



**Northcliff Resources Ltd.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

FOR THE YEAR ENDED OCTOBER 31, 2015

**NORTHCLIFF RESOURCES LTD.**  
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**1.1 Date**

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of Northcliff Resources Ltd. ("Northcliff" or the "Company") for the year ended October 31, 2015, as publicly filed on SEDAR at [www.sedar.com](http://www.sedar.com).

The Company reports in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee (together known as "IFRS"). The following disclosure and associated financial statements are presented in accordance with IFRS. All monetary amounts herein are expressed in Canadian Dollars ("CAD") unless stated otherwise.

This MD&A is prepared as of January 28, 2016.

**Cautionary Note Regarding Forward Looking Statements**

This discussion includes certain statements that may be deemed "forward-looking statements" or "forward-looking information" within the meaning of Canadian and United States securities law.

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the Company's actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. The assumptions used by Northcliff to develop forward-looking statements include the following: the Sisson Project will obtain all interim and construction financing required to advance to construction, build and operate the mine, the Sisson Project will receive all required environmental and other permits for construction of the mine, the Sisson Project will achieve targeted production levels; study and development of the Sisson Project will continue to be positive; contracted parties provide goods and/or services on the agreed timeframes; equipment necessary for construction and development is available and does not incur unforeseen breakdowns; no material labour slowdowns or strikes are incurred; plant and equipment functions as specified; geological or financial parameters do not necessitate future mine plan changes; our expectations of continued availability of capital and debt financing, and no geological or technical problems occur. The factors include but are not limited to uncertainties and costs related to the Company's exploration and development activities, such as those associated with determining whether mineral resources or reserves exist on a property; uncertainties related to feasibility studies that provide estimates of expected or anticipated costs, expenditures and economic returns from a mining project; uncertainties related to expected production rates, timing of production and the cash and total costs of production and milling; uncertainties related to the ability to obtain necessary licenses, permits, electricity, surface rights and title for development projects; operating and technical difficulties in connection with mining development activities; uncertainties related to the accuracy of our mineral reserve and mineral resource estimates and our estimates of future production and future cash and total costs of production, and the geotechnical or hydrogeological nature of ore deposits, and diminishing quantities or grades of mineral reserves; uncertainties related to unexpected judicial or regulatory proceedings; changes in, and the effects of, the laws, regulations and government policies affecting our mining operations, particularly laws, regulations and policies relating to mine expansions, environmental protection and associated compliance costs arising from exploration, mine development, mine operations and mine closures; expected effective future tax rates in jurisdictions in which our operations are located; the protection of the health and safety of mine workers; mineral

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rights ownership in countries where our mineral deposits are located; changes in general economic conditions, the financial markets and in the demand and market price for tungsten, molybdenum and other minerals and commodities, such as diesel fuel, coal, petroleum coke, steel, concrete, electricity and other forms of energy, mining equipment, and fluctuations in exchange rates, particularly with respect to the value of the U.S. Dollar and Canadian Dollar; unusual or unexpected formation, cave-ins, flooding, pressures, and precious metals losses, or other similar events (and the risk of inadequate insurance or inability to obtain insurance to cover these risks); changes in accounting policies and methods we use to report our financial condition, including uncertainties associated with critical accounting assumptions and estimates; the exploration and development of properties located within First Nations treaty and Aboriginal groups asserted territories may affect or be perceived to affect treaty and asserted aboriginal rights and title, which may cause permitting delays or opposition by Aboriginal groups or communities, environmental issues and liabilities associated with mining including processing and stock piling ore; geopolitical uncertainty and political and economic instability in countries which we operate; and labour strikes, work stoppages, or other interruptions to, or difficulties in, the employment of labour in markets in which we operate mineral projects or mines, or environmental hazards, industrial accidents or other events or occurrences, including third party interference that interrupt the production of minerals in our mines. Forward-looking statements are generally, but not always, identified by the use of forward-looking terminology such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, “projects”, “potential”, “believes” or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will be taken”, “occur” or “be achieved”.

The Company reviews its forward-looking statements on an ongoing basis and updates this information when circumstances require it. For more information on the Company, investors should review the Company’s annual information form that is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**Cautionary Note to U.S. Investors Concerning Reserve Estimates**

The mineral reserves disclosed in this management discussion and analysis have been estimated in accordance with Canadian National Instrument 43-101 - Standards of Disclosure for Mineral Projects (“NI 43-101”), as required by Canadian securities regulatory authorities. The Company is not subject to the reporting requirements of section 13(a) of section 15(d) of the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”). However, the Company’s U.S. investors are cautioned that SEC Industry Guide 7 under the Exchange Act, as interpreted by Staff of the SEC, applies different standards in order to classify mineralization as a reserve. As a result, the definitions of proven and probable reserves used in NI 43-101 differ from the definitions in the SEC Industry Guide 7. Under SEC standards, mineralization may not be classified as a “reserve” unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Among other things, all necessary permits would be required to be in hand or issuance imminent in order to classify mineralized material as reserves under the SEC standards. Accordingly, mineral reserve estimates contained in this discussion may not qualify as “reserves” under SEC standards. In addition, disclosure of “contained ounces” is permitted disclosure under Canadian regulations; however, the SEC only permits Exchange Act reporting companies to report reserves in ounces, and requires reporting of mineralization that does not qualify as reserves as in place tonnage and grade without reference to unit measures.

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## 1.2 Overview

For the purposes of the discussion below, references to the quarters are in relation to the Company's fiscal reporting period, unless otherwise indicated.

Northcliff is a mineral exploration and development company focused on advancing the Sisson Tungsten-Molybdenum Project (the "Sisson Project" or the "Project") in New Brunswick, Canada to production. Northcliff holds an 88.5% interest in the Sisson Limited Partnership (the "Sisson Partnership") which owns the Sisson Project.

The Sisson Project, as defined in the 2013 Feasibility Study, is an initiative to develop a 30,000 tonne per day ("tpd") open pit mine, incorporating conventional ore processing facilities that are supplemented by value-added on-site processing of tungsten concentrates in an ammonium paratungstate ("APT") plant. Forecast annual average production is 557,000 metric tonne units ("mtu") tungsten trioxide ("WO<sub>3</sub>") in APT and 4.1 million pounds ("M lb") molybdenum ("Mo") in concentrate over a 27-year mine life<sup>1</sup>.

The Project is currently progressing through an environmental impact assessment ("EIA") process, which is harmonized between the governments of Canada and New Brunswick. As a result, the work by the Sisson Project team in 2015 has been concentrated on providing additional information, as necessary, and conducting ongoing consultation with the participants of this process on the plans for the Project.

During the year, the New Brunswick Department of Environment and Local Government ("NBDELG") completed its review of the Sisson Project Draft Environmental Impact Assessment Report ("EIA Report"), which was followed by a 90-day public consultation period for the Final EIA Report, which was completed on July 17, 2015. On December 3, 2015, a positive Certificate of Determination for the Sisson Project was received from the Government of New Brunswick.

An EIA decision from the Government of Canada is pending. The next step after EIA approvals would be applications for permits to commence construction of the Project.

Environmental baseline monitoring, basic engineering and detailed mine design work for the Project have continued during the fiscal year.

The management team has continued to seek off-take agreements for the mine's products and to identify and advance discussions with various sources of project debt and equity financing to support mine construction.

Northcliff has conducted an extensive and ongoing engagement program with representatives of government agencies, local communities, First Nations and other project stakeholders in New Brunswick since early in its involvement with the Project, and the Sisson team continues to provide information to interested parties and receive input about project activities and plans.

The Company's focus in 2016 will be to preserve cash, advance successfully through the CEAA process and to secure construction permits. Site activities will be limited until this process is complete, although environmental monitoring will continue as well as consultation with local

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<sup>1</sup> Further details are provided under Engineering Studies, Section 1.2.1 below.

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communities and First Nations. The management team will continue discussions with potential off-take customers as well as parties that could provide interim and project construction financing.

### **1.2.1 Sisson Tungsten-Molybdenum Project**

The 18,880-hectare Sisson property is located approximately 100 kilometres by road northwest of the City of Fredericton, which is a centre for business, education and government services in the Province of New Brunswick. New Brunswick is a progressive mining jurisdiction, with a skilled workforce and well-developed infrastructure.

Situated in an area of rolling topography, the Sisson Project area is readily accessible by highway from Fredericton and parts of the site are accessible by numerous secondary and forestry roads. High-tension power lines from the provincial electrical grid cross the property. A rail line and siding are located 15 kilometres east of the deposit. The property is connected to deep sea ports at Saint John to the south and Belledune to the north by the rail line and by road.

Northcliff acquired a controlling interest in the Sisson Project in October 2010 and acquired the remaining minority interest in June 2012. In October 2013, Northcliff transferred its mineral property interest in the Sisson Project into the Sisson Partnership and, pursuant to the Sisson Project Limited Partnership Agreement, its economic interest in the Sisson Project was reduced to 88.5% (see [1.2.2 Financing](#)).

### ***Geology***

Tungsten-molybdenum mineralization at the Sisson Project occurs within a structurally-controlled deposit that is genetically related to Late Devonian granite intrusions. The deposit obliquely spans a north-trending, nearly vertical contact between two phases of the Howard Peak Granodiorite to the west and metavolcanic and metasedimentary rocks to the east. Tungsten and molybdenum mineralization occurs mainly as scheelite and molybdenite, respectively, within narrow, sheeted, northwest-trending quartz-sulphide veins which surround larger, north-trending shear veins.

### ***Engineering Studies***

#### **2013 Feasibility Study ("Feasibility Study" or the "Study")**

Assumptions used in the Study include average long-term metal prices of US\$350/mtu for APT and US\$15/lb for Mo and US\$:C exchange rates of 1:1 for capital cost estimates, and 0.98-0.92:1 (years 1-4) and 0.90:1 (year 5+) for the financial analysis. All results presented here are based on a 100% interest.

Infrastructure planned for the site include an open pit, crushing and conveying facilities, ore stockpile, ore concentrator, APT plant, tailings storage facility, and ancillary buildings including offices, shops and warehouses.

The Life-Of-Mine ("LOM") production plan employs a variable cut-off grade strategy to maximize financial returns. The LOM has an average Net Smelter Return ("NSR") value of \$26.24/t milled and

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an average NSR value over the first five years of production of \$30.75/t milled. Mineral reserves cited in the Feasibility Study are tabulated below:

<b>Sisson Project Mineral Reserves at January 2013 at NSR \$8.83/t cut-off</b>						
	<b>Tonnes x 1000</b>	<b>NSR (\$/t)</b>	<b>WO<sub>3</sub> (%)</b>	<b>Mo (%)</b>	<b>Tungsten (M mtu)</b>	<b>Molybdenum (M lb)</b>
<b>Proven</b>	105,415	25.48	0.069	0.023	7.3	53.0
<b>Probable</b>	228,948	23.54	0.065	0.020	14.9	101.7
<b>Total</b>	334,363	24.15	0.066	0.021	22.2	154.8

Notes: Mineral Reserves contained within Ultimate Pit Limit

Metal Prices: WO<sub>3</sub> – US\$350/mtu, Mo – US\$15/lb; Assumed Concentrator Recoveries: WO<sub>3</sub> – variable with feed grade, Mo – 82%; APT Plant Recovery of WO<sub>3</sub> – 97%; US\$:C \$0.9:1; NSR = (WO<sub>3</sub>% \* NSP WO<sub>3</sub>\*Recovery WO<sub>3</sub>\*22.046) + (Mo%\*NSP Mo Recovery Mo\*22.046); Net Smelter Price (NSP) WO<sub>3</sub> = CDN\$17.46/lb; Mo = C\$14.50/lb.

Production is expected to average 30,000 tpd or 10.5 Mt per year. The average effective strip ratio is low at 1:1. A total of 281 Mt of ore is forecast to be processed over 27 years of operation at average recoveries of 77% for tungsten and 82% for molybdenum. Tungsten would be further processed on site to APT. Estimated LOM production is 15.0 M mtu WO<sub>3</sub> in APT and 111.3 M lb Mo in concentrate.

Access to the Sisson Project site will be facilitated via existing highways and roads. The Project's power requirements will be satisfied by connecting to the existing New Brunswick electrical grid. A new 42 km, 138 kiloVolt ("kV") transmission line will be constructed by New Brunswick Power ("NB Power") alongside an existing 345 kV line that currently crosses the property. NB Power will own the line and switchgear but the Sisson Project will own the mine site terminal station. Power costs are estimated at \$0.066 per kilowatt-hour in the Feasibility Study.

The Sisson Project is expected to employ up to 300 people in New Brunswick during operations and up to 500 during the 24-month construction phase. The Project workforce will be drawn from surrounding towns and cities; no permanent work camp will be required.

A detailed assessment of closure costs was undertaken as part of the Feasibility Study; these have been used to estimate the bond amount that is required to be set aside at the onset of mine operations for closure of the Sisson Project at any given time. This assessment includes careful consideration of long-term costs associated with managing water quality during operations and post-closure. The estimated closure costs and the associated bond contributions were also included in the assessment.

Initial capital expenditures to construct the mine, processing facilities, and primary and secondary infrastructure are estimated to be \$579 million (including a 15% contingency). Average cash costs of APT production are forecast at \$8.18/t milled or \$153/mtu (net of Mo credits).

The expected pre- and post-tax financial results are tabulated below:

	<b>Pre-tax</b>	<b>Post-tax</b>
Net Present Value (8% discount)	\$ 714 M	\$ 418 M
Internal Rate of Return (IRR)	20.4 %	16.3%
Payback	4.1 years	4.5 years

The Feasibility Study was prepared by Samuel Engineering, Inc. with contributions from the following independent Qualified Persons: David W. Rennie, PEng, Roscoe Postle Associates, Inc., Jim

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Gray, PEng, Moose Mountain Technical Services, Daniel Freidman, PEng, Knight Piesold Consulting, Matt Bolu, PEng, Bolu Consulting Engineering, Inc., Gene Greskovich, PE, and Steven Pozder, PE, Samuel Engineering, Inc. A NI 43-101 Technical Report, effective date January 22, 2013 is filed under Northcliff's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

#### Basic Engineering Program

Jacobs Minerals Canada Inc. ("Jacobs") was engaged in 2014 to further define the engineering plans for the plant site and associated infrastructure in order to refine capital expenditure and operating costs of the proposed mine. Jacobs has initiated and/or completed various trade-off studies to optimize the project, has received updated quotations for key long lead items and has prepared technical specifications and procurement packages for other major equipment. Future work will be directed towards updating capital and operating expenditure estimates, construction schedule, project execution strategy, and contracting and procurement plans.

In 2015, Knight Piesold continued with the Basic Engineering of the Tailings Storage Facility ("TSF"), with the original TSF design from the Feasibility Study design being updated based on the results from 2013 geotechnical drilling and test pitting. A three dimensional seepage model of the TSF and open pit was completed based on these same geotechnical results to further refine the seepage collection and water management systems for the Project.

Moose Mountain Technical Services also advanced Basic Engineering for the open pit mine, which includes initiating requests for pricing and delivery on major equipment to further refine capital and operating costs.

SRK Consulting continued with engineering of the water treatment facilities for both the operations and post-closure periods.

NB Power has completed a geotechnical drilling and test pitting program along the proposed route for the new 138 kV transmission line. Initial pole and tower locations have been identified and refinements have been made to the design based on the results of this program.

Basic Engineering will resume pending EIA approvals and improved market conditions.

#### ***Environmental Studies***

Northcliff has undertaken studies of air quality, acoustics, surface and groundwater resources, environmental geochemistry, terrestrial and aquatic habitats, fish and wildlife, wetlands, land and resource uses, heritage resources, socio-economics, and traditional Aboriginal land uses. The purpose of these studies, which began in 2011, is to provide information for use in project planning and design and preparing the EIA Report. Data from these studies also provide a baseline for monitoring during construction and operation.

In response to feedback from First Nations and government, the timing of an archaeological shovel testing program was advanced; approximately 2,100 out of 5,000 planned test pits were completed during 2012-2014. The program continued in 2015, primarily focused on the areas of the proposed open pit and TSF. Discussions with the Province determined how to best advance this program so it complements planned construction activities should the Project reach a positive construction decision, although completion was not a prerequisite for EIA decisions by either government. In September 2015, the Province undertook the cost of advancing the program and, by the end of

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November, Provincial contractors had excavated approximately 5,050 test pits, bringing the total on the Project site to about 7,100. All test pitting is now complete; only two small areas require mitigation (controlled excavation) prior to start of construction in those areas.

#### Environmental Assessment Process

The draft EIA Report was submitted to the Canadian Environmental Assessment Agency ("CEAA") and NBDELG on July 31, 2013, thereby initiating the harmonized EIA review process. CEAA posted the draft EIA Report to its website on August 30, 2013 for review by the public and First Nations, and it was also reviewed by federal and provincial government agencies. From November 2013 to December 2014, Northcliff responded to several rounds of information requests related to the EIA Report from both governments, the public and First Nations. CEAA is currently preparing their Comprehensive Study Report for public review.

The provincial review of the draft EIA Report was completed in March 2015, and the Final EIA Report was the subject of a 90-day public consultation period completed on July 17, 2015. A positive Certificate of Determination was received from the Provincial Government on December 3, 2015. The review concluded that the mitigating measures identified during the process, along with 40 conditions outlined in the approval, will mitigate all potentially significant adverse environmental impacts.

Completion of the CEAA process and decision from the federal government decision is pending.

In parallel with the EIA review, key project permit applications for authorizations under the Fisheries Act and amendment of Schedule 2 of the *Metal Mining Effluent Regulations* to list the Sisson Project TSF have been initiated, both of which involved First Nations consultation. Applications for a mining lease from the Province under the *Mining Act* are progressing. As well, application for a Crown Lease has been initiated.

The Company provided funding and in-kind support to New Brunswick First Nations to assist in their participation in the EIA process, including retention of expert consultant advice to facilitate their technical review of the Sisson Project EIA Report. First Nations of New Brunswick have also received capacity funding under CEAA's Participant Funding Program and funding from the New Brunswick government during the EIA process for the Sisson Project.

#### ***Community and Stakeholder Engagement***

Public, stakeholder and First Nations engagement continues to be a central focus of the Sisson Partnership's activities in New Brunswick. Offices for communication and engagement activities are located in Stanley, a community close to the site, and in Fredericton, the nearest major centre. Consistent with its commitment to responsible mineral development, the Sisson Partnership intends to continue outreach through all stages of development, operation and closure. Public outreach to date has included numerous public open houses, project and Company websites, regular newsletters, community focus groups and community giving.

Northcliff has signed a Process Agreement (the "PA") with the Woodstock First Nation, one of six Maliseet Nation communities in New Brunswick. The Sisson Project is located within what is understood to be Maliseet traditional territory. The "PA" provides a framework to negotiate a Cooperation Agreement (commonly referred to as an Impact and Benefits Agreement) and to work

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together on community consultation efforts. Negotiations towards a Cooperation Agreement are continuing.

The Sisson Partnership is also continuing engagement activities with the other New Brunswick First Nations through regular communications, a First Nation-government-Sisson Partnership EIA working group and other activities as determined in consultation between the Sisson Partnership, First Nations and government.

### **1.2.2 Financing**

In October 2013, Northcliff entered into an agreement with Todd Minerals Ltd., a subsidiary of the Todd Corporation (together referred to herein as the "Todd Group"), whereby the Todd Group completed a private placement of \$5 million and acquired 13,888,889 common shares of Northcliff, becoming the largest shareholder of the Company with an approximate 15% interest in Northcliff.

Northcliff and the Todd Group also entered into the Sisson Project Limited Partnership agreement whereby the Todd Group acquired an initial 11.5% interest in the Sisson Partnership for an initial contribution of \$14 million in the Sisson Project, which was received on a staged basis during the period of October 2013 to October 2014. Moving forward, the Sisson Project development cost may be funded by the partners in proportion to their respective ownership interest in the Sisson Partnership.

The Todd Group has the option to earn an additional 10% interest in the Sisson Partnership by investing \$20 million in the Sisson Partnership at any time up to a final investment decision to commence construction.

On May 28, 2015, Northcliff closed a non-brokered private placement financing of common shares with certain accredited investors, insiders and management for gross proceeds of \$2.57 million at \$0.17 per share. The 15,117,647 common shares issued under the private placement represent 14.2% of the outstanding share capital of the Company. As a result of the financing, the Todd Corporation ("Todd") acquired an additional 7,380,000 common shares, and now holds 21,268,889 common shares representing 19.99% of Northcliff's issued common shares.

The private placement proceeds will be used to fund corporate costs and Northcliff's 88.5% share of project expenditures for the Project.

On January 14, 2016, Northcliff entered into a \$500,000 Loan Agreement (the "Loan") with a non-arm's length director of the Company (the "Lender"). The Loan is unsecured, will bear interest at a rate of 10% per annum and is repayable after twelve months or earlier on the occurrence of a default. In connection with the Loan, Northcliff agreed to issue to the Lender a loan bonus in the form of 2,000,000 warrants, each entitling the holder to acquire one common share of Northcliff for two years at a price of \$0.09 per share. The warrants will be subject to a four month hold period, commencing on the date of issuance, which is subject to TSX Exchange approval.

### **1.2.3 Market Trends**

The information in the Market Trends section is based on calendar years.

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China continues to produce more than 80% of global tungsten supply and holds the largest global reserves of tungsten. As the world's largest single consumer of tungsten, China has reduced its tungsten exports through several means, most notably through export quotas, in order to focus its supply on meeting domestic needs. In response to a World Trade Organization ("WTO") ruling in 2014, these levies were abolished effective May 1, 2015. Effective May 1, 2015, a 6.5 percent resource tax is charged in China on the value of concentrate processed from mining ores.

Tungsten is commonly quoted as the intermediary product called APT, which is priced in US\$ per mtu (an mtu represents 10 kilograms of WO<sub>3</sub>).

The average annual price of APT increased from US\$237/mtu in 2010 to US\$428/mtu in 2011. Following a period of variable prices from 2012 to the latter part of 2014, prices have decreased. Long term forecast metal prices are still in the range of US\$375/mtu.

Molybdenum prices increased in 2010 and 2011, and averaged lower in 2012 and 2013. Prices trended upward in the first half of 2014, peaking at US\$14.74/lb but have, largely, decreased since that time due to an increase in supply.

Average annual tungsten and molybdenum prices over the past four years, as well as the average of prices to date in 2015, are tabulated below.

Year	Average APT Price (US\$/mtu)	Average Mo Price (US\$/lb)
2011	428	15.44
2012	385	12.81
2013	370	10.40
2014	344	11.59
2015	228	6.73
2016 (to the date of this MD&A)	180	5.42

*Source: www.metalprices.com*

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**1.3 Selected Annual Information**

<b>Statement of Financial Position</b>	<b>2015</b>		<b>2014</b>		<b>2013</b>	
Non-current assets	\$	23,410,422	\$	20,569,216	\$	10,754,378
Current assets		1,252,287		6,122,374		8,477,381
<b>Total assets</b>	<b>\$</b>	<b>24,662,709</b>	<b>\$</b>	<b>26,691,590</b>	<b>\$</b>	<b>19,231,759</b>
Equity attributable to shareholders of the Company	\$	21,484,253	\$	21,022,397	\$	16,314,343
Non-controlling interests		2,709,139		2,414,311		1,672,311
Current liabilities		469,317		3,254,882		1,245,105
<b>Total equity and liabilities</b>	<b>\$</b>	<b>24,662,709</b>	<b>\$</b>	<b>26,691,590</b>	<b>\$</b>	<b>19,231,759</b>
		<b>Year ended</b>		<b>Year ended</b>		<b>Year ended</b>
		<b>October 31,</b>		<b>October 31,</b>		<b>October 31,</b>
		<b>2015</b>		<b>2014</b>		<b>2013</b>
<b>Statement of Comprehensive Loss</b>						
Expenses:						
Exploration and evaluation	\$	-	\$	(166,171)	\$	6,364,067
General and administration		2,157,277		3,743,989		3,517,975
Amortization		3,701		5,499		-
Legal, accounting and audit		313,668		766,468		525,208
Office and administration		460,935		995,484		486,631
Trust & filing		44,135		35,635		83,254
Salaries and benefits		1,299,692		1,740,616		2,052,908
Shareholder communication		35,146		200,287		369,974
Equity-settled share-based payments		138,617		487,585		693,525
<b>Loss from operations</b>		<b>(2,295,894)</b>		<b>(4,065,403)</b>		<b>(10,575,567)</b>
Other items <sup>(i)</sup>		22,308		67,596		(1,454)
<b>Net loss for the year</b>		<b>(2,273,586)</b>		<b>(3,997,807)</b>		<b>(10,577,021)</b>
Other comprehensive income (loss) <sup>(ii)</sup>		(26,483)		(39,724)		66,206
<b>Total comprehensive loss for the year</b>	<b>\$</b>	<b>(2,300,069)</b>	<b>\$</b>	<b>(4,037,531)</b>	<b>\$</b>	<b>(10,510,815)</b>
<i>Net loss attributable to:</i>						
Shareholders of the Company	\$	(2,141,087)	\$	(3,704,807)	\$	(10,557,799)
Non-controlling interests		(132,499)		(293,000)		(19,222)
Net loss for the year	\$	(2,273,586)	\$	(3,997,807)	\$	(10,577,021)
<i>Total comprehensive loss attributable to:</i>						
Shareholders of the Company	\$	(2,167,570)	\$	(3,744,531)	\$	(10,491,593)
Non-controlling interests		(132,499)		(293,000)		(19,222)
<b>Total comprehensive loss for the year</b>	<b>\$</b>	<b>(2,300,069)</b>	<b>\$</b>	<b>(4,037,531)</b>	<b>\$</b>	<b>(10,510,815)</b>
Basic and diluted loss per share	\$	(0.02)	\$	(0.04)	\$	(0.14)
Weighted average number of common shares		97,749,375		91,288,134		77,970,021

(i) Includes interest income, foreign exchange gains (losses), and impairment of available-for-sale financial assets

(ii) Includes fair value adjustments on available-for-sale financial assets

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**1.4 Summary of Quarterly Results**

Amounts are expressed in thousands of Canadian Dollars, except per share amounts. Minor differences are due to rounding.

<b>Statements of Comprehensive Loss - Summarized</b>	<b>Oct 31 2015</b>	<b>Jul 31 2015</b>	<b>Apr 30 2015</b>	<b>Jan 31 2015</b>	<b>Oct 31 2014</b>	<b>July 31 2014</b>	<b>Apr 30 2014</b>	<b>Jan 31 2014</b>
<b>Expenses:</b>								
Exploration and evaluation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (166)	\$ -	\$ -
Equity-settled share-based payments	59	16	19	45	54	138	155	141
General and administration	372	520	609	656	921	1,104	894	825
<b>Loss from operations</b>	<b>(431)</b>	<b>(536)</b>	<b>(628)</b>	<b>(701)</b>	<b>(975)</b>	<b>(1,076)</b>	<b>(1,049)</b>	<b>(966)</b>
Other items <sup>(i)</sup>	4	(1)	7	13	7	20	14	27
<b>Net loss for the period</b>	<b>\$ (427)</b>	<b>\$ (537)</b>	<b>\$ (621)</b>	<b>\$ (688)</b>	<b>\$ (968)</b>	<b>\$ (1,056)</b>	<b>\$ (1,035)</b>	<b>\$ (939)</b>
Other comprehensive income (loss) <sup>(ii)</sup>	(13)	(13)	-	-	(13)	(13)	13	(26)
<b>Total comprehensive loss for the period</b>	<b>\$ (440)</b>	<b>\$ (550)</b>	<b>\$ (621)</b>	<b>\$ (688)</b>	<b>\$ (981)</b>	<b>\$ (1,069)</b>	<b>\$ (1,022)</b>	<b>\$ (965)</b>
Basic and diluted loss per share	\$ -	\$ (0.01)	\$ -	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares (in thousands)	106,406	101,846	91,288	91,288	91,288	91,288	91,288	91,288

*Net loss attributable to:*

Shareholders of the Company	\$ (402)	\$ (510)	\$ (583)	\$ (647)	\$ (886)	\$ (958)	\$ (973)	\$ (887)
Non-controlling interests	(25)	(27)	(38)	(41)	(82)	(98)	(62)	(52)
<b>Net loss for the period</b>	<b>\$ (427)</b>	<b>\$ (537)</b>	<b>\$ (621)</b>	<b>\$ (688)</b>	<b>\$ (968)</b>	<b>\$ (1,056)</b>	<b>\$ (1,035)</b>	<b>\$ (939)</b>

*Total comprehensive loss attributable to:*

Shareholders of the Company	\$ (415)	\$ (523)	\$ (583)	\$ (647)	\$ (899)	\$ (971)	\$ (960)	\$ (913)
Non-controlling interests	(25)	(27)	(38)	(41)	(82)	(98)	(62)	(52)
<b>Total comprehensive loss for the period</b>	<b>\$ (440)</b>	<b>\$ (550)</b>	<b>\$ (621)</b>	<b>\$ (688)</b>	<b>\$ (981)</b>	<b>\$ (1,069)</b>	<b>\$ (1,022)</b>	<b>\$ (965)</b>

(i) Includes interest income and foreign exchange gains (losses)

(ii) Includes fair value adjustments on available-for-sale financial assets

Subsequent to receiving financing from the Todd Group during October 2013, the Company began capitalizing costs relating to the development of the Sisson Project, and as a result, no longer recognized exploration and evaluation costs for the project. The credit received during the July 2014 quarter relates to a refundable provincial investment tax credit for expenditures qualifying as scientific research and experimental development that were incurred during the 2011 fiscal year.

Administrative costs generally follow the trend and activity for mineral development and project advancement of the Sisson Project. During the July 2014 quarter, there was significant activity involved with obtaining financing for the Company, including obtaining services from the Project's financial advisor (Societe Generale) on initial project debt and equity financing options. Since the July 2014 quarter, the decline in administrative costs has been consistent with overall project spending on engineering costs and costs associated with the submission of the EIA in November 2014.

Expenses for equity-settled share-based payments typically fluctuate based on the timing of share purchase option grants and the vesting periods associated with these grants. The fair value of share purchase options is determined at the grant date and the compensation expense for each tranche is recognized over the period during which the share purchase options vest. The trend in share-based payments represents amortization of the fair value of share purchase options granted to directors,

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officers and employees based on the vesting period of the options. The increase during the April 2014 quarter relates to stock options that were granted to employees and management in early January 2014. Options were also granted to employees and management in August 2015, which is reflected in the increase in equity-settled share-based payments expense during the October 2015 quarter.

### **1.5 Results of Operations**

The following financial data is expressed in Canadian Dollars unless otherwise stated.

The Company's operations and business are not driven by seasonal trends, but rather the achievement of project milestones such as the achievement of various technical, environmental, socio-economic and legal objectives, including obtaining the necessary permits and regulatory approvals, completion of feasibility and engineering studies, preparation of engineering designs, commencement of mine construction and production and receipt of financing to fund these objectives.

#### Results for the Year Ended October 31, 2015 vs. 2014

##### *(a) Net loss*

During the year ended October 31, 2015, the Company recorded a net loss of \$2,273,586 compared to a net loss of \$3,997,807 during the year ended October 31, 2014. Of the current year's net loss, \$2,141,087 was attributable to shareholders of the Company compared to \$3,704,807 during the prior year. The decrease in net loss is mainly due to lower administration costs commensurate with the decline in project related activities and lower equity-settled share-based payments expenses.

The analysis herein is based on total expenditures, including amounts attributable to non-controlling interests.

##### *(b) General and administration expenses*

The Company incurred general and administration expenses of \$2,157,277 during the current year compared to \$3,743,989 during the prior year. During the prior year, there was significant activity relating to project financing matters, as well as meetings with government agencies, stakeholders and First Nations.

##### *(c) Equity-settled share-based payments expense*

During the current year, expenses for equity-settled share-based payments decreased to \$138,617 compared to \$487,585 during the prior year. The decrease relates mainly to the fair value amortization of a larger number of share purchase options granted and vested during the prior year.

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*Financial position as at October 31, 2015 vs. October 31, 2014*

The Company's total assets decreased from \$26,691,590 as at October 31, 2014 to \$24,662,709 as at October 31, 2015, which is mainly due to a decrease in cash and cash equivalents. Mineral property and equipment increased from \$20,529,492 as at October 31, 2014 to \$23,397,181 as at October 31, 2015.

Deferred mineral development costs incurred during the period were as follows:

	Year Ended October 31,	
	2015	2014
Engineering and design	\$ 1,220,045	\$ 5,953,295
Environmental and permitting	935,941	2,987,417
Stakeholder communications	715,404	919,349
Total	\$ 2,871,390	\$ 9,860,061

Engineering and design costs relate to various value and basic engineering studies performed to optimize design, evaluate specific trade-off studies, and refine cost estimates. Environmental and permitting costs relate to the environmental assessment consultation process, including responding to information requests, which is being led by Stantec. Stakeholder communications costs relate to stakeholder and community engagement (including those involving First Nations) and other sustainability activities.

## **1.6 Liquidity**

At October 31, 2015, the Company had cash and cash equivalents of \$1.1 million (October 31, 2014 – \$5.6 million) and working capital of approximately \$0.8 million (October 31, 2014 – \$2.9 million). Approximately \$0.3 million of the cash and cash equivalents balance as at October 31, 2015 was held by the Sisson Partnership. As at October 31, 2015, the Sisson Partnership had working capital of approximately \$0.2 million (October 31, 2014 – \$0.5 million). In June 2015, the Sisson Partnership renewed a cash collateralized letter of credit for \$185,000, which was set to expire in June 2016. In October 2015, the letter of credit was cancelled as it was no longer required.

The financing received from the May 2015 private placement and the Todd Group to date have allowed the Company to continue engineering studies, support the EIA process, prepare permitting applications, pursue project finance interest, advance offtake interest in the products, as well as fund the Company's ongoing administrative and stewardship expenses. Subsequent to October 31, 2015, the Company received a \$500,000 loan from one of its directors in January 2016 to fund working capital requirements ([1.2.2 Financing](#)).

Further advancement and development of the Sisson Project will require additional funding from a combination of the Company's shareholders, the Sisson Partnership's existing or potential new partners, alternative capital providers, and debt financing. As the Sisson Project is currently in the development stage, the Sisson Partnership does not have any revenues from operations, except for

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interest income from its cash and cash equivalents. Therefore, the Sisson Partnership relies on funding from its partners for its continuing financial liquidity.

The Company will require additional funding from a combination of the Company's shareholders, potential new shareholders, alternative capital providers, and debt financing. As the Sisson Project is currently in the development stage, the Company does not have any revenues from operations, except for interest income from its cash and cash equivalents. The Company's plans for 2016 is centered on cash preservation, obtaining new sources of financing and advancing the permitting process at the Sisson Project.

The Company does not have any material capital lease obligations, purchase obligations or any other long-term obligations.

### **1.7 Capital Resources**

The Company's current capital resources consist of its cash reserves. To date, the Company's main source of funding has been through the issuance of equity securities for cash, primarily through private placements to investors and institutions, and through the cash contributions made to the Sisson Partnership by the Todd Group. The Company's access to development and project financing is always uncertain. There can be no assurance of continued access to significant equity, debt or alternative sources of funding to finance the Company's ongoing operations.

Except as discussed herein, the Company has no lines of credit or other sources of financing which have been arranged but are as yet unused. There were no externally imposed capital requirements to which the Company is subject to and with which the Company has not complied.

### **1.8 Off-Balance Sheet Arrangements**

None.

### **1.9 Transactions with Related Parties**

#### ***Key Management Personnel***

The required disclosure for the remuneration of the Company's key management personnel is provided in note 11 of the accompanying audited consolidated financial statements as at and for the year ended October 31, 2015, which are publicly filed on SEDAR at [www.sedar.com](http://www.sedar.com).

#### ***Hunter Dickinson Inc.***

##### Description of the Relationship

Hunter Dickinson Inc. ("HDI") and its wholly-owned subsidiary, Hunter Dickinson Services Inc. ("HDSI"), are private companies established by a group of mining professionals engaged in advancing

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mineral properties for a number of publicly-listed exploration companies, one of which is the Company.

The following directors or officers of the Company also have a role within HDSI:

<b>Individual</b>	<b>Role within the Company</b>	<b>Role within HDSI</b>
Marchand Snyman	Director, Chairman	Director
Robert Dickinson	Director	Director
Scott Cousens	Director	Director
Christopher Zahovskis	Director, President, Chief Executive Officer	Employee
Bryce Hamming	Chief Financial Officer	Employee
Trevor Thomas	Corporate Secretary	General counsel

Business Purpose of the Related Party Transactions

HDSI provides technical, geological, corporate communications, regulatory compliance, and administrative and management services to the Company, on an as-needed and as-requested basis from the Company.

HDSI also incurs third party costs on behalf of the Company. Such third party costs include, for example, directors and officers insurance, travel, conferences, and technology services.

As a result of this relationship, the Company has ready access to a range of diverse and specialized expertise on a regular basis, without having to engage or hire full-time employees or experts. The Company benefits from the economies of scale created by HDSI which itself serves several clients.

Measurement Basis Used

The Company procures services from HDSI pursuant to an agreement dated July 2, 2010. Services from HDSI are provided on a non-exclusive basis as required and as requested by the Company. The Company is not obligated to acquire any minimum amount of services from HDSI. The fees for services from HDSI are determined based on a charge-out rate for each employee performing the service and for the time spent by the employee. Such charge-out rates are agreed and set annually in advance.

Third party costs are billed at cost, without markup.

Ongoing Contractual or Other Commitments Resulting from the Related Party Relationship

There are no ongoing contractual or other commitments resulting from the Company's transactions with HDSI, other than the payment for services already rendered and billed. The agreement may be terminated upon 60 days' notice by either of the Company or HDSI.

Transactions with HDSI

This disclosure is provided in note 11 of the Company's audited consolidated financial statements as at and for the year ended October 31, 2015, which are publicly filed on SEDAR at [www.sedar.com](http://www.sedar.com).

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Amounts Due to or from HDSI at the End of the Reporting Period

This disclosure is provided in note 11 of the Company's audited consolidated financial statements as at and for the year ended October 31, 2015, which are publicly filed on SEDAR at [www.sedar.com](http://www.sedar.com).

**1.10 Fourth Quarter**

Results for the Three Months Ended October 31, 2015 vs. 2014

*(a) Net loss*

During the three months ended October 31, 2015 (the "2015 Quarter"), the Company recorded a net loss of \$427,043 compared to a net loss of \$968,155 during the three months ended October 31, 2014 (the "2014 Quarter"). Of the 2015 Quarter's net loss, \$401,586 was attributable to shareholders of the Company compared to \$886,595 during the 2014 Quarter. The decrease in net loss is mainly due to lower administration costs commensurate with the decline in project related activities.

The analysis herein is based on total expenditures, including amounts attributable to non-controlling interests.

*(b) General and administration expenses*

The Company incurred general and administration expenses of \$371,799 during the 2015 Quarter compared to \$921,453 during the 2014 Quarter. During the 2014 Quarter, there was significant activity relating to project financing matters, as well as meetings with government agencies, stakeholders and First Nations.

*(c) Equity-settled share-based payments expense*

During the 2015 Quarter, expenses for equity-settled share-based payments increased to \$59,108 compared to \$53,571 during the 2014 Quarter. The increase relates mainly to the fair value amortization of a larger number of share purchase options granted and vested during the 2015 Quarter as a result of the share purchase options granted to employees and management in August 2015.

**1.11 Proposed Transactions**

There are no proposed assets or business acquisitions or dispositions, other than those in the ordinary course of business.

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### **1.12 Critical Accounting Estimates**

The required disclosure is provided in note 2(c) of the Company's audited consolidated financial statements as at and for the year ended October 31, 2015, which are publicly filed on SEDAR at [www.sedar.com](http://www.sedar.com).

### **1.13 Changes in Accounting Policies Including Initial Adoption**

The required disclosure is provided in note 2(o) of the Company's audited consolidated financial statements as at and for the year ended October 31, 2015, which are publicly filed on SEDAR at [www.sedar.com](http://www.sedar.com).

### **1.14 Financial Instruments and Other Instruments**

The required disclosure is provided in note 15 of the Company's audited consolidated financial statements as at and for the year ended October 31, 2015, which are publicly filed on SEDAR at [www.sedar.com](http://www.sedar.com). The Company's use of financial instruments and related risks have not significantly changed since October 31, 2014. The Company's liquidity position has been analyzed in section [1.6 Liquidity](#) above.

#### **1.14.1 Disclosure of Outstanding Share Data**

The following details the share capital structure as at the date of this MD&A:

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	<b>Number</b>
Common shares	106,405,781
Share purchase options	9,166,280

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#### **1.14.2 Internal Controls over Financial Reporting and Disclosure Controls**

##### **Disclosure Controls and Procedures**

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported, within the appropriate time periods and is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

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### **Internal Controls over Financial Reporting Procedures**

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of the Chief Executive Officer and Chief Financial Officer, the Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. The Company's internal control over financial reporting includes those policies and procedures that:

- a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the company; and
- c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

There has been no change in the design of the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting during the period covered by this Management's Discussion and Analysis.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of October 31, 2015. In making the assessment, it used the criteria set forth in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on their assessment, management has concluded that, as of October 31, 2015, the Company's internal control over financial reporting was effective based on those criteria.

### **Limitations of Controls and Procedures**

The Company's management, including its Chief Executive Officer and Chief Financial Officer, believe that any system of disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Furthermore, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty and breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future

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conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

**1.15 Risk Factors**

The required disclosure is provided in the "Risk Factors" section of the Company's Annual Information Form ("AIF") for the year ended October 31, 2015. Management has not identified any additional risk factors other than the disclosure provided in the AIF.