NORTHERN VERTEX

MINING CORP

Condensed Interim Consolidated Financial Statements

For the Three Months Ended September 30, 2016 and 2015

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, "Continuous Disclosure Obligations", Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

NORTHERN VERTEX MINING CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at September 30, 2016 and June 30, 2016
Expressed in Canadian Dollars

	Notes		September 30 2016		June 30 2016
ASSETS					
Current assets					
Cash		$	6,009,526	$	1,297,416
Trade and other receivables	4		26,787		25,527
Prepaid expenses and deposits			277,249		182,483
Total current assets			6,313,562		1,505,426
Non-current assets					
Reclamation deposits			15,071		14,842
Property, plant and equipment	5		1,959,366		1,403,914
Mining interests	6		26,482,447		25,674,510
Deferred financing costs			-		35,659
Total assets		$	34,770,446	$	28,634,351
LIABILITIES					
Current liabilities					
Trade and other payables	8	$	968,452	$	694,259
Convertible debenture subscriptions received in advance			-		150,000
			968,452		844,259
Non-current liabilities					
Convertible debentures	7		4,637,169		-
Provision for reclamation and remediation	9		1,012,412		1,055,130
Total liabilities			6,618,033		1,899,389
EQUITY					
Share capital	10a		23,056,962		23,045,440
Contributed surplus	10		20,751,079		20,284,052
Equity component of convertible debentures			1,464,146		-
Accumulated other comprehensive loss			(1,307,420)		(1,708,364)
Deficit			(15,812,354)		(14,886,166)
Total equity			28,152,413		26,734,962
Total liabilities and equity		$	34,770,446	$	28,634,351

Nature of operations and going concern	1
Commitments	14
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Approved and authorized on behalf of the Board:

"Kenneth Berry"
Director

"David Farrell"
Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

NORTHERN VERTEX MINING CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF (LOSS) INCOME

Three Months Ended September 30, 2016 and September 30, 2015

Expressed in Canadian Dollars

	Notes	Three Months Ended September 30 **2016**	2015
Administrative expenses			
Depreciation		**$ 3,417**	$ 14,523
Management fees		**30,000**	30,000
Marketing and community relations		**67,313**	11,113
Office and miscellaneous		**39,824**	41,935
Professional fees		**194,813**	263,981
Rent		**10,517**	11,052
Salaries, wages and severance expenses		**572,905**	183,383
Share-based payments	10c	**307,001**	53,263
Transfer agent and filing fees		**6,411**	9,604
Travel		**54,508**	50,361
Loss before other expenses		**(1,286,709)**	(669,215)
Other income (expenses)			
Foreign exchange gain		**1,598**	2,813,147
Interest and other income		**9,563**	9,095
Finance costs	11	**(165,069)**	-
Net (loss) income before taxes		**(1,440,617)**	2,153,027
Deferred income taxes		**514,429**	-
Net (loss) income for the period		**(926,188)**	2,153,027
Foreign currency translation		**400,944**	(1,271,824)
Comprehensive (loss) income for the period		**(525,244)**	881,203
Basic and diluted (loss) income per share		**$ (0.01)**	$ 0.03
Weighted average number of shares outstanding		**95,301,142**	84,824,707

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

NORTHERN VERTEX MINING CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Three Months Ended September 30, 2016 and September 30, 2015

Expressed in Canadian Dollars

	Notes	Number of Shares	Share Capital	Subscriptions Received in Advance	Contributed Surplus	Equity Component of Convertible Debentures	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
Balance, June 30, 2015		**72,941,446**	**$ 21,484,748**	**$ 1,280,400**	**$ 16,097,336**	**$ -**	**$ (2,411,428)**	**$ (11,136,974)**	**$ 25,314,082**
Shares issued for cash, net of issuance costs		13,015,000	1,578,955	-	1,143,994	-	-	-	2,722,949
Subscriptions received in advance		-	-	(1,280,400)	-	-	-	-	(1,280,400)
Share-based payments		-	-	-	53,263	-	-	-	53,263
Foreign currency translation		-	-	-	-	-	(1,271,824)	-	(1,271,824)
Net income		-	-	-	-	-	-	2,153,027	2,153,027
Balance, September 30, 2015		**85,956,446**	**$ 23,063,703**	**$ -**	**$ 17,294,593**	**$ -**	**$ (3,683,252)**	**$ (8,983,947)**	**$ 27,691,097**
Balance, June 30, 2016		**95,288,461**	**$ 23,045,440**	**$ -**	**$ 20,284,052**	**$ -**	**$ (1,708,364)**	**$ (14,886,166)**	**$ 26,734,962**
Convertible debentures issued		-	-	-	-	1,464,146	-	-	1,464,146
Exercise of stock options		33,334	11,522	-	(3,189)	-	-	-	8,333
Warrants issued	7, 10d	-	-	-	163,215	-	-	-	163,215
Share-based payments		-	-	-	307,001	-	-	-	307,001
Foreign currency translation		-	-	-	-	-	400,944	-	400,944
Net loss		-	-	-	-	-	-	(926,188)	(926,188)
Balance, September 30, 2016		**95,321,795**	**$ 23,056,962**	**$ -**	**$ 20,751,079**	**$ 1,464,146**	**$ (1,307,420)**	**$ (15,812,354)**	**$ 28,152,413**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

NORTHERN VERTEX MINING CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
Three Months Ended September 30, 2016 and September 30, 2015
Expressed in Canadian Dollars

	Notes	**2016**	2015
Cash flows from operating activities			
Net (loss) income before taxes for the period		**$ (1,440,617)**	$ 2,153,027
Items not affecting cash:			
Share-based payments	10c	**307,001**	53,263
Depreciation		**3,417**	14,523
Accretion expense for convertible debentures	7, 11	**93,267**	-
Unrealized foreign exchange gain		**-**	(2,807,349)
Changes in non-cash working capital balances:			
Trade and other receivables		**(1,221)**	(118,193)
Prepaid expenses and deposits		**(58,034)**	(7,695)
Accrued interest expense		**78,556**	-
Trade and other payables		**62,332**	64,248
Cash used in operating activities		**(955,299)**	(648,176)
Cash flows from financing activities			
Issuance of share capital, net of issue costs		**8,333**	2,722,949
Convertible debentures, net of issue costs		**6,685,692**	-
Subscriptions received in advance		**(150,000)**	(1,280,400)
Cash provided by financing activities		**6,544,025**	1,442,549
Cash flows from investing activities			
Mining interests expenditures		**(247,978)**	(556,307)
Property, plant and equipment expenditures		**(621,939)**	-
Cash used in investing activities		**(869,917)**	(556,307)
Effect of foreign exchange on cash		**(6,699)**	10,774
Increase in cash during the period		**4,712,110**	248,840
Cash, beginning of the period		**1,297,416**	3,209,343
Cash, end of the period		**$ 6,009,526**	$ 3,458,183

Supplemental disclosure of non-cash activities 12

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

1 Nature of operations and going concern

Nature of operations

Northern Vertex Mining Corp. (the "Company") is a resident Canadian mineral exploration and development company incorporated under the Business Corporations Act (British Columbia). The address of the Company's registered office is Suite 1820 – 1055 West Hastings St. Vancouver, British Columbia, Canada.

The Company's principal business is to acquire, explore and develop mineral properties principally located in the United States and Canada with the mandate of identifying mineralized deposits that demonstrate near-term production potential and long-term sustainable growth.

The Company's primary project is the Moss Gold-Silver deposit (the "Moss Mine") located in Mohave County, Arizona.

Going concern

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. There are conditions and events, which constitute material uncertainties that may cast significant doubt on the validity of this assumption.

The Company has experienced operating losses and negative operating cash flows since inception and has no assurances that sufficient financing will be available to continue in operation for the foreseeable future. Ongoing operations and continual development of the Moss Mine are dependent on the Company's ability to obtain equity financing by the issuance of share capital and to secure debt financing.

During the three months ended September 30, 2016 and the year ended June 30, 2016, the Company raised net proceeds of $6,685,692 and $4,158,770, respectively, from private placements. In addition, subsequent to September 30, 2016, the Company closed a senior credit facility for US$20,000,000, of which US$5,000,000 has been received (note 17). To continue development at the Moss Mine, the Company will require additional financing. While the Company has been successful at raising funds in the past, there can be no assurance that it will be able to do so in the future.

These condensed interim consolidated financial statements do not reflect any adjustments, which may be material, to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

As of September 30, 2016 and June 30, 2016 the Company had the following working capital and deficit balances:

	September 30, 2016	June 30, 2016
Working capital	**$ 5,345,110**	$ 661,167
Deficit	**(15,812,354)**	(14,886,166)

2 Statement of compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards and Interpretations ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standards ("IAS") 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB").

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on November 25, 2016.

3 Significant accounting policies

The significant accounting policies applied in the preparation of these condensed interim consolidated financial statements are consistent with the accounting policies disclosed in Note 3 of the audited consolidated financial statements for the year ended June 30, 2016. These condensed interim consolidated statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended June 30, 2016.

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 these condensed interim consolidated financial statements. The following standards are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company is currently evaluating the impact of these standards on its consolidated financial statements.

In January 2016, the IASB issued IFRS 16, Leases, which replaces IAS 17, Leases, and other lease related interpretations. The new standard established the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a lease contract. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted only in conjunction with IFRS 15.

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments, 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, 2018, with early adoption permitted.

In May 2014, the IASB issued IFRS 15, Revenue from Contracts and Customers, 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, 2018, with early adoption permitted. In April 2016, amendments to IFRS 15 were issued to clarify three aspects of the standard – identifying performance obligations, principal versus agent considerations, and licensing.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

4 Trade and other receivables

		September 30, 2016		June 30, 2016
Trade accounts receivable	**$**	**11,645**	$	13,585
Value-added taxes receivable		**15,142**		11,942
	$	**26,787**	$	25,527

5 Property, plant and equipment

Property, plant and equipment for the three months ended September 30, 2016 and the year ended June 30, 2016 were as follows:

	Buildings	Vehicles	Machinery and plant equipment	Office, furniture and leasehold	Construction in progress	Total
Net book value at June 30, 2016	$ 41,921	$ 61,725	$ 565,871	$ 40,200	$ 694,197	$ 1,403,914
Additions	-	-	-	1,016	622,984	**624,000**
Depreciation	(4,961)	(8,934)	(70,930)	(5,030)	-	**(89,855)**
Foreign exchange movement	649	956	8,761	192	10,749	**21,307**
Net book value at September 30, 2016	$ 37,609	$ 53,747	$ 503,702	$ 36,378	$ 1,327,930	$ 1,959,366
Consisting of:						
Cost	98,937	178,554	1,520,424	128,512	1,327,930	**3,254,357**
Accumulated depreciation	(61,328)	(124,807)	(1,016,722)	(92,134)	-	**(1,294,991)**
	$ 37,609	$ 53,747	$ 503,702	$ 36,378	$ 1,327,930	$ 1,959,366

	Buildings	Vehicles	Machinery and plant equipment	Office, furniture and leasehold	Construction in progress	Total
Net book value at June 30, 2015	$ 59,429	$ 93,714	$ 821,754	$ 72,935	$ -	$ 1,047,832
Additions	-	-	26,884	-	694,197	**721,081**
Disposal & write-down	-	-	-	(12,482)	-	**(12,482)**
Depreciation	(19,540)	(35,192)	(310,861)	(21,280)	-	**(386,873)**
Foreign exchange movement	2,032	3,203	28,094	1,027	-	**34,356**
Net book value at June 30, 2016	$ 41,921	$ 61,725	$ 565,871	$ 40,200	$ 694,197	$ 1,403,914
Consisting of:						
Cost	97,429	175,832	1,497,242	126,715	694,197	**2,591,415**
Accumulated depreciation	(55,508)	(114,107)	(931,371)	(86,515)	-	**(1,187,501)**
	$ 41,921	$ 61,725	$ 565,871	$ 40,200	$ 694,197	$ 1,403,914

As at September 30, 2016 and June 30, 2016, the Company had no contractual commitments to acquire property, plant, and equipment.

During the three months ended September 30, 2016, the Company capitalized borrowing costs of $6,754 (June 30, 2016 – nil) related to the Moss Mine project into construction in progress at a borrowing rate of 5% (June 30, 2016 – nil%).

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

6 Mining interests

Mining interests for the three months ended September 30, 2016 and the year ended June 30, 2016 were as follows:

	Development	Exploration		
	Moss Mine Property	**Moss Property**	**Silver Creek Property**	**Total**
Net book value at June 30, 2016	**$ 25,470,094**	**$ -**	**$ 204,416**	**$ 25,674,510**
Additions	314,597	41,817	53,993	**410,407**
Foreign exchange movement	394,365	-	3,165	**397,530**
Net book value at September 30, 2016	**$ 26,179,056**	**$ 41,817**	**$ 261,574**	**$ 26,482,447**
Net book value at June 30, 2015	**$ -**	**$ 22,254,636**	**$ 113,543**	**$ 22,368,179**
Additions	-	2,454,631	86,991	**2,541,622**
Foreign exchange movement	-	760,827	3,882	**764,709**
Reclassification	25,470,094	(25,470,094)	-	**-**
Net book value at June 30, 2016	**$ 25,470,094**	**$ -**	**$ 204,416**	**$ 25,674,510**

Moss Mine Property – Mohave County, Arizona

The Company owns 100% of the Moss Mine project.

On March 7, 2011, the Company entered into an agreement with Patriot Gold Corp. ("Patriot Gold") whereby the Company was granted the right to earn a 70% interest in the Moss Mine project under certain terms. During the year ended June 30, 2016 the Company satisfied the terms of the agreement and earned a 70% interest in the Moss Mine project.

On May 26, 2016, the Company completed an agreement with Patriot Gold, whereby the Company purchased Patriot Gold's remaining 30% interest in the Moss Gold/Silver Mine for $1,200,000 cash and 857,140 common shares plus the retention by Patriot Gold of a 3% net smelter returns ("NSR") royalty. The common shares were issued with a fair value of $342,856.

In addition, the Company has royalty agreements with various parties whereby the Company pays NSR royalties ranging from 1% to 3.5% on certain patented and unpatented claims.

On commercial production, 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 a non-related party. The fee can be purchased by the Company for US$2,400,000.

Silver Creek Property – Mohave County, Arizona

On May 7, 2014, the Company secured an option on the Silver Creek property, located adjacent to the Moss Mine with La Cuesta International, Inc. ("LCI"). To fulfill the terms of the 35 year mineral lease and option agreement, the Company paid LCI US$5,000 and issued 100,000 common shares of the Company upon execution of the agreement, and must also meet the following commitments:

i. Pay LCI US$10,000 cash (paid) and fund a minimum of US$15,000 (paid) on work commitments by May 7, 2015;
ii. Pay LCI US$20,000 cash (paid) and fund a minimum of US$20,000 (paid) on work commitments by May 7, 2016;

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

6 Mining interests (continued)

iii. Pay LCI US$30,000 cash and fund a minimum of US$200,000 on work commitments by May 7, 2017;
iv. Pay LCI US$45,000 cash by May 7, 2018; and
v. Pay LCI US$25,000 cash every six months, thereafter.

The agreement provides for a production royalty of 1.5% NSR on claims owned 100% by LCI and 0.5% NSR on third party claims within the claim block. To acquire the claims, the Company is required to make payments to LCI totalling US$4,000,000 in any combination of aggregate royalty payments and lump-sum payments at its sole discretion. All payments other than the work commitments are credited against the royalty. Once US$4,000,000 has been paid, the NSR rates, on claims not otherwise acquired, reduce by 50%.

7 Convertible debentures

On July 14, 2016 the Company completed a private placement of $7,225,000 in convertible debentures which mature on May 31, 2021 and bear interest at 5% per year with interest payable semi-annually on November 30 and May 31 with the first payment due on November 30, 2016. The convertible debentures are convertible into common shares at the option of the holder at any time prior to maturity at a conversion price of $0.50 per common share. The debentures may be redeemed in cash on or after July 14, 2018 upon redemption notice at a redemption price equal to their face value plus accrued interest provided the trading price of the common shares for 20 consecutive trading days, ending five trading days prior to the date of the redemption notice, must be less than the conversion price. The Company also has the option, to repay the face value of the debentures in common shares, provided certain circumstances are met including: no default has occurred and the trading price of the common shares for 20 consecutive trading days ending five trading days prior to the date of the redemption notice or maturity date is at least 150% of the conversion price. Interest may be payable in cash or common shares at the option of the Company.

The convertible debentures are compound financial instruments, consisting of the debt instrument and the equity conversion feature. The debt instrument was fair valued using a rate applicable to a non-compound debt instrument and carried at amortized cost. The excess of the proceeds over the value assigned to the debt instrument was allocated as the fair value of the equity component of the convertible debentures. Transaction costs were netted against the debt instrument and equity component based on the pro-rata allocation of the fair value of each instrument at initial recognition.

		September 30, 2016		June 30, 2016
Balance, beginning of period	**$**	**-**	$	-
Proceeds from issue of convertible debentures		**7,225,000**		-
Equity component of convertible debentures		**(1,978,575)**		-
Transaction costs, including warrants		**(702,523)**		-
Accretion of interest		**93,267**		-
Balance, end of period	**$**	**4,637,169**	$	-

8 Trade and other payables

		September 30, 2016		June 30, 2016
Trade accounts payable	**$**	**211,543**	$	367,800
Accrued liabilities		**756,909**		326,459
	$	**968,452**	$	694,259

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

9 Provision for reclamation and remediation

		September 30, 2016		June 30, 2016
Balance, beginning of period	**$**	**1,055,130**	$	934,120
Change in estimate		**(63,370)**		72,353
Accretion		**4,314**		16,722
Foreign exchange movement		**16,338**		31,935
Balance, end of period	**$**	**1,012,412**	$	1,055,130

The Company's provision for reclamation and remediation relates to the environmental restoration and closure costs associated with the Moss Mine. The provision has been recorded at its net present value using a discount rate of 1.14% and a long-term inflation rate of 2%, with expenditures anticipated over a ten-year period beginning in 2020. The provision is re-measured at each reporting date, with accretion being charged to the associated property asset. The total undiscounted amount of the Company's estimated obligation at the Moss Mine is US$855,349. All assumptions used in the calculation of the reclamation and remediation provision are subject to change.

10 Share capital and contributed surplus

a) Share Capital

Authorized share capital consists of an unlimited number of common shares without par value.

Private placements completed during the three months ended September 30, 2016 and the year ended June 30, 2016 were as follows:

- During the year ended June 30, 2016, the Company completed two non-brokered private placements for total gross proceeds of $5,575,260 by issuing an aggregate total of 21,489,875 units. The first private placement raised gross proceeds of $2,863,300 by issuing a total of 13,015,000 units at a purchase price of $0.22 per unit. The second private placement raised gross proceeds of $2,711,960 by issuing a total of 8,474,875 units at a purchase price of $0.32 per unit. Each unit consisted of one common share of the Company and one transferable share purchase warrant, with each whole warrant entitling the holder to acquire one common share at an exercise price of $0.45 and $0.50, respectively, for a period of 24 months from the closing date of each respective private placement.

b) Stock Options

The Company has adopted an incentive stock option plan under the rules of the TSX Venture Exchange ("TSXV") pursuant to which it is authorized to grant options to employees, consultants, directors and officers, enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option is equal to the market price of the Company's shares on the date of grant. The options can be granted for a maximum term of 10 years and generally vest 25% in specified increments. No individual may be granted options exceeding 5% of the Company's common shares outstanding in any 12-month period.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

10 Share capital and contributed surplus (continued)

Continuity of the Company's stock options issued and outstanding was as follows:

	September 30, 2016			June 30, 2016		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Outstanding, beginning of year	6,093,334	$	0.83	7,145,000	$	0.80
Granted	2,645,000		0.46	-		-
Exercised	(33,334)		0.25	-		-
Forfeited /cancelled	-		-	(141,666)		1.06
Expired	-		-	(910,000)		0.58
Outstanding, end of period	**8,705,000**	**$**	**0.72**	**6,093,334**	**$**	**0.83**

As at September 30, 2016, the following stock options were outstanding and exercisable:

Exercise price	Number of options outstanding	Expiry date	Number of options exercisable	Remaining contractual life (years)
$ 1.30	200,000	December 12, 2016	200,000	0.20
0.46	200,000	August 31, 2017	200,000	0.92
0.46	250,000	September 30, 2017	250,000	1.00
1.40	2,200,000	November 11, 2017	2,200,000	1.12
1.40	200,000	January 21, 2018	200,000	1.31
0.85	200,000	June 6, 2018	200,000	1.68
0.65	1,035,000	September 25, 2018	1,035,000	1.99
0.30	100,000	July 28, 2019	100,000	2.82
0.25	2,050,000	February 24, 2020	2,050,000	3.40
0.25	75,000	March 31, 2020	75,000	3.50
0.46	1,945,000	July 15, 2021	-	4.79
0.46	250,000	September 14, 2021	83,333	4.96
	8,705,000		**6,593,333**	**2.72**

The weighted-average remaining contractual life of options outstanding at June 30, 2016 was 2.35 years.

c) Share-based payment expense

Share-based payment expense is measured at fair value and recognized over the vesting period from the date of grant. Share-based payment expense recognized in the condensed interim consolidated statements of (loss) income for the three months ended September 30, 2016 totalled $307,001 (2015: $53,263).

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

10 Share capital and contributed surplus (continued)

The fair value of stock options granted was estimated using the Black-Scholes option pricing model with the following assumptions:

	September 30, 2016	June 30, 2016
Risk–free interest rate	**0.58% - 0.73%**	nil
Expected life of options	**1.1 – 5.0 years**	nil
Dividend rate	**nil**	nil
Expected forfeiture rate	**0% - 5%**	nil
Expected volatility	**110% - 117%**	nil

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. The Company has used historical volatility in its share price to estimate expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimated.

d) Warrants

Share purchase warrants enable the holders to acquire common shares of the Company upon exercise. Continuity of warrants issued and outstanding for the period ended September 30, 2016 and the year ended June 30, 2016 were as follows:

		September 30, 2016			**June 30, 2016**	
	Number of warrants		**Weighted average exercise price**	**Number of warrants**		**Weighted average exercise price**
Outstanding, beginning of period	38,487,598	$	0.76	20,937,223	$	1.10
Issued	516,600		0.50	21,489,875		0.47
Expired	-		-	(3,939,500)		0.98
Outstanding, end of period	**39,004,198**	**$**	**0.76**	**38,487,598**	**$**	**0.76**

As at September 30, 2016, the Company had outstanding share purchase warrants as follows:

Number of warrants	**Exercise price**	**Expiry date**
5,817,174	$ 1.55	November 23, 2016
3,659,500	1.75	November 26, 2016
5,521,049	0.50	July 3, 2017
13,015,000	0.45	July 8, 2017
2,000,000	0.50	July 11, 2017
7,974,875	0.50	March 31, 2019
500,000	0.50	April 4, 2019
516,600	0.50	July 14, 2019
39,004,198	**$ 0.76**	

The fair value of warrants issued is estimated using the Black-Scholes option-pricing model and is included in contributed surplus until exercised, at which time the fair value is reclassified to share capital.

The weighted average remaining life of the outstanding warrants as at September 30, 2016 was 1.02 years (June 30, 2016: 1.25 years).

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

10 Share capital and contributed surplus (continued)

The Company issued 516,600 finders' warrants to parties at arm's length for a non-brokered private placement of unsecured convertible debentures. Each finders' warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.50 until July 14, 2019. The finders' warrants were issued with a fair value of $163,215.

The following assumptions were used for the Black–Scholes valuation of warrants issued and amended:

	September 30, 2016	June 30, 2016
Risk–free interest rate	**0.55%**	0.46%-0.73%
Expected life of warrants	**3 years**	0.5-3.0 years
Dividend rate	**nil**	nil
Expected volatility	**119%**	114%-125%
Fair value per warrant issued and/or amended	**$0.32**	$0.01-$0.19

11 Finance costs

		September 30, 2016		September 30, 2015
Interest accretion on convertible debentures	**$**	**93,267**	$	-
Interest on convertible debentures		**71,802**		-
	$	**165,069**	$	-

12 Supplemental disclosure of non-cash activities

The following non-cash investing and financing activities occurred:

		September 30, 2016		September 30, 2015
Convertible debentures financing finder's warrants	**$**	**163,215**	$	-
Changes in trade and other payables included in mining interests	**$**	**124,298**	$	(190,503)
Depreciation and accretion included in mining interests	**$**	**127,826**	$	104,938

13 Related party transactions

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

Related party transactions are as follows:

	Notes		**September 30, 2016**		September 30, 2015
Consulting fees	(i)	**$**	**67,500**	$	78,142
Shared office expenses	(ii)	**$**	**1,148**	$	13,534

(i) Consulting fees charged by companies controlled by certain directors of the Company are included in professional fees, subcontractor expenses and mining interests expenditures.

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

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

13 Related party transactions (continued)

Related party balances are as follows:

		September 30, 2016		September 30, 2015
Consulting fees payable	**$**	**55,943**	$	13,814
Shared office expenses payable	**$**	**1,212**	$	18,047

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 $5,000 and renews annually.

Key management personnel compensation

The remuneration of the Company's directors and other key management personnel for the three months ended September 30, 2016 and 2015 is as follows:

	Notes		**September 30, 2016**		September 30, 2015
Salaries and short-term benefits	(i)	**$**	**274,083**	$	123,041
Share-based payments	(ii)	**$**	**242,816**	$	12,960

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

14 Commitments

The Company has entered into contracts for leased premises, which expire at various dates through to July 2018. Lease payments recognized as an expense during the three months ended September 30, 2016 totalled $10,517 (2015: $11,052). Total future minimum lease payments (net of sub-lease arrangement) under these contracts are as follows:

Within 1 year	$	39,848
2 to 3 years		49,979

15 Financial instruments and financial risk management

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

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

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

15 Financial instruments and financial risk management (continued)

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

Cash and trade and other receivables 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, 2016:

Financial Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	$ 6,009,526	$ -	$ -	$ 6,009,526
Trade and other receivables	26,787	-	-	26,787

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 condensed interim consolidated financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations. The Company has credit risk in respect of its cash, trade and other receivables, and reclamation deposits. The Company considers the risk of loss relating to cash and reclamation deposits to be low because these instruments are held only with a Canadian Schedule I financial institution, a US-chartered commercial bank and a US government agency. Trade and other receivables at September 30, 2016 related primarily to amounts due from related parties and value-added taxes are expected to be collectible in full due to the nature of the counterparties and previous history of collectability.

(b) Liquidity risk

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

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

15 Financial instruments and financial risk management (continued)

As at September 30, 2016, the Company's financial liabilities were comprised of trade and other payables of $968,452 (June 30, 2016: $694,259), which have a maturity of less than one year.

(c) Market risk

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

(i) Currency risk

Foreign currency exchange rate risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate as a result of changes in foreign exchange rates. The Company is considered to be in development stage and has not yet developed commercial mineral interests; the underlying market prices realized by the Company for mineral sales are impacted by changes in the exchange rate between the Canadian and the US dollar. The Company has not entered into any formal arrangements to hedge currency risk but does maintain cash balances within each currency. Canadian dollars are exchanged when needed to meet foreign denominated liabilities.

At September 30, 2016, $224,143 of the Company's cash were denominated in US dollars. A 10% variation in the US dollar exchange rate would result in an impact of approximately $29,422 on net loss.

(ii) Commodity price risk

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

(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. 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, 2016, the weighted-average interest rate on cash was 0.98%. With other variables unchanged, a 1% increase in the annualized interest rate would reduce the annual net loss by $59,950.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

16 Segmented information

The Company has one reportable operating segment, being the acquisition, exploration and future development of mineral properties. Reporting by geographical area follows the same accounting policies as those used to prepare the consolidated financial statements. Non-current assets (other than financial instruments) by geographic location are as follows:

						September 30, 2016
		Canada		**USA**		**Total**
Property, plant and equipment	$	25,440	$	1,933,926	$	1,959,366
Reclamation deposits		-		15,071		15,071
Mining interests		-		26,482,447		26,482,447
Total	**$**	**25,440**	**$**	**28,431,444**	**$**	**28,456,884**

						June 30, 2016
		Canada		**USA**		**Total**
Property, plant and equipment	$	27,841	$	1,376,073	$	1,403,914
Reclamation deposits		-		14,842		14,842
Mining interests		-		25,674,510		25,674,510
Total	**$**	**27,841**	**$**	**27,065,425**	**$**	**27,093,266**

17 Subsequent events

Subsequent to September 30, 2016:

- the Company closed the final tranche of a non-brokered private placement of unsecured convertible debentures, raising an additional $127,000 bringing gross proceeds raised by the financing to $7,352,000. For the final tranche, aggregate finders' fee of $960 was paid to a party at arm's length.

- the Company closed a senior secured credit facility with Sprott Private Resource Lending (Collector), LP, an affiliate of Sprott Resource Lending Corp., pursuant to which up to US$20,000,000 may be advanced to fund construction costs of the Moss Mine Project. The facility is available to be drawn in up to four tranches, of which, the first tranche of US$5,000,000 has been advanced to the Company. The facility includes the following terms and conditions:

    - an aggregate of up to US$15,000,000 to be drawn in three additional tranches, subject to the satisfaction of certain conditions;
    - a maturity date of November 4, 2019;
    - an annual interest rate of 12-month USD LIBOR plus 8%, to be paid monthly; and
    - a first charge over assets held by both the Company and the Borrower, as well as a guarantee from the Company.

- in connection with the facility the Company issued 1,498,202 common shares and gold call options to purchase up to 6,000 ounces of gold to the lender. The gold call options have a strike price of US$1,350, for a period of five years, which may be settled by a cash payment based on the difference between the strike price and the prevailing market price of gold at the time of settlement.

- 5,817,174 warrants at an exercise price of $1.55 expired on November 23, 2016.

17 Subsequent events (continued)

- 3,659,500 warrants at an exercise price of $1.75 expired on November 26, 2016.

- the Company granted 250,000 stock options to consultants at an exercise price of $0.46 with a five year expiry period.