



NORTHERN VERTEX  
MINING CORP

**Management's Discussion and Analysis  
for the Three and Nine Months Ended March 31, 2017**

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## **NORTHERN VERTEX MINING CORP.**

### **Management's Discussion and Analysis for the Three and Nine Months Ended March 31, 2017**

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 24, 2017 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, 2017. This MD&A provides information on the operations of the Company for the three and nine months ended March 31, 2017 and should be read in conjunction with the condensed 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, 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). All currency amounts are expressed in Canadian dollars, unless otherwise noted.

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

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

Northern Vertex's material mineral project is the 100% owned Moss Mine gold-silver deposit (the "Moss Mine Project") in Mohave County, Arizona. The Company is a development stage mining company focused on advancing the Moss Mine to near term production with detailed engineering and permitting currently under way. 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. Third Fiscal Quarter 2017 Operating and Financial Highlights**

- Key federal and state permits for the Moss Mine construction were received with the final Aquifer Protection Permit having been received subsequent to quarter end. The Company is now fully permitted for all operations following the construction of the Moss Mine.
- The ramp-up of site construction continued with bulk earthworks for the laydown yard and the crusher and electrical pads completed and the excavation work for the Merrill Crowe having been initiated.
- Procurement continues and detailed engineering for the Moss Mine is nearing completion and is advancing to a planned 95% completion of detailed engineering by June 2017.
- An updated mine water study by Golder Associates ("Golder") confirmed that groundwater wells drilled on the Moss Mine patented lands meet peak water demand for mine operations.
- An exploration update was provided on the ongoing property wide exploration program on the Moss Mine gold-silver property. The Company reported that drill holes WW-16 and WW-17 intercepted gold and silver mineralization 130 feet below the established Moss Mine gold-silver open-pit resource. In addition, the Company completed five drill holes of a multi-phase 3,000 meter drilling program designed to test four priority gold-silver targets. Assay results from the program will be reported once received and compiled.
- The Company completed a warrant exercise incentive program (the "Program") designed to encourage the early exercise of outstanding warrants. A total of 10,713,608 warrants were exercised, raising gross proceeds of \$5,000,054, and 5,356,804 common share purchase warrants (the "Incentive Warrants") were issued to the warrant holders who exercised their warrants under the Program. Each Incentive Warrant entitles the holder to purchase one additional common share at a price of \$1.00 per common share until March 24, 2021.

- Subsequent to the quarter end, the Company announced the execution of a commitment letter and term sheet with Caterpillar Financial Services Corporation ("Cat Financial"), pursuant to which Cat Financial has agreed in principle to fund the Company's purchase of certain key equipment including power generators and mobile equipment manufactured by Caterpillar Inc. and the crushing plant for use at the Moss Mine.

### **3. Operations**

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

The Company owns 100% of the Moss Mine Project 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 a historical headframe associated with limited historical underground mine workings that exploited the Moss Vein. The target mineralization is contained within a central area of 15 patented lode claims over 102.8 hectares.

The key strategic priorities for the Company are to fully finance the construction of the Moss Mine, complete construction and enter commercial production.

#### *Project Engineering and Procurement*

M3 Engineering and Technology ("M3") of Tucson, AZ as the EPCM contractor continued with the detailed engineering and procurement during the quarter. The engineering for the heap leach pads and facilities layout were completed while engineering for the concrete and structural steel has begun. Certain equipment deliveries to site have begun and procurement has continued on longer lead items which includes equipment for the Merrill Crowe circuit.

Golder continued on-site geotechnical, geophysical and groundwater field studies which included drilling additional wells, sampling, down-hole geophysics and pump tests. An updated mine water study by Golder confirms that groundwater wells drilled on the Moss Mine meets the peak water demand for mine operations. The hydrology study estimates the groundwater resources from existing production wells to be in the order of 180 to 240 gallons per minute ("gpm"). Golder estimates an additional 120 to 160 gpm will be generated from "Pit Dewatering" during mine operations. The Pit Dewatering is expected to be accessible from Year 2 onwards at increasing flow rates as the pit gets deeper. The Golder models confirm that the pit dewatering will not have any impact on the productivity of the groundwater wells since these wells target water resources well below the pit floor.

#### *Project Permitting*

Key federal and state permits for the Moss Mine construction were received during and subsequent to the quarter with the final Aquifer Protection Permit having been received subsequent to quarter end. The Company is now fully permitted for all operations following the construction of the Moss Mine.

The Company submitted an application to the Arizona Department of Environmental Quality ("ADEQ") to obtain an Air Quality Permit. The ADEQ issued a draft of the Air Quality Permit which was released for public review and comments. A public hearing was conducted by the ADEQ on December 15, 2016 at the Bullhead City Council chambers. Only one member of the public commented at the meeting, of which, was in support of granting the permit. The final approved Air Quality Permit for the Moss Mine Phase II was issued on February 15, 2017.

The Company also submitted an application to the Arizona Office of the State Mine Inspector to amend their Mined Land Reclamation Plan to cover the Moss Mine construction and operations. The amendment was approved on November 22, 2016 with bonding submitted and accepted by the office of the State Mine Inspector on January 22, 2017.

On January 31, 2017 the Company submitted a bond to ensure reclamation of the facilities and disturbances which was a significant application to amend the company's Aquifer Protection Permit. On April 12, 2017 the ADEQ signed the significant amendment to the Aquifer Protection Permit.

#### *Construction and Civil Earthworks*

Since December 2016 N.A. Degerstrom ("NAD") has been continuing with the site civil works. As of the date of this MD&A the Moss Mine entrance/parking area, the power station pad, electrical pads and crushing pad are all complete.

The historic mine openings of old shafts, stopes, adits, tailings and associated hazards have been reclaimed, making safe the area of the laydown yard where development is now complete.

Perimeter fencing was erected around the patented claims and construction began on a Mechanically Stabilized Earth ("MSE") wall in March and was completed in April. Excavation work for the Merrill Crowe facility began shortly thereafter and was completed in May. NAD has mobilized equipment to conduct the heap leach pad earthworks which are anticipated to be well under way by early June.

#### *Project Finance*

During the nine months ended March 31, 2017, the Company closed two tranches of unsecured convertible debenture financings for gross proceeds of \$7,352,000 and a senior secured credit facility (the "Facility") with Sprott Private Resource Lending (Collector), LP ("Sprott") for up to US\$20,000,000 to fund development and construction of the Company's Moss Mine Project. The Facility is available to be drawn in up to four tranches and the first tranche of US\$5,000,000 was advanced to the Company.

The senior credit facility with Sprott provides for a security carve-out of up to US\$8,500,000 in equipment financing, and subsequent to the end of the quarter the Company executed a commitment letter and term sheet with Cat Financial (the "Equipment Facility") to fund the purchase of certain key equipment including power generators, mobile equipment and the crushing plant for use at the Moss Mine.

The Equipment Facility, which will be a key funding component during the Moss Mine construction, will fund between 70% to 80% of the equipment purchase price to maximum amount of US\$9,000,000 of equipment purchases and be secured with the acquired assets. Principle and interest will be paid quarterly and the Company will have the right to buy the equipment at the end of the lease period for nominal consideration.

There is no guarantee that the remaining tranches of the Sprott facility will be advanced and the equipment finance facility will be completed on described terms or at all.

Further details regarding the convertible debenture financing and senior secured credit facility is included in the *Liquidity and Capital Resources* section of this MD&A. The material terms and conditions of the Cat Financial finance facility are disclosed in the *Subsequent Events* section of this MD&A.

#### **Exploration**

The Company identified four high priority targets on the Company's properties in the area of the Moss Mine, which are the focus of a multi-phase drill program. These include the West Oatman stockwork vein target, the high-grade Old Timer East and West targets and the Western Extension of the Moss. The exploration is carried out concurrently with the Company's ongoing Moss Mine construction and development program. This is the first phase of a multi-phase drill and resource expansion program designed to further expand the Company's existing gold-silver resources.

The Company recently completed three drill holes on the Western Extension of the Moss deposit, where extensive silicification and quartz veining has been mapped along the western projection of the Moss vein system. The first-phase drilling program at West Oatman was completed with 13 holes drilled along 500 meters of the stockwork/vein strike length. Four core holes have been completed at the Old Timer East target. Assays from recent drilling will be announced in a future release once received and compiled.

#### **4. Summary of Quarterly Results**

	Three Months Ended March 31, 2017	Three Months Ended December 31, 2016	Three Months Ended September 30, 2016	Three Months Ended June 30, 2016	Three Months Ended March 31, 2016	Three Months Ended December 31, 2015	Three Months Ended September 30, 2015	Three Months Ended June 30, 2015
Revenue <sup>1</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net income (loss)	(1,530,550) <sup>2</sup>	(887,779) <sup>3</sup>	(926,188) <sup>4</sup>	(2,593,404) <sup>5</sup>	(3,770,409) <sup>6</sup>	461,594 <sup>7</sup>	2,153,027 <sup>8</sup>	(1,173,507) <sup>9</sup>
Basic and diluted income (loss) per share	(0.02)	(0.01)	(0.01)	(0.03)	(0.04)	0.01	0.03	(0.02)

- <sup>1</sup> As the Company is in the development phase and not in commercial production there are no sales.
- <sup>2</sup> Included a fair value loss on gold call options issued in connection with the Facility, increased interest expenses and related finance costs which resulted in an increased net loss for the quarter.
- <sup>3</sup> Included a fair value gain on gold call options issued in connection with the Facility and a reduced deferred income tax recovery which resulted in a decreased net loss for the quarter.
- <sup>4</sup> Included was a deferred income tax recovery of \$514,429 related to the first tranche of convertible debentures issuance which reduced the net loss for the quarter.
- <sup>5</sup> Included was a non-cash unrealized foreign exchange loss of \$1,411,756 that was attributed to the weakening of the US dollar in comparison to the Canadian dollar from the previous quarter end.
- <sup>6</sup> Included was a non-cash unrealized foreign exchange loss of \$3,144,066 that was attributed to the weakening of the US dollar in comparison to the Canadian dollar.
- <sup>7</sup> Included was a non-cash unrealized foreign exchange gain of \$1,746,381 that was attributed to the strengthening of the US dollar in comparison to the Canadian dollar.
- <sup>8</sup> Included was a non-cash unrealized foreign exchange gain of \$2,813,147 that was attributed to the strengthening of the US dollar in comparison to the Canadian dollar.
- <sup>9</sup> Included was a non-cash unrealized foreign exchange loss of \$535,432 that was attributed to the weakening of the US dollar in comparison to the Canadian dollar.

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 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 income 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 income 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 income 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.

The decrease in net loss for the three months ended June 30, 2016 compared to the three months ended March 31, 2016 reflected an increase in general and administration during the three months ended June 30, 2016 which was offset by a larger foreign exchange loss during the three months ended March 31, 2016. Increased general and administrative costs during the quarter ended June 30, 2016 related to the expensing of supporting site costs for the Moss Mine while larger foreign exchange losses during the quarter ended March 31, 2016 were the result of the weakening of the US dollar against the Canadian dollar to a larger extent than when compared to the quarter ended June 30, 2016.

The variation in net loss for the three months ended March 31, 2016 compared to the net income for the three months ended December 31, 2015 reflected a decrease in general and administration due to an increase in professional fees during the second quarter relating to the arbitration with Golden Patriot. The Company also recorded an unrealized foreign exchange loss of \$3,144,066 in the three months ended March 31, 2016 due to the weakening of the US dollar against the Canadian dollar compared with a gain during the comparative period.

The variation in net income for the three months ended December 31, 2015 compared to the three months ended September 30, 2015 reflected the increased professional, consulting and travel costs incurred as the Company prepared for and participated in the arbitration. The Company also recorded an unrealized foreign exchange gain of \$1,746,381 in the three months ended December 31, 2015 due to the strengthening of the US dollar against the Canadian dollar relating to intercompany loans.

The variation in net income for the three months ended September 30, 2015 to the three months ended June 30, 2015 reflected the increased professional, consulting and travel costs incurred as the Company prepared for arbitration. The

Company also recorded an unrealized foreign exchange gain of \$2,813,147 in the three months ended September 30, 2015 due to the strengthening of the US dollar against the Canadian dollar relating to intercompany loans.

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

## **5. Results of Operations**

For the nine months ended March 31, 2017, the Company incurred a net loss of \$3,344,517, compared to net loss of \$1,155,788 for the nine months ended March 31, 2016. The factors contributing to the loss as compared to the previous comparable quarter's net income are discussed below.

### *Administrative expenses*

For the nine months ended March 31, 2017, the Company incurred total administrative expenses of \$3,115,518 (2016: \$2,578,624), which included a non-cash share-based payment expense of \$712,691 (2016: \$107,135); salaries, wages and severance of \$880,034 (2016: \$580,857); professional fees of \$658,587 (2016: \$1,328,305); marketing and community relations expenses of \$411,695 (2016: \$108,185); and travel of \$126,458 (2016: \$97,124).

The following significant variances are noted between the nine months ended March 31, 2017 and the comparable period ended March 31, 2016. Share-based payment expense increased as 2,895,000 stock options were issued during the nine months March 31, 2017 compared with no stock options issued during the nine months ended March 31, 2016. Increases in salaries, wages and severance was primarily due to severance payments to former employees during the first quarter ended September 30, 2016. Professional fees decreased as legal and consulting services required for the arbitration with Patriot Gold were incurred during the nine months ended March 31, 2016 for which the Company received the arbitrator's decision in January 2016. Marketing and community relations increased due to an increased presence at industry conferences and increased marketing related to the development of the Moss Mine. As construction and development continues at the Moss Mine, site visits increased compared to the previous year resulting in higher travel expenses.

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

For the nine months ended March 31, 2017, the Company recorded foreign exchange gains of \$2,697 (2016: \$1,415,462), finance costs of \$751,673 (2016: income of \$13,574) and a deferred income tax recovery of \$519,977 (2016: \$nil).

The decrease in foreign exchange gains resulted from a change in the Company's assessment of repayment of loans receivable from its subsidiaries and, as the loans will not be repaid in the foreseeable future, all foreign exchange gains relating to loans receivable from subsidiaries were included in comprehensive loss for the period. Finance costs increased due to an increase in long term debt interest relating to the issuance of convertible debentures and the addition of the Facility during the current fiscal year which was offset by a fair value gain on gold call options issued in connection with the Facility. Deferred income tax recoveries decreased as a one time deferred income tax recovery was recorded in the current period which related to a convertible debenture issuance of \$7,352,000 which did not occur in the previous year.

## **6. Third Fiscal Quarter**

For the three months ended March 31, 2017, the Company incurred a net loss of \$1,530,550, compared to net loss of \$3,770,409 for the three months ended March 31, 2016. The factors contributing to the loss as compared to the previous comparable quarter's net income are discussed below.

### *Administrative Expenses*

For the three months ended March 31, 2017, the Company incurred total administrative expenses of \$821,346 (2016: \$616,688), which included a non-cash share-based payment expense of \$162,915 (2016: \$23,017); salaries, and wages expenses of \$139,856 (2016: \$200,372); professional fees of \$106,326 (2016: \$163,812); marketing and community relations expenses of \$247,878 (2016: \$90,057); and travel of \$42,198 (2016: 14,536).

The following significant variances are noted between current and prior period quarters. A decrease in salaries and wages expenses was primarily due to staff level decreases. Professional fees decreased as legal and consulting services

required for the arbitration with Patriot Gold were incurred during the nine months ended March 31, 2016 for which the Company received the arbitrator's decision in January 2016. Marketing and community relations increased due to an increased presence at industry conferences and increased marketing related to the development of the Moss Mine. As construction and development continues at the Moss Mine, site visits increased compared to the previous year resulting in higher travel expenses. The increase in share-based payment expenses was due to the issuance of 2,895,000 stock options during the current year, compared with no stock options issued during the previous comparable quarter.

#### *Other Income (Expenses)*

For the three months ended March 31, 2017, the Company recorded foreign exchange loss of \$1,034 (2016: \$3,144,066) and finance costs of \$708,170 (2016: costs of \$3,455).

The decrease in foreign exchange loss resulted from a change in the Company's assessment of repayment of loans receivable from its subsidiaries and, as the loans will not be repaid in the foreseeable future, all foreign exchange gains and losses relating to loans receivable from subsidiaries were included in comprehensive loss for the period. Finance costs increased due to a fair value loss on gold call options issued in connection with the Facility and an increase in long term debt interest relating to the issuance of convertible debentures and the addition of the Facility during the current fiscal year.

#### *Cash flows*

Cash provided by financing activities during the three months ended March 31, 2017 was \$4,955,765 (2016: \$2,509,107) and primarily consisted of cash received from the exercise of warrants due to the warrant incentive program.

Cash used in investing activities during the three months ended March 31, 2017 totalled \$6,561,237 (2016: \$312,760) and consisted of cash collateral used to post surety bonds for the Reclamation and Aquifer Protection Permits, exploration expenditures for the Moss Property, expenditures for property, plant and equipment related to equipment purchases, detailed engineering, permitting and the development of the Moss Mine.

## **7. Liquidity and Capital Resources**

During the nine months ended March 31, 2017, the Company completed the following financings.

#### *Unsecured Convertible Debentures*

On July 14, 2016 and November 2, 2016 the Company completed tranches of a private placement of \$7,225,000 and \$127,000, respectively, of unsecured convertible debentures for total proceeds of \$7,352,000. The proceeds from the debenture issuance will be used for the advancement of the Company's Moss Mine Project and general working capital purposes.

Each debenture has an issue price of \$100, matures on May 31, 2021, bears interest at 5% per annum, payable on May 31 and November 30 of each year while outstanding, which interest, subject to regulatory approval, may at the option of the Company be settled in common shares. The debentures are convertible into common shares of the Company at the price of \$0.50 per share. Aggregate finders' fees of \$430,500 were paid in cash and 516,600 finders' warrants were issued to parties at arm's length. Each finders' warrant will entitle the holder to acquire one common share of the Company at an exercise price of \$0.50 until July 14, 2019.

Each Debenture is convertible into common shares at the option of the holder at any time prior to the date fixed for redemption or maturity (as the case may be), at the conversion price, which is equivalent to 2,000 common shares for each \$1,000 principal amount of Debentures, subject to adjustment in certain circumstances. Debentures must be converted in minimum amounts of \$1,000.

The Company may redeem the debentures in cash on or after July 14, 2018, in whole or in part from time to time, upon required prior notice at a redemption price equal to their principal amount plus accrued and unpaid interest, if any, provided that the trading price of the common shares for the 20 consecutive trading days ending five trading days prior to the date of the redemption notice must be less than the conversion price.

Additionally, the Company has the option, to repay the principal amount of the debentures in common shares, provided certain circumstances are met including but not limited to: no default has occurred and is continuing at such time, and



the trading price of the common shares for the 20 consecutive trading days ending five trading days prior to the date of the redemption notice or maturity date (as the case may be) is at least 150% of the Conversion Price.

#### *Senior Secured Credit Facility*

On November 7, 2016 the Company announced it had signed a senior secured credit facility with Sprott, pursuant to which Sprott may advance up to US\$20,000,000 to fund development and construction of the Company's Moss Mine Project. The facility is available to be drawn in up to four tranches, and the first tranche of US\$5,000,000 was advanced to the Company. There is no guarantee the Company will satisfy any or all of the conditions of further drawdowns under the facility or the equipment finance facility as described below.

The senior secured credit facility contains various terms and conditions, including:

- Further tranches: an aggregate of up to US\$15,000,000 in up to three additional tranches, subject to the satisfaction of certain conditions precedent, including the receipt of all key permits.
- Maturity date: November 4, 2019.
- Prepayment: at any time without penalty, subject to a minimum of six months interest having been paid on prepaid amounts.
- Annual interest Rate: 12-month USD LIBOR plus 8%, to be paid monthly.
- Costs and fees: structuring fee of US\$300,000, which was deducted from the initial draw; the Company has issued 1,498,202 common shares to Sprott for value of US\$375,000.
- Gold options: the Company has issued to Sprott gold call options to purchase up to 6,000 ounces of gold at a strike price of US\$1,350, for a period of five years, which may be settled by a cash payment based on the difference between the strike price and the prevailing market price of gold at the time of settlement.
- Anniversary fee: on each anniversary date of the facility, the Company will pay Sprott an amount equal to 3% of the principal amount of the facility outstanding, which, at the option of Sprott, may be paid in cash or the Company's shares.
- Covenants: the facility contains covenants for the Company, including restrictions on incurring further debt and the requirement to meet certain working capital requirements.
- Security: includes a first charge over assets held by the Company.
- Security carve-out for equipment finance facility: the security package for the facility provides for a carve-out of up to US\$8,500,000 in equipment financing.

#### *Non-Brokered Private Placement*

In December 2016, the Company completed a non-brokered private placement for total gross proceeds of \$1,354,500 by issuing an aggregate of 3,386,250 units at a purchase price of \$0.40 per unit. Each unit consists of one common share of the Company and one half transferable share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of \$0.65 expiring on December 3, 2018. Cash finders' fees to arm's length parties of 6%, totaling \$61,600 was paid on a portion of the private placement.

The Company intends to use the net proceeds of the Private Placement to conduct a multi-phase drill program on several prospective gold-silver targets identified from its ongoing property wide exploration program on its Moss Mine Gold Silver property located in Mohave County, Arizona, U.S.A. and for general working capital purposes.

#### *Warrant Exercise Incentive Program*

The Company completed a warrant exercise incentive program designed to encourage the early exercise of outstanding warrants. A total of 10,713,608 warrants were exercised, raising gross proceeds of \$5,000,054, and 5,356,804 common Incentive Warrants were issued to the warrant holders who exercised their warrants under the program. Each Incentive

Warrant entitles the holder to purchase one additional common share at a price of \$1.00 per common share until March 24, 2021. Net proceeds from the Program will be used to fund development and construction at the Moss Mine and for general working capital purposes.

### *Liquidity and Capital Resources*

As at March 31, 2017, the Company had cash of \$8,087,253 (June 30, 2016: \$1,297,416). The increase in cash compared to the year ended June 30, 2016 was primarily due to the receipt of cash proceeds from the various financings and the warrant exercise incentive program which closed at the end of period.

Cash provided by financing activities during the nine months ended March 31, 2017 was \$18,760,095 (2016: \$3,951,656) and primarily consisted of cash received from the warrant exercise incentive program of \$4,966,116, \$12,709,771 from the convertible debenture placement and the Facility and from a non-brokered private placement of \$1,322,803.

Cash used in investing activities during the nine months ended March 31, 2017 totalled \$8,807,469 (2016: \$1,239,043) and consisted of cash collateral used to post surety bonds for the Reclamation and Aquifer Protection Permits and expenditures for property, plant and equipment related to equipment purchases, detailed engineering, permitting and the development of the Moss Mine.

A significant portion of the Company's cash as of March 31, 2017 was denominated in Canadian dollars. However, the Company does maintain cash balances denominated in US dollars and in conducting operations the Company made payments as appropriate in both Canadian and US dollars. Accordingly, the Company is subject to foreign currency rate fluctuations between the US and Canadian dollar.

During the nine months ended March 31, 2017, working capital increased by \$5,825,859 to \$6,487,026. The working capital increase was attributable to the remainder of cash advances received from the Facility and the exercise of warrants related to an early warrant exercise program which closed close to the period end.

The Company's ongoing liquidity needs will be funded from current cash and further financings as required to meet its short-term growth objectives, including the further development of the Moss Mine. The Company is endeavouring to organize equity, debt, or combined debt/equity financing to advance the Moss Mine. The Company's ability to secure the required financing is in part dependent on overall market conditions, the price of gold and other factors outside the Company's control and there is no guarantee the Company will be able to secure any or all required financing in the future.

## **8. Subsequent Events**

In addition to subsequent events mentioned elsewhere in this MD&A, subsequent to March 31, 2017:

- the Company announced the execution of a commitment letter and term sheet with Caterpillar Financial Services Corporation ("Cat Financial"), pursuant to which Cat Financial has agreed in principle to fund the Company's purchase of certain key equipment use at the Moss Mine.

The material terms and conditions of the Cat Financial equipment facility include:

- Financing between 70% - 80% of the equipment purchase price to maximum amount of US\$9,000,000 of equipment purchases;
- Quarterly payments over a four year lease period;
- The right to buy the equipment at the end of the lease period for nominal consideration;
- Security over the acquired assets in favour of Cat Financial and a guarantee from the Company; and
- Payment of interest and arrangement and commitment fees to Cat Financial.

Closing of the Equipment Finance Facility is subject to customary conditions for such financings including the execution of a Master Lease Agreement and applicable security documentation, equipment delivery and satisfactory completion of conditions precedent.

- 305,000 warrants were exercised for proceeds of \$137,250.

## 9. Contractual Obligations

### *Office space lease agreements*

The Company has entered into lease agreements for office space with terms that expire at various dates through to March 2022, as disclosed in Note 16 to the condensed interim consolidated financial statements.

### *Other commitments*

The Company has contractual commitments to acquire property, plant, and equipment as disclosed in Note 5 to the condensed interim consolidated financial statements.

The Company is committed to making finder's fee payments regarding royalty payments on future commercial production as disclosed in Note 6 to the condensed interim consolidated financial statements.

## 10. Off-Balance Sheet Arrangements

At the date of this MD&A, there were no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company.

## 11. Related Party Transactions

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 related parties are as follows:

		<b>March 31, 2017</b>		June 30, 2016
Consulting fees payable	\$	-	\$	5,000
Shared office expenses payable	\$	<b>4,388</b>	\$	15,307

Related party transactions are as follows:

	Note	<b>Three Months Ended March 31,</b>		<b>Nine Months Ended March 31,</b>	
		<b>2017</b>	2016	<b>2017</b>	2016
Consulting fees	(i)	\$ <b>67,500</b>	\$ 137,026	\$ <b>247,500</b>	\$ 291,058
Shared office expenses	(ii)	\$ <b>2,998</b>	\$ 39,272	\$ <b>5,077</b>	\$ 36,090

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

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

### **Commitments with related parties**

The Company has a corporate services agreement with a related company for clerical, accounting, regulatory filing and geological services. The minimum monthly fee under the agreement is \$5,000 and renews annually.

## 12. Key Management Personnel Compensation

The remuneration of the Company's directors and other key management personnel for the three and nine months ended March 31, 2017 and 2016 is as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2017	2016	2017	2016
Salaries, fees and short-term benefits	\$ 225,530	\$ 112,669	\$ 718,672	\$ 358,751
Termination benefits	\$ -	\$ -	\$ 400,000	\$ -
Share-based payments	\$ 101,822	\$ 5,349	\$ 417,771	\$ 25,980

## 13. Conflicts of Interest

The Company's directors and officers may serve as directors or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act (BC) ("Corporations Act") dealing with any conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company.

## 14. Proposed Transactions

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

## 15. Adoption of New Accounting Standards

There were no new accounting standards adopted during the nine months ended March 31, 2017.

## 16. 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, 2016 and 2015.

## 17. Corporate Governance

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

## 18. Outstanding Share Data

The total number of outstanding common shares, stock options, and warrants at May 24, 2017 are 111,740,481, 8,505,000 and 25,558,845 respectively.

## 19. 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.

Cash and accounts receivable 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, 2017:

	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash	\$ 8,087,253	\$ -	\$ -	\$ 8,087,253
Trade and other receivables	27,435	-	-	27,435
	8,114,688	-	-	8,114,688
Financial Liabilities				
Gold Call Options	-	(604,167)	-	(604,167)
	\$ 8,114,688	\$ (604,167)	\$ -	\$ 7,510,521

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. Trade and other receivables at March 31, 2017 related primarily to amounts for a refund and Goods and Services Tax input credits and are expected to be collectible in full due to the nature of the counterparties and a previous history of collectability.

(b) Liquidity risk

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

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

As at March 31, 2017, the Company's financial liabilities were comprised of trade and other payables of \$2,050,132 (June 30, 2016: \$694,259), 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, 2017, \$800,907 of the Company's cash were denominated in US dollars. A 10% variation in the US dollar exchange rate would result in an impact of approximately \$106,513 on 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. 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 \$383,280 on the statement 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 pays interest monthly for its senior secured credit facility, at an annual interest rate of 12-month USD LIBOR plus 8%. With other variables unchanged, a 1% increase on the Company's floating rate debt would increase annual interest expense by US\$50,000. The Company closely monitors its exposure to interest rate risk and has not entered into any derivative contracts to manage this risk.

## 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 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.

There can be no assurance that financings currently being pursued 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 development projects 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

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



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

### **23. Approval**

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

### **24. Additional Information**

Additional information related to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.northernvertex.com](http://www.northernvertex.com).