

NORTHERN VERTEX MINING CORP.

**Management's Discussion and Analysis
for the three months ended September 30, 2014**

Dated as of November 28, 2014

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NORTHERN VERTEX MINING CORP.

Management's Discussion and Analysis for the three months ended September 30, 2014

The Management's Discussion and Analysis ("MD&A") of Northern Vertex Mining Corp. ("Northern Vertex" or the "Company"), has been prepared by management as of November 28, 2014 and provides information that management believes is relevant to assessing and understanding the financial condition of the Company and the results of its operations and cash flows for the three months ended September 30, 2014. This MD&A provides information on the operations of the Company for the three months ended September 30, 2014 and should be read in conjunction with the interim consolidated financial statements and related notes thereto (the "Financial Statements") as well as the audited annual consolidated financial statements for the year ended June 30, 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). All currency amounts are expressed in Canadian dollars, unless otherwise noted.

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

1. Background and Core Business

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

The Company's primary objectives are:

- Operating in a socially responsible manner with high regard to safety standards, environmental regulations and community relations; and
- Advancing the Moss Mine, primarily the completion of the feasibility study necessary to earn the Company's interest in the project (as further described in Section 4 of this MD&A).

2. First Quarter 2015 Operating and Financial Highlights

Operating Results and Corporate Developments

Operations

- Phase I – Pilot Plant Operations – of the Company's three-phase business plan has been completed during the quarter. 112,500 tonnes of mineralized material has been successfully leached on the 700' by 300' heap leach pad. The objective of this phase of the Company's business plan was to "prove the concept" regarding the Company's ability to crush the Moss Mine mineralization to 95% -1/4 inch, agglomerate it and recover the gold and silver by conventional heap leach processing;
- As of September 30, 2014, overall gold recoveries to dore from Phase I are 80% with the -1/4 inch material recoveries estimated to be 82%. These numbers are well in excess of the levels used in the Company's PEA (75%) and indicate that the Moss Mine mineralization is amenable to heap leach processing technology. The Company's "proof of concept" objective has been realized and the project has been significantly de-risked as a result. Silver recovery, at approximately 38%, is lower than the level in the PEA (55%); however, the Company did not construct a Merrill-Crowe system for Phase I, opting for the lower cost carbon adsorption system instead. A Merrill-Crowe system was stipulated for Phase II in the PEA and is still the basis for the Company's silver recovery planning for Phase II. Generally, higher silver recoveries can be expected with a Merrill-Crowe system; and
- As of the date of this MD&A, the heap leach pad operation has transitioned into shut-down mode and the neutralizing of the solutions in the ponds and on the heap has commenced. Small quantities of gold and silver

continue to be recovered from the heap solutions and are being adsorbed in the carbon columns. Carbon is being chemically stripped at an off-site facility and gold and silver sales are continuing. Final closure is expected in early December. At that time, the Company will place the leach facilities on care and maintenance in advance of a future construction decision relating to Phase II.

Safety

- The Company has operated for over two years without an MSHA reportable Lost Time Accident ("LTA") – a significant achievement given the level of operational activity on a constricted site area and the involvement of several different contractors alongside the Company's newly hired staff on site; and
- The Company was awarded two "Certificates of Achievement in Safety, 2013" by MSHA to its wholly owned Arizona subsidiary, Golden Vertex Corp. ("Golden Vertex"). One certificate was awarded in the category 'Open Pit Group-Small' and the second certificate in the category of 'Metal-Nonmetal Mill Group-Large'. Criteria for the awards include stipulations that the mining operations have not experienced a work injury that resulted in a fatality, permanent disability, days away from work, or days of restricted work activity; have a No Days Lost injury incidence rate (degree 6) of no greater than the national incidence rate and have accumulated at least 4,000 employee-hours during the calendar year. Golden Vertex has had zero LTAs since the inception of operations on October 22, 2012 resulting in the achievement of having operated for 2 years without an LTA.

Exploration

- Several airborne magnetic surveys highlighted on the Moss Mine property, anomalies corresponding to mineralized structures, prompting the Company to initiate a field geological mapping and sampling programme on areas outside of the main Moss vein system. This programme will incorporate the adjacent Silver Creek Property for which, the Company has an earn-in opportunity.
- Based on the presence of several structures and vein trends across the Moss and adjacent Silver Creek Properties, the Company initiated a rock sampling and geological mapping program on areas away from the Moss Deposit area. The objective of the programme is to identify and prioritize areas for future drilling where new resources may be discovered. Only approximately 5% of the property has been explored to date.

Corporate

- On July 1, 2014, the Company implemented significant reductions to senior management compensation and directors' consulting fee arrangements that included a substantial write-off of amounts previously recorded as amounts owing. Cuts of up to 50% for both the Chairman and President & Chief Executive Officer were implemented and remaining senior management and directors experienced significant reductions as well. Furthermore, with the winding down of the leaching operation at the mine site, the Company anticipates the lay-off of the remaining field staff later in the calendar year. The Company remains committed to stringent cost control and continues to respond and adapt to the tough external environment. These cost reduction measures continue to have a significant impact on overall costs and ultimately, increased cash preservation;
- On September 25, 2014, the Company amended the expiration date of 1,321,500 warrants exercisable at \$1.15 from October 4, 2014 to October 4, 2015. In all other respects, the terms of these warrants remain unchanged;
- On July 18, 2014, the Company granted 100,000 stock options to an officer who is also a director of the Company with an exercise price of \$0.30 and an expiry date of July 28, 2019; and
- On July 11, 2014, the Company completed the second tranche of its non-brokered private placement ("Private Placement") for total gross proceeds of \$3,760,525 by issuing an aggregate total of 15,042,098 units (each "Unit") at a purchase price of \$0.25 per Unit. The initial tranche of the Private Placement closed on July 3, 2014, with an issuance of 11,042,098 Units. Each Unit consists of one common share ("Common Share") of the Company and one-half transferable share purchase warrant ("Warrant"). Each whole Warrant will entitle the holder to acquire one Common Share at an exercise price of \$0.50 for a period of 24 months. The Company paid total cash finders' fees of \$216,475 and share issuance costs of \$35,147. During the year ended June 30, 2014, the Company had received subscriptions in advance for proceeds of \$2,355,000 related to this private placement.

Financial results for the three months ended September 30, 2014

- Ended the first quarter of fiscal 2015 with working capital of \$3.67 million at September 30, 2014 (June 30, 2014: \$3.10 million), which included cash and cash equivalents of \$3.95 million (June 30, 2014: \$4.05 million);
- Net loss on realized expenses of \$0.36 million (2014: \$1.85 million) was recorded for the three months ended September 30, 2014. During the period, the Company recorded a non-cash, unrealized foreign exchange gain of approximately \$1.60 million that was attributed to the strengthening of the US dollar in comparison to the Canadian dollar and reflects the translation into Canadian dollars of the balance sheets and income statements of all subsidiaries that do not use the Canadian dollar as their functional currency;
- Recorded a net income of \$1.24 million, which included an unrealized gain of approximately \$1.60 million related to foreign exchange, for the three months ended September 30, 2014 (2013: loss of \$2.20 million);
- Net loss for the three months ended September 30, 2014 included \$0.08 million (2013: \$0.53 million) in share-based payment expense, \$0.03 million (2013: \$0.34 million) in professional fees, \$0.13 million (2013: \$0.34 million) in salaries, wages, benefits and subcontractor expenses, and \$0.02 million (2013: \$0.12 million) in travel, meetings and conferences expenses; and
- Invested \$0.99 million in the Company's exploration and evaluation assets during the three months ended September 30, 2014 (2013: \$2.05 million), all of which was incurred in respect of the development of the Moss Mine and the Silver Creek Property.

3. Subsequent Events

On November 18, 2014, the Company amended the expiration dates of an aggregate total of 9,476,674 unexercised share purchase warrants. Pursuant to the non-brokered private placement closed November 23, 2011, a total of 5,817,174 share purchase warrants exercisable at \$1.55 were extended for twelve months on September 25, 2013, from November 23, 2013 to November 23, 2014. The Company has extended this date by an additional twelve months to November 23, 2015. Additionally, pursuant to the non-brokered private placement closed November 26, 2012, 3,659,500 share purchase warrants exercisable at \$1.75 and expiring November 26, 2014, were also extended by an additional twelve months to November 25, 2015. In all other respects, the terms of these warrants remain unchanged.

On November 17, 2014 as part of the Feasibility Study, currently underway, the Company announced an updated Mineral Resource Estimate. The updated resource, at a cut-off grade of 0.25 grams/metric tonne ("g/t") gold ("Au"), is 435,000 Au equivalent ("AuEq") measured and indicated at an average grade of 0.87 g/t AuEq¹. A revised geological model combined with geostatistical estimation techniques and the use of a pit constrained Lerchs-Grossman pit were the primary methods of calculating the updated resource (see *Moss Mine – Resource Update* section).

4. Review of Development and Exploration Projects

Moss Mine, Mohave County, Arizona

The Company entered into an Exploration and Option Agreement with Patriot Gold Corp. ("Patriot") effective March 7, 2011, whereby the Company was granted the right to earn a 70% interest in the Moss Mine. The Moss Mine is an epithermal, low sulphidation quartz-calcite vein and stockwork system which extends over a strike length of 1,400 meters and has been drill tested to depths of 370 meters vertically from surface. It is a potential heap leach, open pit project being advanced under a three-phase business plan, specifically designed to ensure that technical, economic, permitting and funding requirements are met prior to each phase proceeding.

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

The Company pays a 3% finder's fee on exploration expenditures, in quarterly instalments, to a non-related party. On commercial production as defined in the agreement with Patriot, a fee of up to US\$15 per troy ounce of gold produced and up to US\$0.35 per troy ounce of silver produced is payable to this non-related party. The fee can be purchased by

¹ See *Moss Mine – Resource Update* for gold equivalency calculations

the Company for US\$2.4 million. Royalties during Phase I – Pilot Plant are 1% of net smelter returns (“NSR”) and are recognized when the Company receives payment on the sale of gold and silver produced from the Pilot Plant. During Phase II, the NSR royalties on the patented claims are expected to be in the 1% – 3.5% range. With one of the claims having a 3.5% NSR royalty and containing about 40% of the gold and silver resources, the average NSR royalty for the second phase of the Company’s business plan, Phase II, is expected to be approximately 2%.

The Company implemented the first phase of the Company’s business plan – Phase I – Pilot Plant Operations. The objective of this phase was to “prove the concept” of heap leach technology, applying to the Moss Mine mineralization. The details can be found in the Company’s PEA. As of the date of this MD&A, the heap leach pad operation has transitioned into shutdown mode and the neutralizing of the solutions in the ponds and on the heap is nearly completed. Final closure is expected in early December, after which the Company will place the leach pad and associated infrastructure on a care and maintenance basis in advance of a future construction decision relating to Phase II.

As of the date of this MD&A, the Company has made 15 shipments to an offsite carbon stripping facility, the final shipment was made last week.

Monies received from the Pilot Plant to date have totalled US\$5.2 million from 3,851 ounces of gold at an average selling price of US\$1,263.08 per ounce and 16,747 ounces of silver at an average selling price of US\$20.21 per ounce. Approximately US\$300,000, is anticipated before the end of the calendar year, for total sales proceeds from the Phase I – Pilot Plant of approximately US\$5.5 million. Gold and silver sales from the Pilot Plant as per the PEA budget were estimated at US\$5.3 million, using prices for gold and silver of US\$1,500 and US\$30 per ounce, respectively. With the decrease in metals prices since the date of the PEA, the increase in sales proceeds that the Company anticipates over the PEA budget can be attributed to the additional tonnage placed on the leach pad and the significantly higher recoveries of gold (82% versus 75%, as per the PEA).

As at September 30, 2014, total exploration and evaluation costs for the Moss Mine amounted to \$23.5 million less proceeds from gold and silver sales of \$5.6 million, net \$17.9 million. Additional costs related to the Moss Mine were recorded in property, plant and equipment and intangible assets (total Moss Mine costs of \$25.6 million). As of the date of this MD&A, the Company had fulfilled its “earn-in” obligation excluding completion of the feasibility study (“FS”) under the agreement with Patriot. Work continues on the FS at an increased level and the completion date is expected in the second quarter of the 2015 calendar year.

Aggregate operating and maintenance (“O&M”) costs, as of the date of this MD&A, culminated at approximately US\$7.3 million. Since the neutralizing process of the solutions in the ponds and on the heap is nearly completed, O&M costs have decreased significantly and will be reduced to a care and maintenance level for the leach pad and associated infrastructure.

Based on the Company’s financial forecast, head office expenditures attributable to the support of mining activities, past, current and estimated future net operating losses, and depreciation of current and future (Phase II) capitalized assets on the Moss property will generate tax benefits that are expected to significantly offset taxable income in the initial years of commercial production.

Resource Update

On November 17, 2014 the Company reported the findings of an independent Mineral Resource Estimate for the Moss Mine deposit near Bullhead City, Arizona, USA. At a cut-off grade of 0.25 g/t gold, the updated Mineral Resource Estimate consists of a Measured resource of 4.86 million tonnes grading 0.97 g/t Au and 10.4 g/t Ag for 1.10 g/t AuEq and 172,000 ounces of contained AuEq and an Indicated resource of 10.62 million tonnes grading 0.66 g/t Au and 8.7 g/t Ag for 0.77 g/t AuEq containing 263,000 ounces AuEq, for a total M&I resource of 435,000 ounces AuEq. Inferred resources are 2.18 million tonnes grading 0.55 g/t Au and 5.6 g/t Ag for 0.62 g/t AuEq, containing 43,000 ounces AuEq.

The updated Mineral Resources for the Project were classified under the 2014 CIM Definition Standards for Mineral Resources and Mineral Reserves by application of a cut-off grade that incorporated mining and metallurgical recovery parameters, and on-site cost estimates. Additionally, the updated Mineral Resources are constrained within a pit constrained LG pit shell defined by commodity prices, metallurgical recoveries, operating costs and final pit slope angles. Long-term metal prices of \$1,250/oz and \$20/oz for gold and silver respectively were used. The updated Mineral Resources are tabulated in the table below and have an effective date of October 31st, 2014. The Qualified Person for the Mineral Resource Estimate, as defined by NI 43-101, is David G. Thomas, P.Geo (refer to November 17, 2014 News Release).

Category	Tonnes	Au (g/t)	Ag (g/t)	Au (oz)	Ag (oz)	Au Eq g/t	Au Eq (oz)
Moss & Ruth Veins							
Measured	4,265,000	1.03	10.9	141,000	1,490,000	1.17	160,000
Indicated	4,910,000	0.87	11.8	137,000	1,860,000	1.02	161,000
Measured & Indicated	9,175,000	0.94	11.4	278,000	3,350,000	1.09	321,000
Inferred	805,000	0.60	4.5	16,000	120,000	0.66	17,000
West Extension							
Measured	595,000	0.54	7.3	10,000	140,000	0.63	12,000
Indicated	5,710,000	0.48	6.1	88,000	1,110,000	0.55	102,000
Measured & Indicated	6,305,000	0.48	6.2	98,000	1,250,000	0.56	114,000
Inferred	1,375,000	0.52	6.3	23,000	280,000	0.59	26,000
Combined Total							
Measured	4,860,000	0.97	10.4	152,000	1,630,000	1.10	172,000
Indicated	10,620,000	0.66	8.7	225,000	2,980,000	0.77	263,000
Measured & Indicated	15,480,000	0.76	9.3	377,000	4,610,000	0.87	435,000
Inferred	2,180,000	0.55	5.6	38,000	390,000	0.62	43,000

- The Moss and Ruth veins are the major veins for which resources are estimated; however, other minor veins have also been included.
- The West Extension resources are resources west of the Canyon fault, and are generally lower grade but near surface resources.
- The Company's quality assurance and quality control programs on the Mineral Resource data were reviewed. After removing samples with data quality issues, it was concluded that the collar, survey, assay and lithology data are adequate to support Mineral Resource estimation.
- Domains were modelled in 3D to separate mineralized rock types from surrounding waste rock. The domains were modelled based on quartz veining and gold grades.
- Raw drillhole assays were composited to 1.5 m lengths, broken at domain boundaries.
- Capping of high grades was considered necessary and was completed for each domain on assays prior to compositing.
- Block grades for gold and silver were estimated from the composites using ordinary kriging interpolation into 3 m x 3 m x 3 m blocks coded by domain.
- A dry bulk density of 2.51 g/cm³ was used for material with a depth less than 12 m from surface. A dry bulk density of 2.58 g/cm³ was used for all other material. The dry bulk densities are based on 506 specific gravity measurements.
- Blocks were classified as Measured, Indicated and Inferred in accordance with CIM Definition Standards 2014. Inferred resources are classified on the basis of blocks falling within the mineralised domain wireframes (i.e. reasonable assumption of grade/geological continuity) with a maximum distance of 100 m to the closest composite. Indicated resources are classified based on a drillhole spacing of 50 m. Measured resources are classified based on a 25 m x 12.5 m drillhole spacing.
- The Mineral Resource estimate is constrained within a pit constrained LG pit with maximum slope angles of 65°. Metal prices of \$1,250/oz and \$20/oz were used for gold and silver respectively. Metallurgical recoveries of 82% for gold and 65% for silver were applied.
- A 0.25 g/t gold cut-off was estimated based on a total process and G&A operating cost of \$6.97/t of ore mined.
- The gold equivalent ("AuEq") formulae, applied for purposes of estimating AuEq grades and ounces, are as follows:
 - Factor A (gold) = 1 / 31.10346 x metallurgical recovery (82%) x smelter recovery (99%) x refinery recovery (99%) x unit Au price (US\$1,250 / oz)
 - Factor B (silver) = 1 / 31.10346 x metallurgical recovery (65%) x smelter recovery (98%) x refinery recovery (99%) x unit Ag price (US\$20 / oz)
 - AuEq grade = Au grade + (Ag grade x [Factor B / Factor A])
 - AuEq ounces = (AuEq grade x material tonnes)/31.10346
- The contained gold and silver figures shown are in situ. No assurance can be given that the estimated quantities will be produced. All figures have been rounded to reflect accuracy and to comply with securities regulatory requirements. Summations within the tables may not agree due to rounding.
- Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.
- The quantity and grade of reported Inferred resources in this estimation are conceptual in nature and there has been insufficient exploration to define these Inferred resources as an Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.
- No Mineral Reserves have been estimated for the Moss project; the Mineral Resource estimate includes all mineralized material above cut-off and captured within the optimized LG pit shell.

Silver Creek Property, Mohave County, Arizona

On May 16, 2014, the Company announced that it had secured a lease and option on the Silver Creek property, located adjacent to the Moss Mine property with LCI. The Silver Creek property, comprised of approximately 1,457 hectares, consists of 180 claims and one leased state section.

The mineral lease and option agreement, effective May 7, 2014 ("Effective Date"), has a term of 35 years and requires the Company to pay LCI US\$5,000 cash and issue 100,000 common shares on execution. The US\$5,000 cash payment and 100,000 share issuance have been paid. Payments and commitments to LCI are as follows:

	<u>Cash Payments</u>	<u>Minimum Work Commitments</u>
Year 1 (12 months from Effective Date)	US\$10,000	US\$15,000
Year 2 (24 months from Effective Date)	US\$20,000	US\$20,000
Year 3 (36 months from Effective Date)	US\$30,000	US\$200,000
Year 4 (48 months from Effective Date)	US\$45,000	No Minimum
Each 6 Months, thereafter	US\$25,000	No Minimum

The agreement provides for a production royalty of 1.5% NSR on claims owned by LCI and 0.5% NSR on third party claims within the claim block, with the NSR rates reduced by half once US\$4 million in total royalties has been paid. All payments other than the work commitments are credited against the royalty. The Company can also acquire the claims at any time for US\$4 million in any combination of aggregate royalty payments and lump-sum payments at its sole discretion.

To date, only surface work has been carried out on the property (rock sampling, mapping and geophysics). No drilling has taken place. The Company is currently conducting ground-level exploration to evaluate the various exploration targets on the property, which is intended to complement the exploration plan that is underway on the Moss Property and that previously outlined the prospectivity of the Moss property as a result of a recent airborne magnetics survey. These exploration elements will run concurrently with the Company's business plan for the Moss Mine including completion of the feasibility study and development for Phase II.

In addition to the cash paid and shares issued upon execution of the agreement, as of the date of this MD&A, the Company has paid LCI US\$5,000.

Lemhi Gold Property, Lemhi County, Idaho

On February 12, 2013, the Company completed the sale of its 51% interest in the Lemhi Gold Trust, LLC ("Lemhi JV LLC") to Idaho State Gold Company, LLC ("ISGC"), a private Idaho investment company. Pursuant to the sale, deferred cash payments, equal to 3% of all future expenditures at the Lemhi Gold Property (the "Lemhi Property") by the purchaser, are payable to the Company in quarterly instalments and capped at US\$2.90 million.

During the three months ended September 30, 2014, the Company recorded \$10,323 as part of the deferred cash payments from ISGC, which was included in trade and other receivables due to timing-related matters. During the year ended, June 30, 2014, the Company recorded \$58,650 from ISGC as part of the deferred cash payments. Because of the uncertainty regarding the collectability of the deferred cash payments, the payments will be recorded as income when received.

5. Outlook and Strategy

The critical strategic priorities of the Company are: i) to complete and ensure the orderly closure of the Phase I – Pilot Plant Operations and ii) complete the FS to satisfy the "earn-in" requirement as per the Exploration and Option Agreement with Patriot. Completion of these objectives will strategically position the Company for Phase II - Operations (as outlined in the Company's PEA) of the Company's three-phase business plan. Work continues on the FS and the completion date is expected in the second quarter of the 2015 calendar year. The Company will require further funding to proceed with development for Phase II as described in the *Liquidity and Capital Resources* section below.

Additional priorities involve the continued exploration of the Moss and Silver Creek properties where potential exists to make new discoveries.

6. Selected Annual Information

The following selected annual financial information is derived from the audited Financial Statements of the Company for the three most recently completed financial years:

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

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

Factors that have caused period to period variations in total assets include significant financings, as further described in the Liquidity and Capital Resources section of this MD&A. The net loss for the year ended June 30, 2014 included salaries, wages, benefits and subcontractor expenses of \$1,270,602; share-based payment expense of \$1,391,262; and professional fees of \$506,265 as a result of Company's expansion in fiscal 2014. The net loss for the year ended June 30, 2013 included an impairment charge of \$893,150, in relation to the abandonment the Company's interest in the Copley Gold Property and the sale of the Lemhi Gold Property and a loss on the sale of the Company's investment in Lemhi JV LLC of \$2,723,322, as well as share-based payment expense of \$2,329,489. The net loss for the year ended June 30, 2012 included an impairment charge of \$160,578, in relation to the abandonment of the Company's investment in the Deer Creek Property and share-based payment expense of \$527,578.

7. Summary of Quarterly Results

	Three Months Ended September 30, 2014	Three Months Ended June 30, 2014	Three Months Ended March 31, 2014	Three Months Ended December 31, 2013	Three Months Ended September 30, 2013	Three Months Ended June 30, 2013	Three Months Ended March 31, 2013	Three Months Ended December 31, 2012
Revenue ¹	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net income (loss)	1,242,767 ¹	(1,476,670)	119,519	(607,380)	(2,207,107)	(1,233,008)	(4,165,466)	(2,246,703)
Basic and diluted income (loss) per share	0.017	(0.026)	0.002	(0.011)	(0.042)	(0.028)	(0.079)	(0.047)

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

² Included was a non-cash unrealized foreign exchange gain of \$1.60 million that was attributed to the strengthening of the US dollar in comparison to the Canadian dollar and reflects the translation into Canadian dollars of the balance sheets and income statements of all subsidiaries that do not use the Canadian dollar as their functional currency.

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

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

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

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

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

8. Results of Operations

For the three months ended September 30, 2014, the Company incurred a net income of \$1,242,767, compared to a net loss of \$2,202,107 for the three months ended September 30, 2013. The factors contributing to the decreased net loss compared to the previous comparable period are discussed below.

The Company recorded a predominately unrealized foreign exchange gain of \$1,602,356 during the three months ended September 30, 2014 (2013: foreign exchange loss of \$353,085). The foreign exchange gain primarily related to an unrealized gain on long-term intercompany loans receivable from one of the Company's U.S.-based subsidiaries.

Administrative expenses

For the three months ended September 30, 2014, the Company incurred total administrative expenses of \$384,200 (2013: \$1,875,729), which included non-cash share-based payment expense of \$81,562 (2013: \$527,689); salaries, wages, benefits and subcontractor expenses of \$127,652 (2013: \$340,353); professional fees of \$32,676 (2013: \$335,370); marketing and community relations expenses of \$6,153 (2013: \$192,551); property fees of \$20,664 (2013: \$133,607); travel, meetings and conferences of \$23,735 (2013: \$117,196); management fees of \$nil (2013: \$38,950); and other office and general expenses, including depreciation, totalled \$91,758 (2013: \$190,013).

Significant variances are noted as follows: The decrease in salaries, wages, benefits and subcontractor expenses related to the Company's decreased staff complement in both the Vancouver office and Bullhead City operations as a result of the cost reduction program initiated in the third quarter of fiscal 2014. In addition to the retrenchment, senior management and directors experienced significant wage and consulting fee reductions beginning July 1, 2014. These reductions resulted in minimal professional fees and no management fees incurred as at September 30, 2014. Travel, meetings and conferences decreased due to less management travel and fewer conferences attended as compared to the previous period. Depreciation expense increased as a result of leasehold improvements incurred during fiscal 2014 and new accounting software procured in May 2013. The decrease in share-based payment expenses relates to minimal stock option issuance during the period. Marketing and community relations, office and miscellaneous, transfer agent and filing fees decreased as a result of the Company's overall cost reduction program. Property fees represented the 3% finder's fee paid to a non-related party on exploration expenditures for the Moss Mine, as further described in *Review of Development and Exploration Projects – Moss Mine*.

Other income and expenses

The Company recorded interest and other income of \$14,288 during the three months ended September 30, 2014, compared to \$23,313 in the previous comparable period. The interest earned during the three months ended September 30, 2014 reflected lower average cash balances as a result of lower cash proceeds from equity financings as compared to the same period ended September 30, 2013. The Company recorded \$10,323 (2013: \$3,394) in deferred cash payments from ISGC.

9. Liquidity and Capital Resources

As at September 30, 2014, the Company had cash and cash equivalents of \$3,951,859 (June 30, 2014: \$4,052,512). The decrease in cash and cash equivalents compared to the year ended June 30, 2014 was primarily due to the

repayment of trade accounts payable and to cash used in investing activities for the Moss Mine and the Silver Creek Property, offset by the receipt of remaining cash proceeds from the July 2014 equity financing.

Cash and cash equivalents used in operating activities during the three months ended September 30, 2014 were \$827,576 (2013: \$1,091,627). The decrease in cash used in operating activities compared to the prior comparable period reflected a decrease in operating expenses due to the Company's cost reduction program, which started in the third quarter of fiscal 2014.

Cash and cash equivalents used in investing activities during the three months ended September 30, 2013 totalled \$449,968 (2013: \$2,239,411) and consisted of cash outflows as follows: expenditures on exploration and evaluation assets of \$988,951 (2013: \$2,052,551); purchases of property, plant and equipment of \$nil (2013: \$169,066), which primarily related to equipment purchases for the Moss Mine; and purchases of intangible assets that totalled \$2,425 (2013: \$17,794), which related to a new accounting system. These cash outflows were offset during the three months ended September 30, 2014 by proceeds from gold and silver sales of \$490,392 (2013: \$nil); and proceeds from deferred cash payments from ISGC of \$51,016 (2013: \$nil). The majority of exploration and evaluation expenditures of \$449,968 related to the development of the Moss Mine and included significant costs for mining operations, administration, personnel costs and field expenses.

Cash and cash equivalents provided by financing activities during the three months ended September 30, 2014 totalled \$1,153,903 (2013: \$3,169,316) and consisted of cash received from a private placement share issuance of \$3,508,903 (\$3,760,525 net of share issuance costs of \$251,622) offset by subscriptions received in the fourth quarter of fiscal 2014 of \$2,355,000 and share issuance costs paid in advance of \$7,662. Cash and cash equivalents provided by financing activities during the three months ended September 30, 2013 included \$3,169,316 received from the closing of a non-brokered private placement (\$3,403,400 net of share issuance costs of \$234,084).

During the three months ended September 30, 2014, the Company completed a non-brokered private placement ("Private Placement") for total gross proceeds of \$3,760,525 by issuing an aggregate total of 15,042,098 units (each "Unit") at a purchase price of \$0.25 per Unit. Each Unit consists of one common share ("Common Share") of the Company and one-half transferable share purchase warrant ("Warrant"). Each whole Warrant will entitle the holder to acquire one Common Share at an exercise price of \$0.50 for a period of 24 months. The Private Placement was completed in two tranches with the first tranche of warrants expiring on July 3, 2016 and the second tranche expiring July 11, 2016. The Company paid total cash finders' fees of \$216,475 and share issuance costs of \$35,147. During the year ended June 30, 2014, the Company had received subscriptions in advance for proceeds of \$2,355,000 related to this private placement and paid share issuance costs in advance of \$7,662. The following table sets out the intended use of proceeds and the actual use of proceeds as of the date of this MD&A.

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

The majority of the Company's cash and cash equivalents as of September 30, 2014 were denominated in Canadian dollars. However, the Company does maintain cash balances denominated in U.S. dollars and in conducting operations the Company made payments as appropriate in both Canadian and U.S. dollars. Accordingly, the Company is subject to foreign currency rate fluctuations between the U.S. and Canadian dollar.

During the three months ended September 30, 2014, working capital increased by \$575,058 to \$3,672,579 and included cash and cash equivalents of \$3,951,859. The working capital increase was primarily attributable to decreased trade accounts payable related to operating the Moss Mine Pilot Plant – Phase I.

The Company's ongoing liquidity needs will be funded from current cash and cash equivalents and further financing as required to meet its short-term growth objectives, including the further development of the Moss Mine. The Company is endeavouring to organize an equity, debt, or combined debt/equity financing to advance the Moss Mine project. The Company's ability to secure the required financing is in part dependent on overall market conditions, the price of gold

and other factors outside the Company's control and there is no guarantee the Company will be able to secure any or all required financing in the future.

10. Contractual Obligations

Office space lease agreements

The Company has entered into lease agreements for office space with terms that expire between 2014 and 2018, as disclosed in Note 18 to the Financial Statements.

Other commitments

The Company is committed to making finder's fee payments on exploration expenditures and royalty payments on future production as described in the section *Review of Development and Exploration Projects – Moss Mine*.

11. Off-Balance Sheet Arrangements

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

12. Related Party Transactions

During the three months ended September 30, 2014, the Company incurred consulting services of \$nil (2013: \$35,001) provided by Makwa Exploration Ltd. and \$19,167 (2013: \$nil) provided by L.J. Bardswich Mine Consultant, Inc., companies controlled by directors. These fees were included in deferred mineral property expenditures. As at September 30, 2014, \$9,583 (2013: \$nil) was included in trade and other payables.

During the three months ended September 30, 2014, the Company also incurred professional fees and subcontractor fees of \$nil (2013: \$15,000) and \$nil (2013: \$30,000) respectively, for services provided by Touchstone Capital Inc. ("Touchstone"), a company in which two executives are directors of the Company. The Company has a corporate services agreement with Touchstone for clerical, accounting, regulatory filing and geological services. The minimum monthly fee under the agreement is \$10,000 and renews annually on December 1 of each year. On June 25, 2014, the contract was revised and under the terms of the agreement Touchstone is to receive no further corporate services fees for the balance of the calendar year.

The Company incurred consulting and shared office expenses of \$5,695 (2013: \$25,707) with Kootenay Silver Inc. ("Kootenay"), a publicly traded company related by common directors actively involved in operating and financing activities. These costs were included in marketing, rent, travel and office and miscellaneous expenses. As at September 30, 2014, \$5,695 (2013: \$66,852) was included in trade and other payables. Included in trade and other receivables as at September 30, 2014, was \$11,696 (2013: \$9,582).

The Company incurred \$15,781 (2013: \$82,590) for share based payments to related parties during the three months ended September 30, 2014.

Key Management Personnel Compensation

Key management personnel included the Company's directors and key employees consisting of the Chairman of the Board, the President and Chief Executive Officer, the Chief Financial Officer and Corporate Secretary and the General Manager – Moss Project. Compensation of key management personnel for the three months ended September 30, 2014 consisted of salaries, consulting fees, and short-term benefits of \$94,842 (2013: \$227,277) and share-based payments of \$36,917 (2013: \$271,109). Compensation was included in salaries, wages, benefits and subcontractor expenses, management fees, and deferred mineral property expenditures.

13. Conflicts of Interest

The Company's directors and officers may serve as directors or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the

directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act (BC) ("Corporations Act") dealing with any conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company.

14. Proposed Transactions

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

15. Adoption of New Accounting Standards

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

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

16. Future Accounting Policy Changes Issued but not yet in Effect

Pronouncements that are not applicable or that do not have a significant impact to the Company have not been included in the MD&A.

- In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments ("IFRS 9") that replaces IAS 39 Financial Instruments: Recognition and Measurement in its entirety and reduce the complexity in the classification and measurement of financial instruments. The completed version of IFRS 9 includes classification and measurement, impairment and hedge accounting requirements and is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company is currently evaluating the impact of the standard on its interim consolidated financial statements.
- In May 2014, the IASB issued IFRS 15, Revenue from Contracts and Customers ("IFRS 15") that will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations. IFRS 15 establishes a single five-step model to be applied for all contracts with customers. The standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company is currently reviewing the standard to determine the expected impact on its interim consolidated financial statements.

17. Corporate Governance

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

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

18. Disclosure of Share Data as of November 28, 2014

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

	Number of Shares Outstanding
Issued share capital as at November 28, 2014	72,941,446
Shares reserved for issuance pursuant to share purchase options outstanding ⁽¹⁾	4,895,000
Shares reserved for issuance pursuant to share purchase warrants outstanding ⁽²⁾	20,937,223
DILUTED TOTAL	98,773,669

Notes:

- 1 As at November 28, 2014, the Company had outstanding stock options enabling holders to acquire common shares of the Company as follows:

Number of Options	Exercise Price \$	Expiry Date	Options Exercisable
560,000	0.45	November 13, 2015	560,000
200,000	1.00	May 17, 2016	200,000
200,000	1.30	December 12, 2016	200,000
2,200,000	1.40	November 11, 2017	2,200,000
200,000	1.40	January 20, 2018	200,000
100,000	1.40	January 31, 2018	100,000
200,000	0.85	June 6, 2018	150,000
1,135,000	0.65	September 25, 2018	851,250
100,000	0.30	July 28, 2019	25,000
4,895,000			4,486,250

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

Number of Warrants	Exercise Price \$	Expiry Date	Warrants Exercisable
2,618,000	0.90	March 25, 2015	2,618,000
1,321,500	1.15	October 4, 2015	1,321,500
5,817,174	1.55	November 23, 2015	5,817,174
3,659,500	1.75	November 26, 2015	3,659,500
5,521,049	0.50	July 3, 2016	5,521,049
2,000,000	0.50	July 11, 2016	2,000,000
20,937,223			20,937,223

19. Financial Instruments and Financial Risk Management

The carrying values of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their fair values due to the short-term nature of these instruments. Reclamation deposits consist primarily of reclamation deposits represented by certificates of deposit ("CDs") held with a U.S.-chartered commercial bank. As the CDs are highly liquid in nature and interest is paid to the Company monthly, the carrying value approximates fair value.

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

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

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

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

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

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

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at September 30, 2014:

Financial Assets		Level 1		Level 2		Level 3		Total
Cash and cash equivalents	\$	3,951,859	\$	-	\$	-	\$	3,951,859

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

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

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations. The Company has credit risk in respect of its cash and cash equivalents, trade and other receivables, and reclamation deposits. The Company considers the risk of loss relating to cash and cash equivalents and reclamation deposits to be low because these instruments are held only with a Canadian Schedule I financial institution and a US-chartered commercial banks. Trade and other receivables at September 30, 2014 amounts due from related parties and Goods and Services Tax input credits and are expected to be collectible in full due to the nature of the counterparties and a previous history of collectability.

(b) Liquidity risk

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

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

As at September 30, 2014, the Company's financial liabilities were comprised of trade and other payables of \$400,680 (June 30, 2014: \$1,163,497), which have a maturity of less than one year.

(c) Market risk

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

(i) Currency risk

Foreign currency exchange rate risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate as a result of changes in foreign exchange rates. The Company is considered to be in the exploration and development stage and has not yet developed commercial mineral interests; the underlying market prices realized by the Company for mineral sales are impacted by changes in the exchange rate between the Canadian and the U.S. 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 September 30, 2014, \$388,352 of the Company's cash and cash equivalents were denominated in U.S. dollars. A 10% variation in the U.S. dollar exchange rate would result in an impact of approximately \$38,835 on annual net loss.

(ii) Commodity price risk

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

(iii) Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate as a result of changes in market interest rates. Interest rate risk arises from the interest rate impact on cash and cash equivalents that are held at variable market rates. The Company closely monitors its exposure to interest rate risk and has not entered into any derivative contracts to manage this risk. At September 30, 2014, the weighted-average interest rate on cash and cash equivalents was 1.30%. With other variables unchanged, a 1% increase in the annualized interest rate would reduce annual net loss by \$39,440.

20. Risks and Uncertainties

The Company is in the business of acquiring and exploring mineral properties. It is exposed to a number of risks and uncertainties that are common to other mineral exploration companies in the same business. The industry is capital intensive at all stages and is subject to variations in commodity prices, market sentiment, exchange rates for currency, inflation and other risks. Apart from financings, the Company currently has no source of cash other than interest on cash balances and proceeds from the sale of gold and silver produced from the Moss Mine pilot plant operations. The Company continues to evaluate financing alternatives to advance the Moss Mine project.

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

Early Stage – Need for Additional Funds

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

The Company anticipates future expenses will require additional infusions of capital and there can be no assurance that such financing will be available or, if available, will be on reasonable terms. If financing is obtained by issuing common shares from treasury, control of the Company may change and investors may suffer additional dilution. Furthermore, if financing is not available, lease expiry dates, work commitments, rental payments and option payments, if any, may not be satisfied and could result in a loss of the shareholders' entire investment.

Exploration and Development

Mineral exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but also from finding mineral deposits that, though present, are of insufficient size and/or grade quality to return a profit from production.

All of the mineral claims to which the Company has a right to acquire an interest are in the exploration and pre-production stages only and are without a known body of commercial ore. Upon discovery of a mineralized occurrence, several stages of exploration and assessment are required before its economic viability can be determined. Development of the subject mineral properties would follow only if favourable results are determined at each stage of assessment. Few precious and base metal deposits are ultimately developed into producing mines.

Operating Hazards and Risks

Mining operations involve many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. In the course of exploration, development and production of mineral properties, certain risks, in particular unexpected or unusual geological operating conditions, including rock bursts, cave-ins, fires, flooding and earthquakes, may occur. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of mineral deposits, any of which could result in damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage.

Market Conditions

Improved market conditions for resource commodities, during the last decade, have resulted in a dramatic increase in mineral exploration, which led to widespread shortages of experienced technical personnel and heavy demand for drillers, helicopters and crews and geophysical surveying crews, as well as other goods and services required by exploration companies to perform work. With the global financial crisis and the current downturn in the resource sector, particularly in gold and equity markets, mineral exploration expenditures have been reduced until the fall out from the current situation is truly known.

It is difficult at this stage to quantify the effect of the current downturn in resource equity markets with respect to the demand for exploration goods and services, but it is forecasted that costs for the upcoming year may well be less than has been seen in the past twelve months.

Metal Prices

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

Title Risks

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

Environmental Regulations, Permits and Licenses

The current operations of the Company require permits from various federal and state authorities and such operations are subject to laws and regulations governing prospecting, exploration, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental, mine safety and other matters. Environmental legislation in Arizona provides restrictions and prohibition on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from process ponds, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact

statements. Environmental legislation is evolving in a direction of stricter standards and enforcement and higher fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies, directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

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

Competition and Agreements with Other Parties

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

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

Economic Conditions

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

Joint Venture Arrangements

The Company is "earning-in" to an Exploration and Option to Enter Joint Venture Agreement ("Agreement") with Patriot that covers the Moss Mine property. The Agreement has certain conditions contained therein and there is no assurance that the Company will be successful in consummating the Agreement.

Dependence on Management

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

21. Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

Management is responsible for the preparation and integrity of the Financial Statements and maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable.

Management is also responsible for the design of the Company's internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with IFRS.

Readers are cautioned that the Company is not required to certify the design and evaluation of its disclosure controls and procedures and internal controls over financial reporting and has not completed such an evaluation. The inherent limitations on the ability of the Company's certifying officers to design and implement on a cost-effective basis disclosure controls and procedures and internal controls over financial reporting for the Company may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

22. Cautionary Note Regarding Forward-Looking Information

The Company's interim consolidated financial statements and this accompanying MD&A contain statements that constitute "forward-looking statements" within the meaning of National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators. Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions. Forward-looking statements in this MD&A include but are not limited to statements regarding the Company's future exploration and development plans and expenditures, the satisfaction of rights and performance of obligations under agreements to which the Company is a party, the ability of the Company to hire and retain employees and consultants and estimated administrative and other expenditures. The forward-looking statements that are contained in this MD&A involve a number of risks and uncertainties. As a consequence, actual results might differ materially from results forecast or suggested in these forward-looking statements. Some of these risks and uncertainties are identified under the heading "RISKS AND UNCERTAINTIES" in this MD&A. Additional information regarding these factors and other important factors that could cause results to differ materially may be referred to as part of particular forward-looking statements. The forward-looking statements are qualified in their entirety by reference to the important factors discussed under the heading "RISKS AND UNCERTAINTIES" and to those that may be discussed as part of particular forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause the actual results to differ include market prices, exploration success, continued availability of capital and financing, inability to obtain required regulatory approvals and general market conditions. These statements are based on a number of assumptions, including assumptions regarding general market conditions, the timing and receipt of regulatory approvals, the ability of the Company and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

23. Approval

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

24. Additional Information

Additional information related to the Company can be found on SEDAR at www.sedar.com and on the Company's website at www.northernvertex.com.