

NORTHERN VERTEX MINING CORP.

**Management's Discussion and Analysis
for the three and nine months ended March 31, 2014**

Dated as of May 28, 2014

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Management's Discussion and Analysis for the three and nine months ended March 31, 2014

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 28, 2014 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, 2014. This MD&A provides information on the operations of the Company for the three and nine months ended March 31, 2014 and should be read in conjunction with the interim consolidated financial statements and related notes thereto (the "Financial Statements") as well as the audited annual consolidated financial statements for the year ended June 30, 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). All currency amounts are expressed in Canadian dollars, unless otherwise noted.

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

1. Background and Core Business

The Company is an exploration and development stage mining company focused on identifying mineralized deposits economically worthy of subsequent development, mining or sale. The Company's sole project is the Moss gold-silver deposit (the "Moss Mine") in Mohave County, Arizona. The Company's core management and technical team are proven professionals, with extensive international experience in all aspects of mineral exploration, mine development, operations, equity and debt financing and venture capital markets. The Company is a listed issuer on the TSX Venture Exchange ("TSXV") and its common shares trade under the symbol "NEE".

The Company's primary objectives are:

- Operating in a socially responsible manner with high regard to safety standards and environmental regulations; and
- Advancing Moss Mine pilot plant operations concurrent with completing the terms necessary to earn its interest in the project (as further described in Section 4 of this MD&A).

2. Third Quarter 2014 Operating and Financial Highlights

Operating results

- As of the date of this MD&A, the Company has operated for 583 days without a Lost Time Accident (LTA) or an MSHA Reportable Accident (Mine Safety & Health Administration, US Department of Labor);
 - Heap leaching continues and gold and silver are being adsorbed in the carbon columns, carbon is being chemically stripped at off-site facilities and gold and silver sales are continue;
 - Gold recovery rates, on the first five out of six leach cells is 82% after an average of 240 days and exceeds expectations indicated in the Preliminary Economic Assessment ("PEA"). Silver recovery is 38.8% on the five cells. Gold and silver continue to be recovered from the heap leach operation of the Moss mine; and
 - The application for an amendment to the Aquifer Protection Permit was approved by the Arizona Department of Environmental Quality in late December. The amendment permits an increase in the quantity of mineralized material that can be heap leached to a nominal 125,000 tons (approximately 112,500 tonnes) from the previously approved 100,000 tons (approximately 90,000 tonnes). The increase in the allowable tonnage has enabled the Company to leach material from a larger area of the Phase I pit and to test recoveries from varying crush sizes further enhancing the contribution and the value of the pilot plant phase. Additional material has been stacked on the heap and the maximum allowable tonnage allowed to be placed in accordance with the permit has been attained.
- On May 26, 2014, the Company announced a non-brokered private placement offering of up to approximately 10 million units at a purchase price of \$0.25 per unit, for gross proceeds to the Company of up to \$2,500,000 (see Subsequent Events section).

- On May 16, 2014, the Company announced that it had secured an option on the Silver Creek property, located adjacent to the Moss Mine property with La Cuesta International, Inc. (see Subsequent Events section).
- On September 25, 2013, the Company completed a non-brokered private placement of 5,236,000 units at a price of \$0.65 per unit for gross proceeds of \$3,403,400. Cash finders' fees of \$209,180 were paid to arm's length parties in relation to the private placement. Each unit consisted of one common share of the Company and one-half of one transferable common share purchase warrant, with one whole warrant entitling the holder to purchase one common share at an exercise price of \$0.90 until March 25, 2015. The expiry date of the Warrants may be accelerated, at the sole option of the Company, to 30 business days following the date on which the Company gives notice that its common shares have closed for 21 consecutive trading days at a price of \$1.40 or greater;
- On September 25, 2013, the Company amended the expiration date of 1,321,500 warrants exercisable at \$1.15 from October 4, 2013 to October 4, 2014, and 5,817,174 warrants exercisable at \$1.55 from November 23, 2013 to November 23, 2014. In all other respects, the terms of these warrants remain unchanged; and
- On September 25, 2013, the Company granted 1,435,000 stock options to employees, consultants, officers and directors with an exercise price of \$0.65 and an expiry date of September 25, 2018.

Financial results for the three months ended March 31, 2014

- Working capital was \$1.78 million at March 31, 2014 (June 30, 2013: \$5.72 million), which included cash and cash equivalents of \$2.68 million (June 30, 2013: \$7.77 million);
- Net loss on realized expenses of \$0.91 million (2013: \$4.15 million) was recorded for the three months ended March 31, 2014. During the period, the Company recorded a non-cash, unrealized foreign exchange gain of \$1.03 million 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;
- Recorded net income of \$0.12 million for the three months ended March 31, 2014 (2013: loss of \$4.17 million), which included \$1.03 million non-cash unrealized foreign exchange gain;
- Net income for the three months ended March 31, 2014 included \$0.30 million (2013: \$0.73 million) in share-based payment expense, \$0.31 million (2013: \$0.29 million) in salaries, wages, benefits and subcontractor expenses, a foreign exchange gain of \$1.03 million (2013: loss of \$0.01 million), a loss on the sale of its investment in a joint venture interest of \$nil (2013: \$2.72 million), and an impairment of exploration and evaluation assets of \$nil (2013: \$0.07 million); and
- Invested \$0.90 million in the Company's exploration and evaluation assets during the three months ended March 31, 2014 (2013: \$1.22 million), all of which was incurred in respect of the development of the Moss Mine.

Financial results for the nine months ended March 31, 2014

- Net loss on realized expenses of \$4.06 million (2013: \$6.53 million) was recorded for the nine months ended March 31, 2014. During the period, the Company recorded a non-cash, unrealized foreign exchange gain of \$1.37 million 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;
- Recorded a net loss of \$2.69 million for the nine months ended March 31, 2014 (2013: \$6.54 million);
- Net loss for the nine months ended March 31, 2014 included \$1.25 million (2013: \$1.67 million) in share-based payment expense, \$1.06 million (2013: \$0.42 million) in salaries, wages, benefits and subcontractor expenses, \$0.47 million (2013: \$0.18 million) in professional fees, a foreign exchange gain of \$1.37 million (2013: loss of \$0.01 million), a loss on the sale of its investment in a joint venture interest of \$nil (2013: \$2.72 million), and an impairment of exploration and evaluation assets of \$nil (2013: \$0.89 million); and

- Invested \$8.38 million in the Company's exploration and evaluation assets during the nine months ended March 31, 2014 (2013: \$2.38 million), all of which was incurred in respect of the development of the Moss Mine.

3. Subsequent Events

On May 16, 2014, the Company announced that it had secured an option on the Silver Creek property, located adjacent to the Moss Mine property with La Cuesta International, Inc. 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, has a term of 35 years and requires the Company to pay La Cuesta International, Inc., ("LCI") US\$5,000 cash on execution (paid) and issue 100,000 common shares (subject to TSX Venture Exchange approval). The Company is committed to annual expenditures commencing in year 1 of US\$10,000 in cash paid to LCI and a work commitment of US\$15,000, increasing gradually to US\$50,000 with no work commitment in year 5. In year 3, a one-time US\$200,000 work commitment is required. The agreement provides for a production royalty of 1.5% NSR on claims owned by LCI and 0.5% NSR on third party claims within the claim block, with the NSR rates reduced by half once US\$4 million in total royalties has been paid. All payments other than the work commitments are credited against the royalty. The Company can also acquire the claims at any time for US\$4 million in any combination of aggregate royalty payments and lump-sum payments at its sole discretion.

To date, only surface work has been carried out on the property (rock sampling, mapping and geophysics). No drilling has taken place. The Company will be developing a comprehensive ground-level exploration plan to evaluate the various exploration targets on the property, which is intended to complement the exploration plan that 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 bankable feasibility study and development for Phase II.

On May 26, 2014, the Company announced a non-brokered private placement offering of up to 10 million units at a purchase price of \$0.25 per unit, for aggregate gross proceeds to the Company of up to \$2,500,000. Each unit will consist of one common share and one-half transferable share purchase warrant. Each whole warrant will entitle the holder to acquire one common share at an exercise price of \$0.60 for a period of 24 months from the closing date of the private placement.

4. Review of Development and Exploration Projects

Moss Mine, Mohave County, Arizona

The Company entered into an Exploration and Option Agreement with Patriot Gold Corp. ("Patriot") effective March 7, 2011, whereby the Company was granted the right to earn a 70% interest in the Moss Mine. The Moss Mine is an epithermal, low sulphidation quartz-calcite vein and stockwork system which extends over a strike length of 1,400 meters and has been drill tested to depths of 220 meters vertically from surface. It is a potential heap leach, open pit project being advanced under a three-phase business plan, specifically designed to ensure that technical, economic, permitting and funding requirements are met prior to each phase proceeding.

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

The Company paid a 3% finder's fee on the initial US\$500,000 payment to Patriot to a non-related party and pays a further 3% finder's fee on exploration expenditures, in quarterly instalments, to this non-related party. On commercial production as defined in the agreement with Patriot, a fee of up to US\$15 per troy ounce of gold produced and up to US\$0.35 per troy ounce of silver produced is payable to this non-related party. The fee can be purchased by the Company for US\$2.4 million. Royalties 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 pilot plant. During Phase II, 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 Phase II is expected to be approximately 2%.

As of the date of this MD&A, the Company has made ten shipments to the offsite carbon stripping facility, the most recent in early May 2014. The three most recent shipments made to date are at various stages of precious metal processing (stripping of carbon, pouring of dore bars and refining into gold bullion) and await analysis and final determination of precious metal content). Proceeds received from the Pilot Plant to date have totalled US\$4.2 million from 3,206 ounces of gold at an average selling price of US\$1,252.71 per ounce and 11,047 ounces of silver at an average selling price US\$20.28 per ounce. Approximately US\$1.5 million, using estimated gold and silver market prices of US\$1,250 and US\$20 per ounce, respectively, is expected over the next five months for total estimated sales proceeds from the Phase I – Pilot Plant of US\$5.7 million. 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. Given the decrease in metals prices since the date of the PEA, the increase in sales proceeds the Company anticipates over the PEA budget can be attributed to the additional tonnage placed on the leach pad and the significantly higher recoveries of gold (82% versus 75%, as per the PEA).

As at March 31, 2014, the cumulative exploration and evaluation costs for the Moss Mine totalled \$16.4 million being \$21.5 million less proceeds from gold and silver sales of \$5.1 million. Additional costs related to the operation of the Moss Mine were included in property, plant and equipment, and intangible assets (total approximately \$22.8 million). As of the date of this MD&A, the Company had fulfilled its “earn-in” obligation excluding the feasibility study (“FS”) under the agreement with Patriot and is planning the completion timeline of the FS. Work continues on the FS but at decreased levels than initially planned and the completion date, subject to financing, is expected in the first half of the 2015 calendar year.

Capital costs incurred for Phase I - Pilot Plant were US\$5.2 million (PEA budget - US\$3.7 million, a variance of US\$1.5 million, or 41% over budget), primarily due to: scope and schedule changes and actual site and sub-surface soil/rock conditions that resulted in design modifications, requiring additional field, engineering and project management support; higher than planned costs for haul road, crushing and leach pads and process pond areas due to a significant increase in the quantity of rock required to be drilled, blasted and excavated; fewer local contractors were available to offer competitive bids which resulted in increased costs; additional process building and assay laboratory were constructed to provide ability to assay samples on-site for quicker results; and added safety, communications and environmental considerations. The above items were either higher than planned from a cost perspective or not originally considered in the preliminary estimates outlined in the PEA.

Operating and maintenance (“O&M”) costs, as of the date of this MD&A, are approximately US\$6.6 million (PEA budget - US\$3.6 million, a variance of US\$3.0 million, or 83% over budget), which are higher than originally planned from PEA estimates, predominantly due to the approval of the amended permit that enabled the Company to increase the quantity of mineralized material by approximately 28%. This increase in allowable tonnage resulted in: a significantly larger than estimated quantity of mineralized material that was mined, crushed, agglomerated, stacked and processed on the leach pad resulting in higher costs for all associated elements; increased local contractor costs; considerably higher than originally planned staffing requirements; and increased crushing and screening of subgrade material and leach pad drain rock than initially predicted.

Total costs (capital and O&M costs) as of the date of this MD&A are approximately US\$11.8 million (PEA budget - US\$7.3 million, a variance of US\$4.5 million, or 62% over budget).

Not included in the PEA budget, approximately US\$944,700, outside of community relations costs of US\$176,300, has been incurred regarding owner’s production related costs including but not limited to mine vehicles and maintenance, insurance, computer hardware and software, radio equipment, core shack improvements, safety and medical supplies, utilities and office-related costs. Furthermore, reclamation costs of US\$716,500 for Phase I – Pilot Plant were incurred.

The changes, noted above, were made to the original PEA scope to facilitate the “proof of concept” objective of Phase I. The Company has experienced significant learnings from the project as highlighted in the Company’s news releases dated November 15, 2013, January 29, 2014, and April 9, 2014. Furthermore, the foundation of an experienced operating team capable of moving the Company forward to Phase II has been assembled.

Based on the Company’s updated financial projection, expected tax benefits from current and future net operating losses estimated to be incurred, head office expenditures attributable to the support of mining activities and depreciation of current and future capitalized assets (including approximately \$22.6 million incurred less sales proceeds of \$5.1 million, net \$17.5 million) as of March 31, 2014, on the Moss property as well as anticipated capital expenditures on Phase II of US\$26.6 million as per preliminary PEA estimates), will substantially offset taxable income

in the initial years of commercial production. Any refinement of tax implications will be reviewed by the Company's tax advisors.

Lemhi Gold Property, Lemhi County, Idaho

On February 12, 2013, the Company completed the sale of its 51% interest in the Lemhi Gold Trust, LLC ("Lemhi JV LLC") to Idaho State Gold Company, LLC ("ISGC"), a private Idaho investment company, for consideration consisting of US\$4.75 million cash plus US\$2.90 million in deferred cash payments. The deferred cash payments, equal to 3% of all future expenditures at the Lemhi Gold Property (the "Lemhi Property") by the purchaser, are payable to the Company in quarterly instalments and capped at US\$2.90 million. ISGC previously owned the remaining 49% of the Lemhi Property and pursuant to the sale, assumed management and operating control at the Lemhi Property.

The Company realized a loss of \$2,723,322 on the sale of its interest in Lemhi JV LLC during the year ended June 30, 2013. This loss did not include any of the deferred cash payments that may be received in the future in respect of the sale of the Company's interest in Lemhi JV LLC. During the nine months ended March 31, 2014, the Company received US\$7,257 in respect of the deferred cash payments from ISGC.

5. Outlook and Strategy

At the beginning of the third quarter of the 2014 fiscal year, the Company underwent a significant company-wide staff and cost reduction program in an effort to continue to exercise fiscal responsibility and to better position itself in a rapidly changing economic and financial climate, while advancing its crucial strategic priorities. The main short-term objective is to develop sustainable cash flow while reducing overhead and operating costs. The Company implemented a hardline cost reduction program which included headcount reductions of over 40%, including certain senior positions, significant reductions in office space, exploration, corporate communications, general and administrative overhead and a halting of consulting arrangements with further reductions planned once the leaching process is completed later in the calendar year. Remaining staff, both corporately and at the mine site, have taken salary and wage reductions, and salary and consulting fee suspensions have been implemented for senior management and directors. These cost reduction measures have had significant impact on overall costs and ultimately led to increased cash preservation.

As noted above, the critical strategic priorities of the Company are to complete Phase I – Pilot Plant along with the FS to satisfy the "earn-in" requirement as per the Exploration and Option Agreement with Patriot, which will strategically position the Company for Phase II. The Company will require further funding to proceed with development for Phase II as described in the *Liquidity and Capital Resources* section below.

Over the next several months, the Company's financial position will be closely related to the market price of gold and silver as the Company continues selling gold and silver production from the Moss Mine. The Company continues to believe that gold and silver prices will be subject to ongoing volatility in the short-to-medium term.

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

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

7. Summary of Quarterly Results

	Three Months Ended March 31, 2014	Three Months Ended December 31, 2013	Three Months Ended September 30, 2013	Three Months Ended June 30, 2013	Three Months Ended March 31, 2013	Three Months Ended December 31, 2012	Three Months Ended September 30, 2012	Three Months Ended June 30, 2012
Revenue ¹	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net income (loss)	119,519 ²	(607,380)	(2,202,107)	(1,233,008)	(4,165,466)	(2,246,703)	(273,828)	(269,384)
Basic and diluted income (loss) per share	0.002	(0.011)	(0.042)	(0.028)	(0.079)	(0.047)	(0.006)	(0.006)

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

² Included was a non-cash unrealized foreign exchange gain of \$1.03 million 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.

The variation in the net income (loss) for the three months ended March 31, 2014 to the three months ended December 31, 2013 was attributed to the Company's cost reduction initiatives that resulted in decreased property fees, professional fees, salaries, wages, benefits and subcontractor expenses, filing costs and marketing and community relations expenses. The Company also recorded a foreign exchange gain of \$1,027,648 in the third quarter due to the appreciation of the US dollar against the Canadian dollar.

The variation in the net loss for the three months ended December 31, 2013 to the three months ended September 30, 2013 was attributed to decreased professional fees, filing costs, and marketing and community relations expenses, as well as a substantial foreign exchange gain in the second quarter compared to a foreign exchange loss in the first quarter.

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

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

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

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, 2014, the Company earned net income of \$119,519 and incurred a net loss of \$2,689,968, respectively, compared to a net loss of \$4,165,466 and \$6,541,307, respectively, for the same periods ended March 31, 2013. The factors contributing to the variances compared to the previous comparable periods are discussed below.

Administrative expenses

For the three months ended March 31, 2014, the Company incurred total administrative expenses of \$902,826 (2013: \$1,404,551), which included non-cash share-based payments of \$304,497 (2013: \$725,752); salaries, wages, benefits and subcontractor expenses of \$308,142 (2013: \$286,744); professional fees of \$57,305 (2013: \$90,373); marketing and community relations expenses of \$14,757 (2013: \$45,434); property fees of \$19,919 (2013: \$34,761); travel,

meetings and conferences of \$39,637 (2013: \$111,175); management fees of \$35,990 (2013: \$nil); and other office and general expenses, including depreciation, that totalled \$122,579 (2013: \$110,312).

Significant variances for the three months are noted as follows: travel, meetings and conferences decreased due to less management travel and fewer conferences attended than in the comparative period. Depreciation expense increased as a result of new accounting software procured in May 2013 along with ongoing support. Share-based payments decreased compared to the previous comparable period, as there was no stock option issuance during the three months ended March 31, 2014. Marketing and community relations and professional fees decreased in connection with the Company's targeted cost reduction initiatives. Transfer agent and filing fees decreased as the Company received a refund from the TSX-V relating to a prospectus offering that was not pursued. Management fees for the period increased as certain management fees in the comparative period were redistributed to applicable exploration expenditures. Salaries, wages, benefits and subcontractor expenses and general office expenses remained relatively consistent as the Company implemented cost reduction initiatives beginning in the third quarter of fiscal 2014. 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 reflected the decreased expenditures on the Moss Mine due to cost reduction initiatives which had not been implemented in the previous comparable period.

For the nine months ended March 31, 2014, the Company incurred total administrative expenses of \$4,103,963 (2013: \$3,023,788), which included non-cash share-based payments of \$1,249,845 (2013: \$1,672,806); salaries, wages, benefits and subcontractor expenses of \$1,058,778 (2013: \$424,814); professional fees of \$465,519 (2013: \$177,224); marketing and community relations expenses of \$277,639 (2013: \$150,261); property fees of \$285,418 (2013: \$80,093); travel, meetings and conferences of \$245,965 (2013: \$301,916); management fees of \$108,011 (2013: \$nil); and other office and general expenses, including depreciation, that totalled \$412,788 (2013: \$216,674).

Significant variances for the nine months are noted as follows: The increase in salaries, wages, benefits and subcontractor expenses related to the Company's increased staff complement as employees were added in both the Vancouver office and Bullhead City operations (prior to the retrenchment initiated as part of the cost reduction program in the third quarter of fiscal 2014). Travel, meetings and conferences decreased due to less management travel and fewer conferences attended than in the comparative period. Depreciation expense increased as a result of new accounting software procured in May 2013 along with ongoing support. The increase in marketing and community relations reflected the Company's participation in sponsorships and other new initiatives intended to promote awareness of the Company's activities and its commitment to working in partnership with various stakeholders in the communities in which it operates. General office expenses increased and were related primarily to the office in Bullhead City near the Moss Mine site and additional office space in Vancouver, as well as insurance, IT and communications services and support costs, which were higher as a result of expanded activity over the comparable period and which are expected to decrease in subsequent periods as a result of the Company's cost reduction program. Professional and filing fees also increased during the period and related to a prospective financing, which was ultimately not pursued. Property fees represented the 3% finder's fee paid to a non-related party on exploration expenditures for the Moss Mine, as further described in *Review of Development and Exploration Projects – Moss Mine*. The increase in property fees reflected the increased expenditures on the Moss Mine compared to the previous comparable period.

Other income and expenses

The Company recorded interest and other income of \$6,727 and \$46,928 during the three and nine months ended March 31, 2014, respectively, compared to \$42,160 and \$107,057 in the previous comparable periods ended March 31, 2013. The reported amounts for the three and nine months ended March 31, 2014 represent interest earned on the bank balances whereas the reported amounts for the previous comparable periods was comprised primarily of administrative income from management of Lemhi JV LLC. The Company sold its interest in Lemhi JV LLC in February 2013 and no administrative income has since been earned. The Company had a lower average cash balance for the three and nine months ended March 31, 2014 than in the previous comparative periods as a result of lower cash proceeds from equity financings (\$8.5 million in November 2012 compared to \$3.4 million in September 2013). The Company also recorded a foreign exchange gain of \$1,027,648 and \$1,371,519 during the three and nine months ended March 31, 2014, respectively, as compared to a foreign exchange loss of \$11,995 and \$8,104 during the comparative periods in 2013. The significant appreciation of the US dollar in the third fiscal quarter of 2014 resulted in exchange gains on the revaluation of the long-term intercompany loans receivable from the Company's US-based subsidiaries. Other income and expenses for the three and nine months ended March 31, 2013 also includes a loss of \$2,723,322 on the sale of the Company's interest in Lemhi JV LLC.

9. Liquidity and Capital Resources

As at March 31, 2014, the Company had cash and cash equivalents of \$2,680,870 (March 31, 2013: \$12,264,505). The decrease in cash and cash equivalents compared to the three months ended March 31, 2013 was primarily due to the proceeds received from the sale of the Company's interest in the Lemhi JV of \$4,743,867 in the three months ended March 31, 2013.

Cash and cash equivalents used in operating activities during the three months ended March 31, 2014 were \$363,820 as compared to \$764,102 during the three months ended March 31, 2013. The cash used in operating activities compared to the three-month period in the previous year primarily reflects timing differences of payments for trade and other payables.

Cash and cash equivalents used in investing activities during the three months ended March 31, 2014 totalled \$1,236,902. Cash and cash equivalents provided by investing activities during the three months ended March 31, 2013 totalled \$3,443,129. Cash outflows for investing activities consisted of: expenditures on exploration and evaluation assets of \$899,278 (2013: \$1,217,392); purchases of property, plant and equipment of \$31,340 (2013: \$83,346); changes in non-cash investing working capital of \$2,662,158 (2013: \$nil) offset by the proceeds from gold and silver sales of \$2,367,629 (2013: \$nil); and proceeds received from the sale of the interest in the Lemhi JV of \$4,743,867 in 2013. Exploration and evaluation expenditures of \$899,278 and the change in non-cash working capital of \$2,727,698 for the three months ended March 31, 2014 related entirely to the development of the Moss Mine and included significant costs for pilot plant mining operations, administration, personnel costs and field expenses.

There were no cash flows from financing activities during the three months ended March 31, 2014 and the three months ended March 31, 2013.

Cash and cash equivalents used in operating activities during the nine months ended March 31, 2014 were \$2,414,443 (2013: \$949,822). The increase in cash used in operating activities compared to the prior comparable period reflected an increase in operating expenses as the Company expanded its Vancouver operations in advancing its planned activities for the Moss Mine.

Cash and cash equivalents used in investing activities during the nine months ended March 31, 2014 totalled \$6,005,350. Cash and cash equivalents provided by investing activities during the nine months ended March 31, 2013 totalled \$2,296,873. Cash outflows for investing activities consisted of: expenditures on exploration and evaluation assets of \$8,376,270 (2013: \$2,384,455); purchases of property, plant and equipment of \$1,227,661 (2013: \$90,959), which primary related to equipment purchases for the Moss mine; purchases of intangible assets that totalled \$33,903 (2013: \$nil), which related to the ongoing support of a new accounting system; and changes in non-cash investing working capital of \$1,525,581 (2013: \$nil). The cash outflows were offset during the nine months ended March 31, 2014 by proceeds from gold and silver sales of \$5,106,210 (2013: \$nil). Exploration and evaluation expenditures of \$8,376,270 and the change in non-cash working capital of \$1,525,581 for the nine months ended March 31, 2014 related entirely to the development of the Moss Mine and included significant costs for pilot plant construction, mining operations, administration, personnel costs and field expenses.

Cash and cash equivalents provided by financing activities during the nine months ended March 31, 2014 totalled \$3,169,001 (2013: \$8,535,121) and consisted of cash received from a private placement share issuance of \$3,169,001 (\$3,403,400 net of share issuance costs of \$234,399). Cash and cash equivalents provided by financing activities during the nine months ended March 31, 2013 included \$8,535,121 received from a private placement share issuance (\$9,160,000 net of share issuance costs of \$624,879).

On September 25, 2013, the Company completed a non-brokered private placement of \$3,403,400 described in the section *Second Quarter 2014 Operating and Financial Highlights*. The following table sets out the intended use of proceeds and the actual use of proceeds as of the date of this MD&A.

Intended Use of Proceeds	Actual Use of Proceeds
The Company intends to use the net proceeds of the private placement for the advancement of the Moss project and general corporate purposes.	The Company continues to use the funds for development of the Moss Mine and general working capital.

As of March 31, 2014, the majority of the Company's cash and cash equivalents were denominated in US dollars. However, the Company does maintain cash balances denominated in Canadian 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. With the current Canadian and US dollar cash balances along with the injection of US dollars from the sale of gold and silver over the coming months, the Company anticipates limited or no foreign currency exposure on conversion. The Company's foreign exchange gain for the nine months ended March 31, 2014 is primarily unrealized as it substantially relates to exchange differences on intercompany loans receivable from its US subsidiaries on which repayments have not yet been received.

During the three and nine months ended March 31, 2014, working capital increased by \$900,202 and decreased by \$3,936,701, respectively, to \$1,783,284 and included cash and cash equivalents of \$2,680,870. The working capital increase as compared to December 31, 2013 was related to proceeds received from gold and silver sales as well as cost reduction initiatives and salary deferrals. 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 continues to evaluate financing alternatives 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 silver 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 2013 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, 2014, the Company incurred consulting services of \$127,667 (nine months ended March 31, 2013: \$90,000) provided by Makwa Exploration Ltd. and \$nil (March 31, 2013: \$77,435) provided by L.J. Bardswich Mine Consultant, Inc., companies controlled by directors. These fees were included in exploration and evaluation assets on the consolidated statements of financial position.

During the nine months ended March 31, 2014, the Company incurred consulting fees of \$45,000 (March 31, 2013: \$45,000) and corporate service fees of \$90,000 (March 31, 2013: \$90,000) for services provided by Touchstone Capital Inc. ("Touchstone"), a company in which two executives are directors of the Company. The Company has a corporate services agreement with Touchstone for clerical, accounting, regulatory filing and geological services. The monthly fee under the agreement is \$10,000 and renews annually on December 1 of each year. The consulting fees are included in professional fees and the corporate service fees are included in salaries, wages, benefits and subcontractor expenses on the interim consolidated statements of operations and loss. The interim consolidated statements of financial position at March 31, 2014 included trade accounts payable to Touchstone of \$60,750 (June 30, 2013: \$nil).

The interim consolidated statements of operations and loss also included management fees of \$108,011 (March 31, 2013: \$nil) charged by Mr. Ken Berry, an officer and director, as well as consulting fees of \$nil (March 31, 2013:

\$23,542) charged by Delmac Pacific Management Inc., a company controlled by an officer. The interim consolidated statements of financial position included \$5,573 (June 30, 2013: \$21,006) in trade and other payables due to Mr. J.R.H. (Dick) Whittington, an officer and director.

The Company shared certain administrative costs with Kootenay Silver Inc. ("Kootenay"), a publicly traded company related by common directors actively involved in operating and financing activities. The interim consolidated statements of financial position at March 31, 2014 included the following balances with Kootenay: trade accounts receivable of \$29,447 (June 30, 2013: \$26,788) and trade accounts payable of \$94,295 (June 30, 2013: \$37,968). The interim consolidated statements of operations and loss for the nine months ended March 31, 2014 included administrative costs billed by Kootenay for marketing expenses, office and miscellaneous expenses and travel, meetings and conferences that totalled \$94,295 (March 31, 2013: \$56,681).

Prior to the sale of its interest in Lemhi JV LLC, the Company received administration income from the joint venture of \$nil (March 31, 2013: \$39,493), recorded as other income in the consolidated statements of operations and loss.

As part of the cost reduction program, directors, officers and related companies agreed to salary and consulting fee suspensions at the beginning of the third quarter of 2014. The trade and other payables balance of \$233,045 related to: consulting services; management fees; professional fees; administrative costs, and salaries, wages, benefits and subcontractor expenses that were not paid as at March 31, 2014. An additional \$82,000 in compensation has been accrued subsequent to March 31, 2014. As a result of the Company's ongoing cost reduction initiatives, as at the date of this MD&A, a total of \$315,045 due to related parties has not been paid.

Key Management Personnel Compensation

Key management personnel included the Company's directors and key employees consisting of the President and Chief Executive Officer, the Chief Financial Officer and Corporate Secretary and the General Manager – Moss Project. Compensation of key management personnel for the nine months ended March 31, 2014, other than as disclosed elsewhere in this section, consisted of salaries and short-term benefits of \$564,892 (March 31, 2013: \$156,415) and share-based payments of \$816,156 (March 31, 2013: \$1,346,229).

As part of the cost reduction program, key management personnel agreed to salary suspensions in the third quarter of 2014. The salaries and short-term employee benefits for the nine months ended March 31, 2014, included \$152,970 that had not been paid. An additional \$91,651 in compensation has been accrued subsequent to March 31, 2014. As a result of the Company's ongoing cost reduction initiatives, as at the date of this MD&A, a total of \$244,621 due to key management personnel has not been paid.

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, except as otherwise noted there were no proposed asset or business acquisitions or dispositions.

15. Adoption of New Accounting Standards

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

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

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 May 2013, the IASB issued IFRIC 21, *Levies* ("IFRIC 21"), an interpretation of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The Company is currently evaluating the impact of applying IFRIC 21 on its consolidated financial statements.

The IASB intends to replace IAS 39, *Financial Instruments: Recognition and Measurement* in its entirety with IFRS 9, *Financial Instruments* ("IFRS 9") and to reduce the complexity in the classification and measurement of financial instruments. The completed version of IFRS 9 will include classification and measurement, impairment and hedge accounting requirements and the IASB has tentatively decided that the mandatory effective date of this new standard will be for annual periods beginning on or after January 1, 2018. The Company is currently monitoring the phases of this IASB project with a view to evaluating the impact of the standard when it is issued in its final form, which is expected in calendar 2014.

17. Corporate Governance

The Company's Board of Directors and its committees adhere to recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The current Board of Directors is comprised of 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 28, 2014

The following table states the diluted share capital of the Company as at May 28, 2014:

	Number of Shares Outstanding
Issued share capital as at May 28, 2014	57,799,348
Shares reserved for issuance pursuant to share purchase options outstanding ⁽¹⁾	4,895,000
Shares reserved for issuance pursuant to share purchase warrants outstanding ⁽²⁾	13,416,174
DILUTED TOTAL	76,110,522

Notes:

- 1 As at May 28, 2014, 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	1,650,000
200,000	1.40	January 21, 2018	150,000
100,000	1.40	February 1, 2018	75,000
200,000	0.85	June 6, 2018	100,000
1,235,000	0.65	September 25, 2018	617,500
4,895,000			3,552,500

- 2 As at May 28, 2014, the Company had outstanding share purchase warrants enabling holders to acquire common shares of the Company as follows:

Number of Warrants	Exercise Price \$	Expiry Date	Warrants Exercisable
1,321,500	1.15	October 4, 2014	1,321,500
5,817,174	1.55	November 23, 2014	5,817,174
3,659,500	1.75	November 26, 2014	3,659,500
2,618,000	0.90	March 25, 2015	2,618,000
13,416,174			13,416,174

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. Reclamation deposits consist primarily of reclamation bonds represented by certificates of deposit ("CDs") held with a US-chartered commercial bank. As the CDs are highly liquid in nature and interest is paid to the Company monthly, the carrying value approximates fair value.

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

The Company classifies its financial instruments measured at fair value at one of three levels according to the

relative reliability of the inputs used to estimate the fair value in the fair value hierarchy.

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

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

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

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

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at March 31, 2014:

Financial Assets		Level 1		Level 2		Level 3		Total
Cash and cash equivalents	\$	2,680,870	\$	-	\$	-	\$	2,680,870

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

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

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations. The Company has credit risk in respect of its cash and cash equivalents, trade and other receivables, and reclamation deposits. The Company considers the risk of loss relating to cash and cash equivalents and reclamation deposits to be low because these instruments are held only with highly rated financial institutions. Trade and other receivables at March 31, 2014 related primarily to the sale of gold and silver to one counterparty and are expected to be collectible in full due to the nature of this counterparty.

(b) Liquidity risk

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

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

As at March 31, 2014, the Company's financial liabilities were comprised of trade and other payables of \$1,715,823 (June 30, 2013: \$2,341,239), which have a maturity of less than one year.

(c) Market risk

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

(i) Currency risk

Foreign currency exchange rate risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate as a result of changes in foreign exchange rates. The Company is considered to be in the exploration and development stage and has not yet developed commercial mineral interests; the underlying market prices realized by the Company for mineral sales are impacted by changes in the exchange rate between the Canadian and the 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, 2014, \$1,369,851 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 \$136,985 on annual net 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.

(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, 2014, the weighted-average interest rate on cash and cash equivalents was 0.89%. With other variables unchanged, a 1% increase in the annualized interest rate would reduce annual net loss by \$26,731.

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.

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 expected completion date of the FS, the anticipated exposure to foreign currency on conversions, the expected impact of cost reduction measures, expected tax benefits and their effect on future taxable income, 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 and on the Company's website at www.northernvertex.com.