 2017 the Company announced the appointment of Frank (Bud) Hillemeier and Perry Durning as exploration advisors for the Oatman District through an agreement with La Cuesta International Inc.

Perry Durning and Frank (Bud) Hillemeier formed La Cuesta International in 1993 after roughly a decade together at Fischer-Watt Gold, an Arizona and Nevada-based mineral exploration firm. Perry and Bud are recognized for their outstanding record of grassroots discoveries and, in 2010, received the Thayer Lindsley International Mineral Discoveries Award. Perry and Bud possess proprietary knowledge and data that allows for quick advancement of the Company's exploration program.

During the past year the reconnaissance exploration program continued along with extensive mapping and sampling. Targets were identified and additional claims were staked to cover the targets.

The Company also assessed the likelihood that additions to the resource base could be made immediately adjacent to the existing Moss Mine resource by further exploration of western and eastern extensions of the Moss vein, of the Ruth and Rattan veins and the newly discovered Mordor vein. It was determined that positive results from surface sampling justified an extensive percussion drilling program to test the extent of mineralization in the shallow (<30 metres) portions of these targeted areas. The initial percussion drilling has been conducted using the mining contractor's hydraulic crawler drill on an "as available" basis. A similar low-cost percussion drilling program was previously used very effectively on the shallow ore reserves that are presently being mined and processed.

#### 4. 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:

	<b>Year Ended June 30, 2018</b>	<b>Year Ended June 30, 2017</b>	<b>Year Ended June 30, 2016</b>
Revenue <sup>1</sup>	\$ -	\$ -	\$ -
Net (loss) income	(4,816,097)	(4,491,242)	(3,749,192)
Basic and diluted (loss) income per share	(0.03)	(0.04)	(0.04)
Total assets	122,327,396	71,858,597	28,634,351
Total non-current financial liabilities	28,584,051	18,209,361	1,055,130

<sup>1</sup> As the Company was not in commercial production as of June 30, 2018 there was no revenue.

Factors which have caused period to period variations in total assets include significant financings and the purchase of assets relating to the construction of the Moss Mine. Non-current liabilities increased as the Company funded development and construction of the Moss Mine with the Spratt Facility, the MLA and convertible debentures. The net loss for the year ended June 30, 2018 included share-based payments of \$450,413; salaries, wages and severance of \$518,315; professional fees of \$557,838; marketing of \$887,587; finance costs of \$103,832; and a foreign exchange loss of \$1,654,684.

The net loss for the year ended June 30, 2017 included share-based payments of \$795,373; salaries, wages and severance of \$1,015,377; professional fees of \$764,900; marketing of \$812,325; finance costs of \$668,294; and a foreign exchange loss of \$504,223. Net loss primarily increased in fiscal 2017 compared to 2016 due to increased interest expense relating to the convertible debentures and the Spratt Facility.

The net loss for the year ended June 30, 2016 included depreciation of \$255,900; salaries and wages of \$1,097,788; and professional fees of \$1,465,551 as a result of costs incurred for the arbitration with Patriot Gold and as the Company transitions from an exploration to a development company.

## 5. Summary of Quarterly Results

	Three Months Ended June 30, 2018	Three Months Ended March 31, 2018	Three Months Ended December 31, 2017	Three Months Ended September 30, 2017	Three Months Ended June 30, 2017	Three Months Ended March 31, 2017	Three Months Ended December 31, 2016	Three Months Ended September 30, 2016
Revenue <sup>1</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loss for the period	(342,940) <sup>2</sup>	(1,124,657) <sup>3</sup>	(802,365) <sup>4</sup>	(2,546,135) <sup>5</sup>	(1,146,725) <sup>6</sup>	(1,530,550) <sup>7</sup>	(887,779) <sup>8</sup>	(926,188) <sup>9</sup>
Basic and diluted loss per share	(0.01)	(0.01)	(0.00)	(0.02)	(0.01)	(0.02)	(0.01)	(0.01)

<sup>1</sup> As the Company was not in commercial production as of June 30, 2018 there was no revenue.

<sup>2</sup> Included a fair value gain on gold call options of \$511,732.

<sup>3</sup> Included a fair value loss on gold call options of \$405,867.

<sup>4</sup> Included an unrealized foreign exchange gain of \$178,086, attributable to the mild strengthening of the US dollar against the Canadian dollar during the quarter.

<sup>5</sup> Included an unrealized foreign exchange loss of \$1,712,095 related to an increase in US cash held and was attributable to the weakening of the US dollar in comparison to the Canadian dollar during the quarter.

<sup>6</sup> Included an unrealized foreign exchange loss of \$506,920 relating to US cash held that was attributable to the weakening of the US dollar in comparison to the Canadian dollar during the quarter and was offset by an interest expense decrease resulting from the capitalization of borrowing costs. The net impact was a decrease in net loss for the quarter.

<sup>7</sup> Included a fair value loss on gold call options issued in connection with the Sprott Facility and increased interest expense which resulted in an increased net loss for the quarter.

<sup>8</sup> Included a fair value gain on gold call options issued in connection with the Sprott Facility and a reduced deferred tax recovery which resulted in a decreased net loss for the quarter.

<sup>9</sup> Included was a deferred tax recovery of \$514,429 related to the first tranche of convertible debentures issuance which reduced the net loss for the quarter.

Net loss decreased for the three months ended June 30, 2018 primarily due to a fair value gain of \$511,732 relating to a change in value in the Company's gold call options compared to a fair value loss of \$405,867 relating to the gold call options in the three months ended March 31, 2018.

Net loss increased for the three months ended March 31, 2018 primarily due to an increased fair value loss attributable to a change in value in the Company's gold call options and other expenses related to field exploration conducted in the surrounding Oatman District.

Net loss decreased for the three months ended December 31, 2017 compared to the three months ended September 30, 2017. The decrease was primarily due to an unrealized foreign exchange gain in the current quarter compared to a relatively significant unrealized foreign exchange loss in the previous quarter. The unrealized foreign exchange gain related to US cash held and was attributable to the mild strengthening of the US dollar in comparison to the Canadian dollar during the quarter.

The increase in net loss for the three months ended September 30, 2017 compared to the three months ended June 30, 2017 was primarily due to an increase in unrealized foreign exchange loss relating to an increase in US cash held due to recent financings and was attributable to the weakening of the US dollar in comparison to the Canadian dollar during the quarter. In addition, finance costs increased during the first fiscal quarter of 2018 due to increased interest related to a larger debt balance outstanding.

The decrease in net loss for the three months ended June 30, 2017 compared to the three months ended March 31, 2017 was partially due to a decrease in interest expense relating to the capitalization of borrowing costs in the fourth fiscal quarter of 2017. The decrease in interest expense was partially offset by an unrealized foreign exchange loss relating to US cash held that was attributable to the weakening of the US dollar in comparison to the Canadian dollar during the quarter. A fair value gain on the gold call options during the current quarter compared with a fair value loss in the previous quarter also contributed to the decrease in net loss.

The increase in net loss for the three months ended March 31, 2017 compared to the three months ended December 31, 2016 was largely due to an increase in finance costs related to the Sprott Facility. Long term debt interest expense and related financing costs increased as the average amount of debt outstanding during the current quarter was higher compared to the quarter ended December 31, 2016. Finance costs also increased as the Company recorded a fair value loss on the gold call options during the current quarter as the spot price of gold increased compared to December 31,



2016. Comparatively, the loss in the quarter ended December 31, 2016 was offset due a fair value gain related to the gold call options.

The decrease in net loss for the three months ended December 31, 2016 compared to the three months ended September 30, 2016 was due to an increase in finance income and lower severance expenses which were offset by a reduced deferred tax recovery. Finance income increased due to a fair value gain on gold call options and was offset by an increase in long term debt interest expense. A one time deferred tax recovery of \$514,429 was recorded during the quarter ended September 30, 2016 which related to a convertible debenture issuance of \$7,225,000 which did not occur in the quarter ended December 31, 2016. There were no severance expenses recorded during the quarter ended December 31, 2016.

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

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

## **6. Results of Operations**

For the year ended June 30, 2018, the Company incurred a net loss of \$4,816,097, compared to a net loss of \$4,491,242 for the year ended June 30, 2017. The factors contributing to the loss as compared to the previous comparable period's net loss are discussed below.

### *Administrative expenses*

For the year ended June 30, 2018, the Company incurred total administrative expenses of \$3,022,083 (2017: \$3,838,702), which included non-cash share-based payment expense of \$450,413 (2017: \$795,373); salaries, wages and severance of \$518,315 (2017: \$1,015,377); professional fees of \$557,838 (2017: \$764,900); and marketing and travel expenses of \$887,587 (2017: \$812,325).

The following significant variances are noted between the year ended June 30, 2018 and the comparable year ended June 30, 2017. The decrease in salaries, wages and severance was primarily related to severance payments to former employees who departed the Company during the year ended June 30, 2017 but not the current year. A decrease in professional fees was largely the result of financing due diligence relating to an abandoned financing in the previous comparative year but not in the current year. The decrease in share-based payment expense was due to the issuance of 1,300,000 stock options issued during the year ended June 30, 2018 compared to 2,895,000 stock options during the year ended June 30, 2017.

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

For the year ended June 30, 2018, the Company recorded a foreign exchange loss of \$1,654,684 (2017: \$504,223), finance costs of \$103,832 (2017: \$668,294) and a deferred income tax recovery of \$nil (2017: \$519,977).

The foreign exchange loss for the current year was primarily due to an increase in US cash held, compared to the previous year, due to financings and was attributable to the overall weakening of the US dollar against the Canadian dollar during the year ended June 30, 2018.

Finance costs consist of interest expense net of capitalized borrowing costs, fair value loss (gain) on gold call options and are offset by interest income. Finance costs decreased compared to the previous year primarily due to an increase in the ability to capitalize borrowing costs in the current year and by a fair value loss increase attributable to gold call options.

Deferred income tax recoveries decreased in the current year as a deferred income tax recovery of \$519,997 in the previous year related to the accounting treatment of convertible debentures issued which did not occur in the current period.

## **7. Fourth Quarter**

For the three months ended June 30, 2018, the Company incurred a net loss of \$342,940, compared to a net loss of \$1,146,725 for the three months ended June 30, 2017. The factors contributing to the loss as compared to the previous comparable quarter's net loss are discussed below.

### *Administrative Expenses*

For the three months ended June 30, 2018, the Company incurred total administrative expenses of \$803,195 (2017: \$723,184), which included management fees of \$94,038 (2017: \$45,000), salaries and wages of \$162,450 (2017: \$135,343) and marketing and travel expenses of \$225,515 (2017: \$253,139).

The following significant variances are noted between current and prior period quarters. Management fees increased due to an increase in the compensation to the Company's Chief Executive Officer, salaries and wages increased due to additional employees hired at the Company's corporate office and marketing and travel decreased due to a decrease in certain marketing campaigns in the current quarter compared to the previous comparable quarter.

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

For the three months ended June 30, 2018, the Company recorded a foreign exchange loss of \$98,996 (2017: \$506,920), a gain on finance costs of \$559,251 due to a fair value gain on gold call options of \$511,732 (2017: gain of \$83,379).

Finance costs consist of interest expense net of capitalized borrowing costs, fair value loss (gain) on gold call options and are offset by interest income. Finance costs decreased compared to the previous period primarily due to an increase in capitalized borrowing costs in the current period in addition to a fair value gain attributable to gold call options.

### *Cash Flows*

Cash outflows provided by financing activities during the three months ended June 30, 2018 was \$1,210,620 (2017: cash inflow of \$23,914,165) and primarily consisted of repayments of long term debt of \$1,991,255, interest payments of \$1,009,886 which was partially offset by the issuance of share capital of \$2,382,668.

Cash used in investing activities during the three months ended June 30, 2018 totalled \$507,884 (2017: \$5,962,029) and during the current quarter consisted of expenditures for mining interests and property, plant and equipment relating to the commissioning of the Moss Mine.

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

During the year ended June 30, 2018, the Company completed or arranged the following financings:

### *Senior Secured Credit Facility*

The Company drew the third and fourth tranches of US\$5,000,000 each from its Sprott Facility for a total of US\$20,000,000. The Company amended the terms of the Sprott Facility to extend the availability period of the Sprott Facility allowing the Company to draw the fourth tranche. Concurrently with the Sprott Facility amendment, the exercise price of the gold call options issued in connection with the Sprott Facility was repriced from US\$1,350 per ounce to US\$1,275 per ounce.

### *Equipment Finance Lease Facility*

During the year ended June 30, 2018, the Company executed a definitive MLA for up to US\$9,000,000 of equipment purchases. As at June 30, 2018, the Company has purchased US\$8,672,357 in equipment under the MLA. Fees paid in connection with the MLA were US\$225,000 and commitment fees of 0.5% of the unused portion of the MLA are due quarterly.

The significant terms and conditions of the MLA include: a maximum of US\$9,000,000 available to fund equipment purchases with 20% to 30% due as advance payments at lease commencement, fixed quarterly payments over a four-year lease period, interest rate of 3-month USD LIBOR plus interest rates ranging from 5.00% to 6.25% and the right

to buy the equipment at the end of the lease period for nominal consideration. The MLA is secured with the acquired assets in favour of the lender and a guarantee from the Company.

#### *Non-Brokered Private Placements*

During the first quarter the Company completed the final tranche of a US\$20,000,000 non-brokered private placement with Greenstone, issuing 23,849,230 units at a price of \$0.52 per unit for gross proceeds of \$12,401,600 (US\$9,417,983). Each unit consists of one common share of the Company and one half non-transferable common share purchase warrant. Each warrant has a term of five years and entitles the holder to acquire one common share of the Company at an exercise price of \$0.91 for a period of two years from the date of issuance of the warrant and at a price of \$1.04 for the remainder of the term of the warrant. No finders' fees or commissions were payable in connection with the financing.

The Company also closed a non-brokered private placement raising gross proceeds of \$3,031,860, of which \$2,381,600 was received during the year ended June 30, 2017. Pursuant to the private placement, the Company issued an aggregate of 5,830,500 units at a purchase price of \$0.52 per unit. Each unit consists of one common share of the Company and one half non-transferable common share purchase warrant. Each warrant has a term of five years and entitles the holder to acquire one common share of the Company at an exercise price of \$0.91 for a period of two years from the date of issuance of the warrant and at a price of \$1.04 for the remainder of the term of the warrant. Cash finders' fees of 6% on a portion of the gross proceeds raised under the private placement, totaling \$147,513 were paid to certain finders at arm's length to the Company.

During the fourth quarter the Company closed a non-brokered private placement, raising gross proceeds of \$2,404,000. Pursuant to the private placement, the Company issued an aggregate of 4,623,076 units at a purchase price of \$0.52 per unit. Each unit consists of one common share of the Company and one-half non-transferable common share purchase warrant. Each warrant has a term of two years and entitles the holder to acquire one common share of the Company at an exercise price of \$0.68 until April 27, 2020. Cash finders' fees of 6% on a portion of the gross proceeds raised, totaling \$102,120, were paid to certain finders at arm's length to the Company.

The Company used, or intends to use, the net proceeds of the private placements for continued development and construction of the Moss Mine, to conduct an exploration program in the Oatman District and for general working capital and purposes.

#### *Working Capital Facility*

The Company entered into a definitive agreement with Greenstone in respect of an unsecured subordinated non-revolving Working Capital Facility in the aggregate principal amount of US\$6,000,000. On January 16, 2018, the Company drew an initial advance of US\$3,000,000 which was evidenced by way of a convertible debenture. On March 8, 2018, the Company drew the remaining balance of US\$3,000,000 which was also evidenced by way of a convertible debenture. The material terms of the Working Capital Facility include:

- maturity date of January 31, 2020 at which time the principal amount is to be repaid in full, subject to Greenstone having not elected to convert the principal amount outstanding;
- interest rate of 12% per annum, payable quarterly in arrears in cash;
- convertible at Greenstone's option, at any time prior to the maturity date;
- conversion price of the initial advance is the lower of: (i) \$0.70; and (ii) and if the Company has announced a potential merger, amalgamation, arrangement, acquisition or other type of business transaction that results in a change of control, or an M&A Transaction (including the issuance by the Company of more than 20% of its stock), as the case may be, the 20 day VWAP prior to such announcement, subject to the conversion price on the initial advance not being less than \$0.51 and \$0.52 for the initial and final advances respectively. The conversion price of debentures issued under any subsequent advance will be as above, but will be subject to the minimum market price determined on the date preceding the date of issuance of any such subsequent debentures;
- cash fees of 3% of the amount of each advance (payable on each advance) and 3% of the aggregate amount outstanding on the 12-month anniversary of the initial advance.

## *Liquidity and Capital Resources*

As at June 30, 2018, the Company had cash of \$7,531,761 (June 30, 2017: \$24,985,035). The decrease in cash compared to the year ended June 30, 2017 was primarily due to cash used for equipment purchases, detailed engineering, permitting and development of the Moss Mine, offset by the receipt of cash proceeds from various financings and pre-commercial production gold and silver sales.

Cash provided by financing activities during the year ended June 30, 2018 was \$39,081,624 (2017: \$42,155,955) and primarily consisted of cash received from long term debt, non-brokered private placements and the finance lease facility, offset by payments for interest, non-current deposits, and repayment of long term debt and MLA.

Cash used in investing activities during the year ended June 30, 2018 totalled \$53,626,156 (2017: \$14,769,678) and primarily consisted of cash used for expenditures for mining interests and property, plant and equipment related to equipment purchases, detailed engineering, permitting, construction and commissioning of the Moss Mine.

During the year ended June 30, 2018, working capital decreased by \$31,853,543 to a deficit of \$11,031,771. The decrease in working capital was primarily attributable to the repayment schedule of the Sprott Facility, of which, the first payment was made in June 2018. Working capital deficits are not uncommon in single asset companies which are transitioning from mine commissioning to commercial production.

The Company's ongoing liquidity needs will be funded from current cash, operating cash flows during commissioning and from production of the Moss Mine and future financings if required.

## **9. Subsequent Events**

In addition to subsequent events disclosed in other parts of this MD&A, subsequent to June 30, 2018:

- the Company amended the repayment terms of its MLA. An existing security deposit was used to pay US\$575,750, inclusive of a restructuring fee, due on October 1, 2018. The security deposit will be repaid in two installments of US\$287,875 due January 1, 2020 and April 1, 2020.
- 500,000 shares were issued from the conversion of 250,000 convertible debentures related to the July 14, 2016 private placement.
- 685,000 stock options of the Company with an exercise price of \$0.65 expired.
- the Company achieved commercial production at the Moss Mine.
- the Company extended the maturity date of its senior secured facility from November 2019 to December 2020. As part of the amendment monthly principal payments of US\$1,111,111 were waived from July 2018 to October 2018 and will recommence November 2018 in monthly instalments of US\$500,000. As part of the amendment the Company will issue 1,250,000 common shares to the lender and the exercise price of the Gold Call Options were reduced from US\$1,275 to US\$1,200.
- the Company announced a non-brokered private placement of up to approximately 21,666,667 Units ("each Unit") at a purchase price of \$0.30 per Unit for aggregate gross proceeds of up to \$6,500,000. Each Unit issued in connection with the private placement will consist of one common share of the Company and one-half of one transferable common share purchase warrant. Each whole warrant will entitle the holder to acquire one common share at an exercise price of \$0.45 for a period of 24 months from the closing date of the private placement. Finders' fees within TSX Venture Exchange (the "Exchange") policy guidelines may be paid in cash or common shares in connection with the private placement.
- the Company entered into a non-binding indicative term sheet with a third party whereby the parties intend to enter a definitive precious metal purchase agreement (the "PMPA"). Under the terms of PMPA the Company will receive a US\$8,500,000 upfront payment in exchange for agreeing to sell 45% of silver production from the Moss Mine at an ongoing purchase price equal to 30% of the lesser of the average silver price for the

calendar quarter and the spot price of silver at the time of delivery. After the purchase of 1,500,000 ounces of silver from the Company the amount of silver purchasable under the PMPA will be reduced to 22.5% of all silver production from the Moss Mine for the remaining life of mine. Under the PMPA the Company also has the option to increase the upfront payment by US\$5,000,000 in exchange for the purchaser having the right to purchase 75% of silver production until the delivery of 2,500,000 ounces of silver. After the delivery of 2,500,000 ounces of silver the purchaser's rights return to 37.5% of silver production for the remaining life of the Moss Mine. The PMPA remains subject to the fulfilment of a number of conditions precedent including the negotiation and execution of definitive documentation, the completion of due diligence and receipt of all necessary regulatory approvals, including the approval of the Exchange.

## 10. Contractual Obligations

### *Office space lease agreements*

The Company has entered into lease agreements for office space with terms that expire between various dates through to December 2022, as disclosed in Note 20 to the Consolidated Financial Statements for the years ended June 30, 2018 and June 30, 2017.

### *Other commitments*

The Company is committed to making royalty payments on future production as disclosed in Note 8 to the Consolidated Financial Statements.

## 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

Related party transactions were incurred in the normal course of business and measured at their fair value as determined by management. Amounts due to or from related parties are non-interest bearing, unsecured and due on demand.

Balances due (to) from related parties are as follows:

		<b>June 30, 2018</b>		June 30, 2017
Shared office expenses receivable	\$	<b>5,525</b>	\$	1,373
Consulting fees payable	\$	<b>(389)</b>	\$	(17,863)

Related party transactions are as follows:

	Note		<b>June 30, 2018</b>		June 30, 2017
Consulting fees	(i)	\$	<b>295,000</b>	\$	315,000
Shared office recovery	(ii)	\$	<b>(34,607)</b>	\$	(1,304)

(i) Consulting fees charged by companies controlled by certain directors of the Company are included in professional fees, salaries and wages, and mining interest expenditures, and deferred financing costs.

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

### **Commitments with related parties**

The Company has entered into a corporate services agreement with a related company for clerical, accounting, regulatory filing and geological services. The minimum monthly fee under the agreement is \$10,000 and renews annually.

### 13. Key management personnel compensation

The remuneration of the Company's directors and other key management personnel for the year ended June 30, 2018 and 2017 is as follows:

		<b>June 30, 2018</b>		June 30, 2017
Salaries, fees and short-term benefits	\$	<b>1,116,480</b>	\$	946,186
Termination benefits	\$	-	\$	400,000
Share-based payments	\$	<b>303,218</b>	\$	488,595

- (i) Salaries and short-term benefits are included in salaries and wages, management fees, construction in progress expenditures, and mining interest expenditures.
- (ii) Share-based payments are the fair value of options granted to directors and other key management personnel.

### 14. 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.

### 15. Proposed Transactions

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

### 16. Adoption of New Accounting Standards

Adoption of new accounting standards have been disclosed in Note 3 of the Company's Consolidated Financial Statements for the years ended June 30, 2018 and June 30, 2017.

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

Pronouncements that may have a significant impact to the Company have been included in the Company's Consolidated Financial Statements for the years ended June 30, 2018 and 2017.

### 18. 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, three 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.

## 19. Outstanding Share Data

The total number of outstanding common shares, stock options, and warrants as of the date of this MD&A are 180,808,552, 4,820,000 and 46,682,807 respectively.

## 20. Financial Instruments and Financial Risk Management

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

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

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

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

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

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 June 30, 2018:

	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash	\$ 7,531,761	\$ -	\$ -	\$ 7,531,761
Accounts receivable	33,805	-	-	33,805
	7,565,566	-	-	7,565,566
Financial Liabilities				
Trade and other payables	(9,515,040)	-	-	(9,515,040)
Current and long term debt	(36,809,916)	-	-	(36,809,916)
Gold Call Options	-	(665,350)	-	(665,350)
	\$ (38,759,390)	\$ (665,350)	\$ -	\$ (39,424,740)

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

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

### (a) Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations. The Company has credit risk in respect of its cash, trade and other receivables, and reclamation deposits. The Company considers the risk of loss relating to cash and reclamation deposits to be low because these instruments are held only with a Canadian Schedule I financial institution, a US-chartered commercial bank and a US government agency. Accounts receivable at June 30, 2018 related primarily to value-added taxes which is expected to be collectible in full due to the nature of the counterparties and 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.

(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 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 June 30, 2018, \$1,993,174 (US\$1,513,650) of the Company's cash and \$31,743,658 (US\$24,106,666) of the Company's debt were denominated in US dollars. A 10% variation in the US dollar exchange rate would result in an impact of approximately \$702,940 on the consolidated statements of loss.

(ii) Commodity price risk

Commodity price risk is the risk that the current and future cash flows from the Company's financial instruments will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and US dollar, as outlined above. Management closely monitors trends in commodity prices of gold and other precious and base metals as part of its routine activities, as these trends could significantly impact future cash flows. Fluctuations in gold prices affect the fair market value of the Gold Call Options as the fair value is based on the market price of gold at the end of each period. A 10% fluctuation in the price of gold would result in an impact of approximately \$503,249 (US\$382,176) on the consolidated statements of loss.

(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, which are held at variable market rates, and is exposed to interest rate risk on its outstanding borrowings. The Company also pays interest monthly for its senior secured credit facility, at an annual interest rate of 8% plus the greater of twelve month USD LIBOR or 1.25%. With other variables unchanged, a 1% increase on the Company's floating rate debt would increase annual interest expense by \$248,729 (US\$188,889). The Company closely monitors its exposure to interest rate risk and has not entered into any derivative contracts to manage this risk.

## 21. Risks and Uncertainties

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



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

### **Need for Additional Funds**

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

The Company may require additional financings to further the development of the Moss Mine. 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**

Exploration for and development of gold properties involves significant financial risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish mineral reserves by drilling, constructing mining and processing facilities at a site, developing metallurgical processes and extracting gold from ore. We cannot ensure that our current exploration and development programs will result in profitable commercial mining operations.

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

### **Metal Prices**

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

### **Title Risks**

The Company has taken steps to verify title to mining interests in which it has or is in the process of earning an interest in, including review of condition of title reports, vesting deeds, mining claim location notices and filings, and property tax and other public records and is not presently aware of any title defects. The procedures the Company has undertaken and may undertake in the future to verify title provide no assurance that the underlying properties are not subject to prior agreements or transfers of which the Company is unaware.

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

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

regulations has the potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

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

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

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

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

### **Economic Conditions**

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

### **Dependence on Management**

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

## **22. 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.

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

The Company's consolidated financial statements and this accompanying MD&A contain statements that constitute "forward-looking statements" within the meaning of National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators. Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions. Forward-looking statements in this MD&A include but are not limited to statements regarding the Company's future exploration and development plans and expenditures, the satisfaction of rights and performance of obligations under agreements to which the Company is a party, the ability of the Company to hire and retain employees and consultants and estimated administrative and other expenditures. The forward-looking statements that are contained in this MD&A involve a number of risks and uncertainties. As a consequence, actual results might differ materially from results forecast or suggested in these forward-looking statements. Some of these risks and uncertainties are identified under the heading

"RISKS AND UNCERTAINTIES" in this MD&A. Additional information regarding these factors and other important factors that could cause results to differ materially may be referred to as part of particular forward-looking statements. The forward-looking statements are qualified in their entirety by reference to the important factors discussed under the heading "RISKS AND UNCERTAINTIES" and to those that may be discussed as part of particular forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause the actual results to differ include market prices, exploration success, continued availability of capital and financing, inability to obtain required regulatory approvals and general market conditions. These statements are based on a number of assumptions, including assumptions regarding general market conditions, the timing and receipt of regulatory approvals, the ability of the Company and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

#### **24. Approval**

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

#### **25. 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).