



NORTHERN VERTEX  
MINING CORP

**Management's Discussion and Analysis  
for the Year Ended June 30, 2019**

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## **NORTHERN VERTEX MINING CORP.**

### **Management's Discussion and Analysis for the Year Ended June 30, 2019**

The Management's Discussion and Analysis ("MD&A") of Northern Vertex Mining Corp. ("Northern Vertex" or the "Company"), has been prepared by management as of October 25, 2019 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 year ended June 30, 2019. This MD&A provides information on the operations of the Company for the year ended June 30, 2019 and should be read in conjunction with the audited annual consolidated financial statements for the years ended June 30, 2019 and 2018 and related notes thereto (the "Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). As a result of the change in the Company's presentation currency all amounts are now expressed in United States dollars (US\$) unless otherwise noted. Canadian dollars are noted as ("CAD\$" or "C\$"). **All dollar amounts in this MD&A are expressed in thousands of USD, except as otherwise noted.**

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

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

Northern Vertex is a gold producer engaged in the acquisition, exploration, development and operation of mineral properties principally located in the United States. The Company's principal operation is the 100% owned Moss Mine in Mohave County, Arizona which commenced commercial production as of September 1, 2018 after construction and commissioning were completed. The Company's management and technical team are proven professionals with extensive experience in all aspects of mineral exploration, mine development, operations and capital markets. Key strategic priorities for the Company, now that the Moss Mine has entered commercial production, are to generate positive cashflow from operations and to acquire accretive assets with long term growth potential.

The Company is listed on the TSX Venture Exchange ("TSXV") and its common shares trade under the symbol NEE.

#### **2. Fourth Fiscal Quarter 2019 Operating and Financial Highlights**

- Operating income from mine operations, before depreciation and depletion, was \$542 for the quarter ended June 30, 2019.
- During the quarter the Company stacked 10,905 contained gold ounces and produced 7,482 gold ounces.
- The crushing plant processed 465,652 tonnes of ore with an average gold grade of 0.73 g/t and an average silver grade of 11.80 g/t.
- Gold and silver sales for the quarter were \$9.5 million through the sale of 6,910 gold ounces and 29,971 silver ounces with average realized prices per ounce of \$1,304 and \$14.87 respectively.

Details regarding financings are disclosed in the *Liquidity and Capital Resources* section of this MD&A.

### 3. Operating Statistics

		<b>Three Months Ended June 30, 2019</b>	<b>Year Ended June 30, 2019 <sup>1,2</sup></b>
<b><u>Mining</u></b>			
Ore mined	t	418,819	1,842,709
Waste mined	t	1,321,887	3,930,283
Total mined	t	1,740,706	5,772,992
Strip ratio	waste/ore	3.16	2.13
<b><u>Crushing</u> <sup>3</sup></b>			
Tonnes stacked	t	465,652	1,749,491
Tonnes stacked per day (average)	tpd	5,117	4,793
Contained gold ounces stacked	oz.	10,905	40,475
Contained silver ounces stacked	oz.	176,654	603,317
Gold grade	g/t	0.73	0.72
Silver grade	g/t	11.80	10.73
<b><u>Processing</u></b>			
Merrill Crowe recovery – gold	%	81	81
Merrill Crowe recover – silver	%	92	93
Gold ounces produced <sup>4</sup>	oz.	7,482	24,311
Silver ounces produced <sup>4</sup>	oz.	45,876	113,080
<b><u>Sales</u></b>			
Gold ounces sold <sup>5</sup>	oz.	6,910	23,920
Silver ounces sold <sup>5</sup>	oz.	29,971	79,767

<sup>1</sup> The Moss Mine commenced commercial production effective September 1, 2018. In relation to this, only financial operating results from this date are recognized in the Company's Consolidated Statements of Loss and Comprehensive Loss for the year ended June 30, 2019. Financial operating results from the Moss Mine prior to September 1, 2018 were capitalized to property, plant and equipment.

<sup>2</sup> The operating statistics for the year ended June 30, 2019 include pre-commercial production results.

<sup>3</sup> Crushing statistics have been adjusted from previously released statistics due to a change in the Company's estimate of tonnes and contained ounces stacked during the three months and fiscal year.

<sup>4</sup> The year ended June 30, 2019 includes 3,672 gold ounces and 12,009 silver ounces that were produced pre-commercial production being the two months ended August 31, 2018.

<sup>5</sup> The year ended June 30, 2019 includes 4,924 gold ounces and 16,376 silver ounces that were produced during pre-commercial production and sold during commercial production being the ten months ended June 30, 2019.

### 4. Commercial Production

The Company determined commercial production was achieved for the Moss Mine on September 1, 2018. The determination of when a mine is in the condition necessary for it to be capable of operating in the manner intended by management (referred to as "commercial production") is a matter of significant judgement which impacts when the Company recognizes revenue, operating costs and depreciation and depletion. In making this determination, management considers specific facts and circumstances. These factors include, but are not limited to, whether the major capital expenditures to bring the mine to the condition necessary for it to be capable of operating in the manner intended by management have been completed, completion of a reasonable period of commissioning and consistent operating results being achieved at pre-determined levels of design capacity for a reasonable period of time.

### 5. Operations Discussion

The Company operates an open pit mine and extracts precious metals with a heap leach and Merrill Crowe circuit to produce gold and silver dore. The Company does not present comparative prior year statistics in the disclosure of operating results and discussion in this MD&A as the Moss Mine began producing gold in the fourth fiscal quarter of 2018 and entered commercial production on September 1, 2018.

## **Mining**

During the three months ended June 30, 2019 a total of 418,819 tonnes of ore were mined and 1,321,887 tonnes of waste were mined for a total of 1,740,706 tonnes of material moved. During the year ended June 30, 2019 a total of 1,842,709 tonnes of ore were mined and 3,930,283 tonnes of waste were mined for a total of 5,772,992 tonnes of material moved.

During the year, mining continued to focus production on the western area of the center pit to allow for a single bench mining platform to be joined with the eastern pit area. The Company's mining contractor was able to access mining levels from both the west and east ends of the center pit and the operation advanced towards a sustained ore face and consistent tonnage. During the fourth quarter mining completed integrating the eastern area into the current pit establishing all crests around the perimeter of the central pit allowing focus to bring the pit into a sustainable cycle.

Operations are currently permitted to mine and operate on the Company's patented land and not on adjacent federal lands which are under the jurisdiction of the Bureau of Land Management ("BLM"). As a result, mining operations are constrained due to the size and topography of the patented land, the pit and leach pad footprints, and the general site layout which limits operating space. The Company is currently in the process of permitting the expansion of operations onto federal lands through the filing of a Mine Plan of Operations ("MPO") with the BLM which would provide a larger area to operate and allow the Company to extend the life of the mine.

## **Crushing Operations**

During the three months ended June 30, 2019 a total of 465,652 tonnes of ore were crushed at an average gold grade of 0.73 g/t, the average silver grade was 11.80 g/t. Tonnes crushed for the three months ended June 30, 2019 resulted in 10,905 contained gold ounces and 176,654 contained silver ounces stacked on the leach pad. The daily crushing rate was 5,117 tonnes per day and 6,293 tonnes per scheduled operating day.

During the year ended June 30, 2019 a total of 1,749,491 tonnes of ore were crushed at an average gold grade of 0.72 g/t, the average silver grade was 10.73 g/t. Tonnes crushed for the year ended June 30, 2019 resulted in 40,475 contained gold ounces and 603,317 contained silver ounces stacked on the leach pad. The daily crushing rate was 4,793 tonnes per day and 6,552 tonnes per scheduled operating day.

The Company engaged an independent third party to review estimates of the contained gold and silver ounces stacked on the heap leach pad. As a result, the Company adjusted the tonnes currently on the heap leach pad which resulted in fewer contained gold and silver ounces placed on the pad than originally estimated. The crushing statistics in the preceding paragraph have been adjusted accordingly. Impact on recoverable ounces were partially offset by higher than anticipated recoveries of gold and silver. Contained gold and silver ounces resulting from the change in estimate have been reallocated back to in situ reserves to be processed in the future. Tonnes processed and gold and silver ounces stacked for the quarter which have previously been released have also been adjusted accordingly. Actual historic gold and silver production numbers have not changed.

In addition, during the quarter, all cone crushers were inspected and rebuilt under warranty and the agglomeration drum was removed, both without any significant downtime. Removal of the agglomeration drum eliminates a bottle neck and improves the mechanical reliability of the crushing plant. A driven paddle wheel mixer and chute was fabricated by on-site personnel and installed. Leach pad stacking transitioned back to the west on the upper level without any major challenges.

## **Processing Operations**

During the three months ended June 30, 2019 a total of 7,482 Au ounces and 45,876 Ag ounces were produced. Merrill Crowe plant recoveries were 81% for gold and 92% silver.

During the year ended June 30, 2019 a total of 24,311 Au ounces and 113,080 Ag ounces were produced. Merrill Crowe plant recoveries were 81% for gold and 93% for silver.

Due to operational challenges encountered during the first three quarters of the fiscal year, the Company did not meet its production guidance as reported on September 18, 2018. However, fourth quarter production increased compared the previous quarters which was the result of the Company continuing to optimize saturation of the heap, implementation

of a rotating leach schedule resulting in the desired saturation levels in the heap, improvements to stacking plans and engineering changes in the Merrill Crowe Plant. A disciplined metallurgical testing schedule was implemented during the quarter and the results of this test work are driving the current stacking and leaching plan. By the end of the quarter all water purchasing had ceased and all raw water needs were being supplied by wells drilled on site.

## Sales

During the three months ended June 30, 2019 the Company sold a total of 6,910 gold ounces and 29,971 silver ounces. Silver sales were effected through a transfer of silver to Maverix Metals Inc. ("Maverix") in accordance with the Silver Streaming Agreement. Average realized prices for the three months for gold and silver per ounce were \$1,304 and \$14.87 respectively.

During the year ended June 30, 2019 the Company sold a total of 23,920 gold ounces and 79,767 silver ounces which includes ounces produced and sold prior to commercial production which was declared on September 1, 2018. Silver sales included silver transferred to Maverix in accordance with the Silver Streaming Agreement. Average realized prices for the year for gold and silver per ounce were \$1,272 and \$14.91 respectively.

## 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:

	<b>Year Ended June 30, 2019</b>	<b>Year Ended June 30, 2018</b>	<b>Year Ended June 30, 2017</b>
Revenue <sup>1</sup>	\$ 24,935	\$ -	\$ -
Net loss	(13,979)	(3,652)	(3,381)
Basic and diluted loss per share	(0.07)	(0.02)	(0.03)
Total assets	98,757	92,899	55,361
Total non-current financial liabilities	30,513	21,707	14,032

<sup>1</sup> The company declared commercial production on September 1, 2018. As such there is no revenue recorded for the years ended June 30, 2018 and 2017.

Factors which caused year to year increases in total assets include the purchase of assets relating to the development and construction of the Moss Mine, increases to inventory on hand as production ramped up and significant financings. Non-current liabilities increased as the Company funded development, construction and operating working capital commitments with a blend of senior debt, lease obligations, convertible debentures and a silver stream during the last three years.

The net loss for the year ended June 30, 2019 increased compared to the years ended June 30, 2018 and 2017 as commercial production was declared at the Moss Mine as of September 1, 2018. As a result of declaring commercial production, the net loss for the year ended June 30, 2019 included a loss from mine operations and an increase of finance costs which were previously capitalized prior to commercial production. In addition, a fair value loss on embedded derivatives relating to the silver stream contributed to an increase in net loss for the year ended June 30, 2019.

## 7. Financial Operating Results For The Fourth Quarter and Fiscal Year

For the three months ended June 30, 2019 the Company had operating income from mine operations before depreciation and depletion of \$542 and \$3,681 for the year ended June 30, 2019 which included ten months of commercial production at the Moss Mine. As commercial production commenced on September 1, 2018 there were no mine operations during the previous year.

An increase in finance costs for the three months ended June 30, 2019 compared to the previous year were due to an increase in interest expense as capitalizing borrowing costs ceased upon commercial production and fair value losses on gold call options and derivative liabilities. Losses on derivative liabilities increased due to recognition of the fair value

of warrants upon the Company's change in functional currency from Canadian dollars to US dollars and the fair value of embedded derivatives relating to the silver stream.

Increases to finance costs for the year ended June 30, 2019 compared to the previous year were due to the following: expensing the remaining financing costs related to the senior secured credit facility upon discharge of the facility, finance costs relating to the silver stream, an increase in interest expense as capitalizing borrowing costs ceased upon commercial production and fair value losses on gold call options and derivative liabilities. Losses on derivative liabilities increased due to a fair value loss on embedded derivatives relating to the silver stream which were offset by a fair value gain upon recognition of the fair value of warrants upon the Company's change in functional currency from Canadian dollars to US dollars.

The loss for the three months and year ended June 30, 2019 and 2018 is comprised of the following items:

	Three Months Ended			Year Ended	
	June 30,		June 30,		
	2019	2018	2019	2018	
Operating income before depreciation and depletion	\$ 542	\$ -	\$ 3,681	\$ -	
Depreciation and depletion	(2,546)	-	(5,906)	-	
Loss from mine operations	(2,004)	-	(2,225)	-	
Corporate administrative expenses	(802)	(622)	(3,054)	(2,379)	
Finance income (costs)	(3,312)	413	(8,682)	(102)	
Foreign exchange gain (loss)	(114)	100	(18)	(1,144)	
Other	-	-	-	(27)	
<b>Net loss for the period</b>	<b>\$ (6,232)</b>	<b>\$ (109)</b>	<b>\$ (13,979)</b>	<b>\$ (3,652)</b>	

### Loss from Mine Operations

The loss from mine operations for the three months and year ended June 30, 2019 and 2018 are comprised of the following:

	Three Months Ended			Year Ended	
	June 30,		June 30,		
	2019	2018	2019	2018	
Revenue	\$ 9,382	\$ -	\$ 24,935	\$ -	
Production costs	(8,230)	-	(19,669)	-	
Royalties	(610)	-	(1,585)	-	
Operating income before depreciation and depletion	542	-	3,681	-	
Depreciation and depletion	(2,546)	-	(5,906)	-	
<b>Loss from mine operations</b>	<b>\$ (2,004)</b>	<b>\$ -</b>	<b>\$ (2,225)</b>	<b>\$ -</b>	

Earnings from mine operations, excluding depreciation and depletion, were \$542 for the three months ended June 30, 2019. During the three months ended June 30, 2019 the Company sold 6,910 gold ounces with an average realized gold price of \$1,304. Revenue is presented net of treatment and refining costs which were \$76 for the three months ended June 30, 2019.

For the year ended June 30, 2019, which included ten months of commercial production, earnings from mine operations excluding depreciation and depletion were \$3,681. Since the commencement of commercial production on September 1, 2018 the Company sold 18,996 gold ounces with an average realized gold price of \$1,272. For accounting purposes revenue received relating to the sale of 4,924 gold ounces and 16,376 silver ounces produced prior to the commencement of commercial production on September 1, 2018 was capitalized to property, plant and equipment. Revenue is presented net of treatment and refining costs which were \$182 for the year ended June 30, 2019, which included ten months of commercial production.

Production costs are comprised of mining, processing, maintenance, site administration and site share-based compensation net of inventory changes and include write-downs of inventories due to net realizable value. For the year ended June 30, 2019 the Company changed the process by which it estimates its inventory as a result of an independent third party review. As a result the Company: confirmed gold recovery rates at or above feasibility parameters, reallocated certain gold and silver ounces back to in-situ reserves and wrote down \$3,034 of heap leach ore inventory resulting from the net change in estimate of recoverable gold and silver ounces. As Moss Mine operations continue to progress measures are being taken to optimize production and reduce costs.

Depreciation and depletion was \$2,546 for the three months ended June 30, 2019 and \$5,906 for the year ended June 30, 2019 which included ten months of commercial production. Depletable mineral properties and most assets included in plant and equipment are depleted on a units of production basis over the life of the mine.

Royalties were \$610 for the three months ended June 30, 2019 and \$1,585 for the year ended June 30, 2019 which included ten months of commercial production. For accounting purposes royalties relating to gold and silver sales prior to the commencement of commercial production have been capitalized to property, plant and equipment. Refer to Note 7 of the Company's June 30, 2019 Consolidated Financial Statements for details relating to the Company's royalty obligations.

### **Corporate Administrative Expenses**

An increase in corporate administrative expenses of \$180 for the three months ended June 30, 2019, compared to the three months ended June 30, 2018, was due to an increase in share-based compensation relating to options granted in February 2019.

An increase in corporate administrative expenses of \$676 for the year ended June 30, 2019, compared to the year ended June 30, 2018, was due to increases in salaries and wages and professional fees which were the result of ramping up of operations as the Company transitioned into commercial production and increases to share-based compensation relating to options granted in 2019.

### **Other Income (Expenses)**

Finance costs consist of interest expense, finance costs relating to the silver streaming arrangement, changes in fair value to gold call options and derivative liabilities, and interest income.

An increase in finance costs for the three months ended June 30, 2019 compared to the previous year were due to an increase in interest expense as capitalizing borrowing costs ceased upon commercial production and fair value losses on gold call options and derivative liabilities. Losses on derivative liabilities increased due to recognition of the fair value of warrants upon the Company's change in functional currency from Canadian dollars to US dollars and the fair value of embedded derivatives relating the silver stream.

Increases to finance costs for the year ended June 30, 2019 compared to the previous year were due to the following: expensing the remaining financing costs related to the senior secured credit facility upon discharge of the facility, finance costs relating to the silver stream, an increase in interest expense as capitalizing borrowing costs ceased upon commercial production and fair value losses on gold call options and derivative liabilities. Losses on derivative liabilities increased due to a fair value loss on embedded derivatives relating the silver stream which were offset by a fair value gain upon recognition of the fair value of warrants upon the Company's change in functional currency from Canadian dollars to US dollars.

### **Cash Flows**

Cash used in operating activities during the year ended June 30, 2019 of \$5,666 (2018: \$1,294) was primarily due to working capital used in leach pad inventory during the ramp up of operations at the Moss Mine.

Cash provided from financing activities during the year ended June 30, 2019 was \$10,026 (2018: \$30,773) and consisted of the proceeds from the silver stream advance, drawdown of debt and the issuance of share capital which were offset by the repayment of the senior secured credit facility and interest payments.

Cash used in investing activities during the year ended June 30, 2018 was \$6,644 (2018: \$42,225) and consisted primarily of expenditures to continue to optimize Moss Mine production and permitting activities.

## 8. Summary of Quarterly Results

	Three Months Ended June 30, 2019	Three Months Ended March 31, 2019	Three Months Ended December 31, 2018	Three Months Ended September 30, 2018	Three Months Ended June 30, 2018	Three Months Ended March 31, 2018	Three Months Ended December 31, 2017	Three Months Ended September 30, 2017
Revenue <sup>1</sup>	\$ 9,382	\$ 8,577	\$ 5,792	\$ 1,184	\$ -	\$ -	\$ -	\$ -
Loss for the period	(6,232) <sup>2</sup>	(1,334) <sup>3</sup>	(5,266) <sup>4</sup>	(1,147) <sup>5</sup>	(109)	(881)	(628)	(2,034)
Basic and diluted loss per share	(0.02)	(0.01)	(0.03)	(0.01)	(0.00)	(0.01)	(0.00)	(0.02)

<sup>1</sup> As the Company was not in commercial production prior to September 1, 2018, there was no revenue recorded in periods prior to September 1, 2018.

<sup>2</sup> Included a loss from mining operations of \$2,004, and fair value losses on derivative liabilities and gold call options of \$1,421 and \$844 respectively.

<sup>3</sup> Included earnings from mining operations of \$350 and a fair value gain on derivative liabilities of \$487.

<sup>4</sup> Included a loss from mining operations of \$603 and finance costs of \$4,240.

<sup>5</sup> Included earnings from mining operations of \$32 and a fair value loss on gold call options of \$88.

Net loss increased for the three months ended June 30, 2019 due to fair value losses of \$1,588 and \$599 on derivative liabilities and gold call options respectively. In addition, a decrease in earnings from mine operations of \$2,354 primarily resulted from a net realizable value write down of the heap pad inventory in the amount of \$3,034.

Net loss decreased for the three months ended March 31, 2019 due to fair value gains of \$487 and \$389 on derivative liabilities and gold call options respectively, and a decrease of \$1,391 in interest expense due to the discharge of the senior secured credit facility with Sprott Private Resource Lending in the previous quarter.

Net loss increased for the three months ended December 31, 2018 due to a loss from mining operations of \$603, an increase in finance costs due to expensing \$1,100 in finance costs relating to the senior secured debt facility which was discharged during the period, a fair value loss of \$546 relating to a change in value in the Company's gold call options, and a fair value loss of \$551 relating to derivative liabilities.

Net loss increased for the three months ended September 30, 2018 due to earnings from mining operations of \$32, an unrealized foreign exchange gain in the current quarter which was offset by an increase in borrowing costs as capitalization ceased upon the commencement of commercial production during the quarter.

Net loss decreased for the three months ended June 30, 2018 primarily due to a fair value gain of \$396 relating to a change in value in the Company's gold call options compared to a fair value loss of \$321 relating to the gold call options in the three months ended March 31, 2018.

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

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

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

## **9. Mine Permitting**

The Company is fully permitted to operate an open pit, heap leach operation with gold and silver recovery on patented claims owned by the Company.

During the year ended June 30, 2019 the Company was successful in their applications for Right of Way permits to allow construction of a powerline from Bullhead City to the mine site and to upgrade the mine access road from Silver Creek Road (a county regional road) to the mine site.

During the third and fourth quarters, permitting efforts continued to be focused on the acquisition of the Federal permits required to expand the mining, leaching and exploration operations beyond the patented claims onto adjacent Federal lands administered by the Bureau of Land Management ("BLM"). These efforts included the preparation of a cultural resource inventory, a biological evaluation, a visual resources study, a noise study, a conceptual design of required and possible infrastructure and surface disturbance, and an extensive exploration plan. During the three months ended June 30, 2019 the draft of the Company's proposed Mine Plan of Operations ("MPO") was reviewed by both Kingman Field Office and the Lake Havasu Field Office of the BLM. The Company responded to the comments from the resource specialists at the BLM and prepared a final draft of the MPO that was submitted to the BLM for determination of Administrative and Technical Completeness subsequent to year end.

Approval of the MPO, including statutory requirements for public input and environmental assessment is necessary for the Company to access, mine and process the entire mineral resource identified in the Preliminary Economic Assessment (Technical Report dated November 22, 2017). Future expansions of the resource along strike and to depth could also be made possible. The expansion onto federal lands would also enable the Company to expand site support facilities including the assay and process testing labs, offices, warehousing, maintenance, water wells and waterlines. Proposed future exploration activities on the adjacent federal lands are also included in the MPO.

## **10. Exploration**

Field exploration activities during the year ended June 30, 2019 continued to be limited by working capital constraints. Compilation of the data from this work, along with the proprietary data provided by Perry Durning and Frank Hillemyer into the company data base continued into the 2020 fiscal year.

## **11. Liquidity and Capital Resources**

As at June 30, 2019, the Company had cash of \$3,444 (June 30, 2018: \$5,720). The decrease in cash compared to the year ended June 30, 2018 was primarily due to the discharge of the senior secured credit facility with Sprott Private Resource Lending and working capital used to fund operations of the Moss Mine, offset by a \$20,000 silver advance received from Maverix and private placements with gross proceeds of \$10,667.

During the year ended June 30, 2019, working capital increased by \$9,320 from a deficit to a surplus of \$941. The increase in working capital was primarily due to increased heap leach and dore inventory as operations ramped up at the Moss Mine during the year.

The Company has taken measures to increase working capital including financings such as the silver stream and private placements, described below, which allowed the Company to discharge its senior secured credit facility during the year. Ongoing liquidity needs will be funded from operating cash flows from production of the Moss Mine and future financings if required.

The Company is in compliance with externally imposed debt covenants relating to its debt facilities and lease obligations as at June 30, 2019.

### **Silver Stream**

During December 2018, the Company entered into a \$20,000 silver streaming transaction with an effective date of October 1, 2018. Under the terms of the agreement the Company will deliver 100% (reducing to 50% after 3,500,000 ounces are delivered) of payable silver production from the Moss Mine over the life of the mine on a monthly basis. Production is subject to a ratio of silver to actual gold produced which, in the event the ratio is not met, the Company

would be required to purchase silver ounces required to achieve the ratio. The silver stream obligation is secured with a first charge over assets.

In addition to the silver advance of \$20,000, the Company will receive 20% of the average spot silver price at the time each ounce of silver is delivered.

### **Private Placements**

During February 2019, the Company closed a non-brokered private placement, issuing an aggregate of 14,624,074 units (each a "Unit") at a purchase price of C\$0.24 per Unit for gross proceeds of \$2,667. Each Unit consists of one common share and one transferable common share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price of C\$0.40 per share for a period of two years from the date of issuance of the warrant.

In December 2018, the Company closed a non-brokered private placement, raising gross proceeds of \$8,000 and issued an aggregate of 44,596,666 units at a purchase price of C\$0.24 per unit. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant has a term of two years and entitles the holder to acquire one common share of the Company at an exercise price of C\$0.40 until December 12, 2020.

### **12. Subsequent Events**

Subsequent to June 30, 2019:

- 516,600 warrants of the Company with an exercise price of C\$0.50 expired.
- 6,000 Gold Call Options were exercised at a price of \$1,526 per ounce. The Company agreed to payment over a twelve month period, at a rate of 10% per annum.
- 719,583 stock options of the company with exercise prices between C\$0.24 and C\$0.66 were forfeited.
- 704,166 shares of the Company were issued.
- The exercise price of 14,839,865 warrants of the Company increased from C\$0.91 to C\$1.04.
- The Company agreed to consolidate and extend the maturity dates of the 2018 convertible debentures and \$2,000 of the 2019 debt facility (Note 9) until December 1, 2020 under a replacement convertible debenture. The replacement convertible debenture bears interest at 12% per annum, payable quarterly in arrears in cash, can be converted at a price of C\$0.30 per common share and includes an arrangement fee of 3% payable on January 31, 2020. The Company may elect to prepay in cash up to US\$4.5 million of the convertible debenture if the closing price of the Company's shares is at or above C\$0.45 for 20 consecutive trading days. The Company may exercise this option prior to the maturity date, on ten business days' notice to Greenstone, and subject to Greenstone electing not to convert such prepayment amount during such ten business day period. The Company also repaid the remaining \$500 of the 2019 debt facility.

### 13. Contractual Obligations

At June 30, 2019, the Company had the following contractual obligations outstanding:

	<b>Within 1</b>	<b>2–3</b>	<b>4–5</b>	<b>5+</b>	<b>Total</b>
	<b>year</b>	<b>years</b>	<b>years</b>	<b>years</b>	
Debt <sup>(1)(4)</sup>	\$ 9,869	\$ 4,718	\$ -	\$ -	\$ <b>14,587</b>
Trade and other payables	7,453	-	-	-	<b>7,453</b>
Lease commitments <sup>(2)</sup>	2,146	3,699	47	-	<b>5,892</b>
Provision for reclamation <sup>(3)</sup>	-	-	-	2,665	<b>2,665</b>
	<b>\$ 19,468</b>	<b>\$ 8,417</b>	<b>\$ 47</b>	<b>\$ 2,665</b>	<b>\$ 30,597</b>

<sup>(1)</sup> Includes interest due on convertible debenture and debt.

<sup>(2)</sup> Includes lease obligation (Note 10) and operating lease commitments.

<sup>(3)</sup> Represents the undiscounted value of the reclamation provision.

<sup>(4)</sup> Subsequent to June 30, 2019 the Company consolidated and extended the maturity dates of convertible debentures in the amount of \$8,500 (Note 28).

### 14. 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.

### 15. Related Party Transactions

Related party transactions were incurred in the normal course of business and measured at their fair value as determined by management.

Related party balances are as follows:

	<b>June 30,</b>	<b>June 30,</b>
	<b>2019</b>	<b>2018</b>
Shared office expenses receivable	\$ 9	\$ 4
Consulting fees payable	\$ 8	\$ -

Related party transactions are as follows:

	<b>June 30,</b>	<b>June 30,</b>
	<b>2019</b>	<b>2018</b>
Consulting fees	\$ 269	\$ 232
Shared office expense recovery	\$ (48)	\$ (27)

(i) Consulting fees charged by companies controlled by certain directors of the Company are included in employee compensation and benefits expense, mineral properties, plant and equipment, and financing costs netted against debt.

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

### Commitments with Related Parties

The Company has entered into a corporate services agreement with a related company for clerical, accounting, regulatory filing and geological services. The minimum monthly fee under the agreement is \$8 (C\$10) and renews annually.

### Debt with a significant shareholder

As at June 30, 2019, the Company has two outstanding non-revolving loan facilities with a significant shareholder. These facilities include tranches which can be converted into common shares at the holder's option as well as a non-convertible tranche.

Balances due to the significant shareholder are as follows:

	<b>June 30, 2019</b>		June 30, 2018
Convertible debentures – 2018	\$ 5,916	\$	5,763
Debt facility - 2019	\$ 2,973	\$	-

Transactions with the significant shareholder are as follows:

	<b>June 30, 2019</b>		June 30, 2018
Interest expense	\$ 1,161	\$	278

### 16. Key Management Personnel Compensation

The remuneration of the Company's directors and other key management personnel for the year ended June 30, 2019 and 2018 is as follows:

	<b>June 30, 2019</b>		June 30, 2018
Salaries and short-term benefits	\$ 940	\$	879
Shared-based payments	\$ 583	\$	239

### 17. 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.

### 18. Proposed Transactions

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

### 19. Adoption of New Accounting Standards

Adoption of new accounting standards have been disclosed in Note 3 of the Company's Consolidated Financial Statements for the years ended June 30, 2019 and 2018.

## **20. 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, 2019 and 2018.

## **21. Corporate Governance**

The Company's Board of Directors and its committees adhere to recommended corporate governance guidelines for public companies listed on the TSX-V to ensure transparency and accountability to shareholders. The current Board of Directors is comprised of seven individuals, five of whom are independent of management as they are neither executive officers nor employees of the Company. The Audit Committee is currently comprised of three directors who are independent of management.

The Audit Committee's role is to ensure the integrity of the Company's reported financial results through its review of the interim and audited annual Consolidated Financial Statements prior to their submission to the Board of Directors for approval. The Audit Committee meets with management quarterly to review the Consolidated Financial Statements, as well as the MD&A, and to discuss financial, operating and other matters.

## **22. Outstanding Share Data**

The total number of outstanding common shares, stock options, and warrants as of the date of this MD&A are 246,455,903, 13,435,000 and 95,688,947 respectively.

## **23. Fair Value Measurements and Financial Risk Management**

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

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

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

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

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

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

The 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 of Directors has implemented and monitors compliance with risk management policies.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations. The Company has credit risk in respect of its cash, trade and other receivables, and reclamation deposits. The Company considers the risk of loss relating to cash and reclamation deposits to be low because these instruments are held only with a Canadian Schedule I financial institution, a US-chartered commercial bank and a US government agency. Accounts receivable at June 30, 2019 related primarily to value-added taxes which is expected to be collectible in full due to the nature of the counterparties and previous history of collectability.

(b) Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation. A summary of contractual maturities of financial liabilities is included in Note 26 of the Company's Consolidated Financial Statements for the years ended June 30, 2019 and 2018.

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

(c) Market risk

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

(i) Currency risk

Foreign currency exchange rate risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate as a result of changes in foreign exchange rates. Some of the Company's operating and corporate administration expenditures are incurred in Canadian dollars and the fluctuation of the USD in relation to CAD will have an impact on the Company's profitability and the Company's financial assets and liabilities. The Company has assessed the impact to be low. The Company has not entered into any formal arrangements to hedge currency risk but does maintain cash balances within each currency.

(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. 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. Fluctuations in silver prices affect the payment price per ounce for the silver stream obligation and the valuation of the silver stream embedded derivative. A 10% fluctuation in the price of gold would result in an impact of approximately \$1,578 on the consolidated statements of loss and comprehensive loss. A 10% fluctuation in the price of silver would result in an impact of approximately \$135 on the consolidated statements of loss.

(iii) Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate as a result of changes in market interest rates. Interest rate risk arises from the interest rate impact on cash, which are held at variable market rates, and is exposed to interest rate risk on its outstanding borrowings. With other variables unchanged, a 1% increase on the Company's floating rate debt would increase annual interest expense by \$41. The Company closely monitors its exposure to interest rate risk and has not entered into any derivative contracts to manage this risk.

## **24. Risks and Uncertainties**

The Company is in the business of acquiring, developing and operating mineral properties. It is exposed to a number of risks and uncertainties that are common to other mining companies. The industry is capital intensive at all stages and is subject to variations in commodity prices, market sentiment, exchange rates for currency, inflation and other risks.

The 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 is subject to many risks common to other companies in the same business, including under-capitalization and resource limitations. The Company may require additional capital to continue the operations of the Moss Mine or to continue as a going concern. There can be no assurance that such capital will be available or, if available, will be on reasonable terms.

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

### **Metal Prices**

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

### **Title Risks**

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

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

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

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

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

### **Taxation Risk**

Due to the complexity and nature of the Company's operations various income tax positions are required to be taken. No assurance can be given that applicable tax authorities will not issue a reassessment or challenge these positions.

### **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.

## **25. 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.

## **26. 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.

## **27. Approval**

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

## **28. 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).