ELY GOLD & MINERALS INC.

(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited)

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013

Notice to Reader

Under National Instrument 51-102, 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 condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

ELY GOLD & MINERALS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited)

As at	September 30, 2013	December 31, 2012
ASSETS		
Current		
Cash and cash equivalents	$ 932,117	$ 1,645,595
Marketable securities (Note 4)	200,000	153,500
Receivables (Notes 5 and 6)	583,758	655,634
Prepaid expenses	31,493	13,961
	1,747,368	2,468,690
Non-Current		
Exploration and evaluation assets (Note 7)	412,856	-
Other receivables (Note 6)	-	603,600
	$ 2,160,224	$ 3,072,290
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Notes 8 and 11)	$ 121,417	$ 121,193
Current portion of other liabilities (Note 9)	771,375	746,175
	892,792	867,368
Non-Current		
Deferred compensation (Note 11)	1,050,176	665,190
Other liabilities (Note 9)	782,915	1,403,552
	2,725,883	2,936,110
EQUITY		
Share capital (Note 10)	23,872,734	23,359,619
Share-based payment reserve (Note 10)	2,552,510	2,384,187
Deficit	(26,990,903)	(25,607,626)
	(565,659)	136,180
	$ 2,160,224	$ 3,072,290

Approved and authorized by the Board:

"Trey Wasser" Director — Trey Wasser

"Stephen Kenwood" Director — Stephen Kenwood

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

ELY GOLD & MINERALS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended September 30 2013	Three months ended September 30 2012	Nine months ended September 30 2013	Nine months ended September 30 2012
EXPENSES				
Consulting fees	$ 210,744	$ 189,473	$ 683,511	$ 611,172
Insurance	4,039	3,702	16,828	7,741
Office and administration	2,350	4,932	16,740	24,142
Professional fees	28,462	39,721	89,191	89,228
Rent	4,800	4,800	11,887	14,400
Share-based payments	14,976	18,295	199,520	18,295
Transfer agent and filing fees	3,125	4,007	21,139	22,736
Travel and promotion	5,354	11,882	23,286	48,406
Mineral property investigation	-	-	-	1,264
	(273,850)	(276,812)	(1,062,102)	(837,384)
OTHER INCOME (EXPENSES)				
Interest income (Note 6)	12,152	19,017	41,744	44,562
Interest recovery / (expense) (Note 9)	(53,769)	(7,155)	(154,503)	10,752
Gain / (loss) on fair value of receivables (Note 6)	7,499	95,250	(62,001)	34,000
Gain / (loss) on derivative financial liability (Note 11)	53,694	-	(94,169)	-
Loss on equity investment (Note 6)	-	(14,602)	-	(48,673)
Loss on sale of subsidiary (Note 6)	-	-	-	(387,871)
Excess on distribution from equity investment	-	-	49,050	-
Loss on marketable securities	(1,500)	-	(92,500)	-
Gain/ (loss) on foreign exchange	38,882	(9,852)	(39,993)	37,012
	56,958	82,658	(352,372)	(310,218)
Loss for the period	(216,892)	(194,154)	(1,414,474)	(1,147,602)
Net loss for the period attributable to:				
Non-controlling interest	$ -	$ -	$ -	$ (839)
Common shareholders	(216,892)	(194,154)	(1,414,474)	(1,146,763)
	$ (216,892)	$ (194,154)	$ (1,414,474)	$ (1,147,602)
Basic and diluted loss per common share	$ (0.00)	$ (0.00)	$ (0.02)	$ (0.02)
Weighted average number of common shares outstanding	66,741,395	61,610,245	63,509,621	60,621,234
Comprehensive Loss				
Loss for the period	$ (216,892)	$ (194,154)	$ (1,414,474)	$ (1,146,763)
Change in fair value of marketable securities, net of taxes	-	8,390	-	35,257
Foreign currency translation reserve	-	-	-	(87,891)
Comprehensive Loss for the Period	**$** (216,892)	**$** (185,764)	**$ (**1,414,474)	**$ (**1,199,397)

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

ELY GOLD & MINERALS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited)

Nine months Ended September 30	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (1,414,474)	$ (1,147,602)
Items not affecting cash:		
Share-based payments	199,520	18,295
Unrealized foreign exchange	12,916	33,859
(Gain)/Loss on fair value of receivables	62,001	61,250
Interest income accretion	(41,744)	(34,133)
Loss on derivative financial liability	135,722	-
Loss on sale of subsidiary	-	387,871
Interest expense	154,503	3,454
Loss on equity investment	-	48,673
Loss on marketable securities	92,500	-
Changes in non-cash working capital items:		
Receivables	12,923	9,727
Prepaid expenses	(17,532)	6,062
Accounts payable and accrued liabilities	224	-
Proceeds received from Solitario Exploration & Royalty Corp.	515,340	-
Deferred compensation payable	249,264	-
Net cash used in operating activities	(38,837)	(612,544)
CASH FLOWS FROM INVESTING ACTIVITIES		
Mineral property acquisition costs	(412,856)	(210,752)
Net cash used in investing activities	(412,856)	(210,752)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares for cash, net of issuance costs	513,115	-
Repayment of other liabilities, net of recoveries	(774,900)	28,892
Contributions from Solitario Exploration & Royalty Corp.	-	315,087
Net cash (used in) provided by financing activities	(261,785)	343,979
Change in cash and cash equivalents for the period	(713,478)	(479,317)
Cash and cash equivalents, beginning of period	1,645,595	2,256,104
Cash and cash equivalents, end of period	$ 932,117	$ 1,776,787
Cash and cash equivalents consists of		
Cash	$ 907,117	$ 833,787
Term deposit	25,000	943,000
	$ 932,117	$ 1,776,787

Supplemental disclosure with respect to cash flows (Note 12)

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

ELY GOLD & MINERALS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)
(Unaudited)

	Number of shares	Share capital	Share-based payment reserve	Investment revaluation reserve	Foreign currency translation reserve	Deficit	Non-controlling interest	Total
Balance, December 31, 2011	59,210,245	$ 22,759,619	$ 2,514,928	$ (138,518)	$ 87,891	$ (24,385,665)	$ 7,312,564	$ 8,150,819
Shares issued during the period for debt (Note 10(b))	2,400,000	600,000	-	-	-	-	-	600,000
Change in fair value of marketable securities, net of deferred income taxes	-	-	-	35,257	-	-	-	35,257
Share-based payments	-	-	18,295	-	-	-	-	18,295
Expired stock options and warrants	-	-	(149,036)	-	-	149,036	-	-
Effects of foreign currency translation	-	-	-	-	(157,915)	-	(17,546)	(175,461)
Non-controlling interest capital contributions	-	-	-	-	-	-	315,087	315,087
Dilution of interest in subsidiary	-	-	-	-	70,024		(7,609,266)	(7,539,242)
Net loss for the period	-	-	-	-	-	(1,163,923)	(839)	(1,164,762)
Balance, September 30, 2012	61,610,245	23,359,619	2,384,187	(103,261)	-	(25,400,552)	-	239,993
Change in fair value of marketable securities, net of deferred income taxes	-	-	-	(27,651)	-	-	-	(27,651)
Impairment of marketable securities	-	-	-	130,912	-	-	-	130,912
Net loss for the period	-	-	-	-	-	(207,074)	-	(207,074)
Balance, December 31, 2012	61,610,245	23,359,619	2,384,187	-	-	(25,607,626)	-	136,180
Shares issued for the period (Note 10(b))	5,131,150	513,115	-	-	-	-	-	513,115
Share-based payments	-	-	199,520	-	-	-	-	199,520
Expired stock options and warrants	-	-	(31,197)	-	-	31,197	-	-
Net loss for the period	-	-	-	-	-	(1,414,474)	-	(1,414,474)
Balance, September 30, 2013	66,741,395	$23,872,734	$2,552,510	$ -	$ -	$ (26,990,903)	$ -	$ (565,659)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Ely Gold & Minerals Inc. (the "Company" or "Ely") was incorporated under the *Business Corporations Act* (Alberta) on May 10, 1996, and since 2004 its principal business activity has been the acquisition, exploration and development of mineral properties. The Company is listed on the TSX Venture Exchange ("TSX-V"), having the symbol ELY.

The Company's principal and registered office is Suite 480 – 789 West Pender Street, Vancouver, British Columbia, Canada, V6C 1H2.

On August 26, 2010, the Company signed a Letter of Intent ("LOI") with Solitario Exploration & Royalty Corp. ("Solitario") to make certain equity investments into Ely and to collaborate in the development of Ely's Mount Hamilton and Monte Cristo properties. On December 22, 2010, the Company entered into a Limited Liability Company Operating Agreement with Solitario (the "Operating Agreement"), which resulted in the formation of a separate entity, Mt. Hamilton LLC (a Colorado limited liability company) ("MH-LLC"). On February 22, 2012, Solitario completed a bankable feasibility study ("BFS") increasing Solitario's ownership interest in MH-LLC to 80% with the Company holding the remaining 20% interest. Refer to Note 6 for a description of Solitario's obligations.

The recovery of the amounts comprising exploration and evaluation assets is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their exploration and development, and upon future profitable production.

The Company incurred a net loss of $216,892 and $1,414,474 for the three and nine months ended September 30, 2013 ($194,154 and $1,147,602 for the three and nine months ended September 30, 2012), respectively. As at September 30, 2013, the Company had an accumulated deficit of $26,990,903 with working capital of $854,576.

These condensed interim consolidated financial statements have been prepared by management on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred ongoing losses. A number of alternatives including, but not limited to, selling an interest in one or more of its properties or completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due.

The condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

These condensed interim consolidated financial statements were approved by the board of directors for issue on November 14, 2013.

2. BASIS OF PRESENTATION

Statement of Compliance

These condensed interim consolidated financial statements have been prepared by management in accordance with IAS 34 - Interim Financial Reporting ("IAS 34") using accounting principles consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The significant accounting policies applied in preparing these condensed interim consolidated financial statements are consistent with the accounting policies as disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2012 with the exception of the new accounting policies disclosed in note 3 below.

These condensed interim consolidated financial statements do not include all of the required disclosures for annual consolidated financial statements. Accordingly, they should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2012 and the notes thereto.

Basis of consolidation and presentation

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as available-for-sale and derivative financial liability, which are stated at their fair value. All dollar amounts presented are in Canadian dollars, the Company's functional currency, unless otherwise specified.

These condensed interim consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, DHI Minerals Ltd. ("DHI") (a Canadian corporation), DHI Minerals (US) Ltd. ("DHI US") (a Nevada corporation) and Voyageur Gold Inc. ("Voyageur") (a Canadian corporation). The Company's 20% equity interest in MH-LLC is owned through DHI US. All significant intercompany transactions and balances have been eliminated.

The results of the subsidiary acquired or disposed of during the period are included in the profit and loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of the subsidiary to bring the accounting policies used in line with those used by the Company.

2. BASIS OF PREPARATION (cont'd...)

Use of estimates and judgments

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and the reported revenues and expenses during the period. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, which could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- recoverability of marketable securities and receivables;
- completeness of accrued liabilities;
- the recognition of deferred income tax assets; and
- the assumptions used in the calculation of the fair value assigned to share-based payments.

Critical accounting judgments

Management must make judgments given the various options available as per accounting standards for items included in the consolidated financial statements. Judgments involve a degree of uncertainty and could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual events differ from a judgment made. A summary of items involving management judgment include, but are not limited to:

- the determination of the categories in which financial assets and liabilities are classified; and
- the determination of fair value of the remaining interest of the investment in associate on the date the Company lost control.

3. SIGNIFICANT ACCOUNTING POLICIES

Changes to accounting policies

The following accounting standards and amendments to existing standards were adopted effective January 1, 2013:

- IFRS 10 - Consolidated Financial Statements;
- IFRS 11 - Joint Arrangements;
- IFRS 12 - Disclosure of Interests in Other Entities;
- IFRS 13 - Fair Value Measurement;
- IAS 19 - Employee Benefits
- IAS 27 - Separate Financial Statements;
- IAS 28 - Investments in Associates and Joint Ventures; and
- IAS 1 - Presentation of Financial Statements.

The adoption of these standards has not had a significant impact on the Company's financial position or financial performance.

Changes in accounting standards not yet effective

Accounting Standards Issued and Effective January 1, 2014

IAS 32 - Financial Instruments: Presentation clarifies certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- The meaning of "currently has a legal enforceable rights of set-off";
- The application of simultaneous realization and settlement;
- The offsetting of collateral amounts; and
- The unit account for applying the offsetting requirements.

Accounting Standards Issued and Effective January 1, 2015

IFRS 9 - Financial Instruments replaces the current standard IAS 39 - Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

The Company anticipates that the application of these standards, amendments and interpretations will not have a material impact on the results and financial position of the Company.

(Expressed in Canadian Dollars)

4. MARKETABLE SECURITIES

The Company's marketable securities comprise the following common shares. The fair value of the available-for-sale investments have been determined directly by reference to published price quotations in an active market.

	September 30, 2013		December 31, 2012	
	Cost	Fair Value	Cost	Fair Value
Melco China Resorts Holding Ltd. 100,000 common shares	$ 65,000	$ 2,000	$ 65,000	$ 3,500
Solitario Royalty & Exploration Corp. 200,000 (December 31, 2012 – 100,000)	346,500	198,000	207,500	150,000
	$ 411,500	$ 200,000	$ 217,194	$ 153,500

A loss of $1,500 and $92,500 was recognized in net loss for the three and nine months ended September 30, 2013. During the year ended December 31, 2012, an impairment of $130,912 on the marketable securities was transferred from accumulated other comprehensive loss to net loss due to a prolonged decline in their fair value.

5. RECEIVABLES

The Company's receivables as of September 30, 2013 and December 31, 2012 are as follows:

	September 30, 2013	December 31, 2012
Sales taxes receivable	$ 6,150	$ 19,073
Current portion of additional consideration receivable (Note 6)	577,608	636,561
Total	$ 583,758	$ 655,634

6. INVESTMENT IN MT. HAMILTON LLC

On December 22, 2010 and as subsequently amended on June 28, 2012 and August 10, 2012, the Company and Solitario incorporated MH-LLC pursuant to a LOI and an Operating Agreement to advance the Company's Mount Hamilton project located near Ely, Nevada, through to a BFS and into production. The following summarizes the terms of the LOI and Operating Agreement:

(a) Solitario to subscribe for $500,000 in units comprising one common share and one-half of one share purchase warrant of Ely (issued in 2010);

(b) Solitario to contribute its initial investment to MH-LLC by making a US$300,000 advance royalty payment to the original owners of the Mount Hamilton property ("Underlying Royalty Holder") subject to the Mount Hamilton lease for a 10% interest in MH-LLC (paid in 2010);

(c) Ely to contribute its mineral properties (Mount Hamilton and Monte Cristo) with a fair value of $2,738,340 (US$2,700,00) for a 90% interest in MH-LLC (contributed in 2010);

6. INVESTMENT IN MT. HAMILTON LLC (cont'd…)

(d) Solitario to subscribe for three additional tranches of common shares of Ely:

(i) US$750,000 of common shares on or before May 1, 2013; (received US$500,000 on April 23, 2013)
(ii) US$750,000 of common shares on or before May 1, 2014; and
(iii) US$1,000,000 of common shares on or before May 1, 2015.

The price per common share for each tranche will be equal to the greater of (a) the 20 day weighted moving average price of the Company's shares on the TSX-V over the 20 days immediately preceding the subscription date; and (b) the Discounted Market Price (as that term is defined in the policies of the TSX-V) of the Company's shares on the last trading day immediately preceding the date of the subscription agreement.

The Company shall utilize the proceeds of each tranche only to make the required payments to Augusta Resources Ltd. ("Augusta") (Note 9), which are currently due June 1, 2014 and June 1, 2015 and will make such payments within three business days after the day in which the proceeds from the respective tranche has been received.

The Company has the right, but not the obligation, to reduce the aggregate subscription amount for any given tranche, provided that the Company has provided written notice to Solitario stating its election to reduce the aggregate subscription amount of the respective tranche and that the Company has sufficient funds to make the required payments to Augusta by the respective due dates.

At Solitario's request Ely shall have the obligation to negotiate with Augusta to seek a discounted payoff of any and all payments to Augusta. However, Ely shall not amend or modify any existing agreement or instrument or enter into any new agreement relating to or affecting in any way the payments to Augusta without the prior written consent of Solitario. Any discount from the total amount of payments to Augusta shall reduce, on a dollar-for-dollar basis, the obligation of Solitario to subscribe for the Additional Tranches.

(e) Phase I: To earn an additional 41% interest in MH-LLC, for a total of 51%, Solitario is required to:

(i) incur a minimum of US$1,000,000 in exploration expenditures by August 23, 2011 (incurred in 2011);
(ii) invest US$300,000 into MH-LLC for an advance royalty payment to the Underlying Royalty Holder; and (paid in 2011)
(iii) make payments totaling US$1,750,000 to DHI US (paid in 2012) and issue 100,000 Solitario common shares to DHI US by August 23, 2012 (received in 2012).

(f) Phase II: To earn an additional 19% interest in MH-LLC, for a total of 70%, Solitario is required to:

(i) invest US$300,000 into MH-LLC for an advance royalty payment to the Underlying Royalty Holder; and
(ii) make payments totaling US$500,000 to DHI US and issue 100,000 Solitario common shares to DHI US by August 23, 2013 (received US$500,000 and 100,000 Solitario common shares in 2013).

(g) Phase III: To earn an additional 10% interest in MH-LLC, for a total of 80%, Solitario is required to:

(i) invest US$600,000 into MH-LLC for an advance royalty payment to the underlying royalty holder;
(ii) make payments totaling US$500,000 to DHI US and issue 100,000 Solitario common shares to DHI US by August 23, 2014;
(iii) buy-down the existing 8% NSR to a 3% NSR by paying the Underlying Royalty Holder US$5,000,000 upon commencement of commercial production; and
(iv) Fund all bonding requirements to achieve commercial production as described in the BFS.

(Expressed in Canadian Dollars)

6. INVESTMENT IN MT. HAMILTON LLC (cont'd…)

Alternatively, Solitario may also earn an 80% interest in MH-LLC by completion of a BFS at any time prior to the completion of Phase III earn-in. However, if Solitario completes a BFS and earns an 80% interest in MH-LLC, as of that date, it will no longer be able to opt out of any future required payments, and will be obligated to make any unpaid payments of cash and common shares to DHI US, any unpaid payments to the Underlying Royalty Holder and any uncompleted additional subscriptions due to Ely by the due dates described above. Solitario is required per the terms of the Operating Agreement to fund all expenditures until completion of a BFS.

As of February 22, 2012, Solitario earned an 80% interest in MH-LLC by completion of a BFS and is committed and obligated to make the following payments and share issuances:

(i) make unpaid payments of cash and common shares to DHI US totaling US$1,000,000 (received US$250,000) and 200,000 common shares (received 50,000 common shares) of Solitario;
(ii) make unpaid payments to the Underlying Royalty Holder (US$5,900,000);
(iii) subscribe to the uncompleted additional subscriptions due to DHI US by the due dates described above; and
(iv) provide funding for all bonding requirements to achieve commercial production (collectively referred to as the "Continuing Payment Obligations").

Should Solitario default on any of the Continuing Payment Obligations, DHI US's equity interest in MH-LLC will revert to 51% and Solitario's interest will be reduced to 49%.

All other costs incurred by MH-LLC will be shared by Solitario and DHI US pro-rata based on equity interest owned (80%:20%). In the event DHI US's share of expenditures are funded by Solitario, Solitario shall recover all expenditures made on DHI US's behalf, plus interest at a commercially competitive rate, exclusively from 80% of DHI US's share of distributions from MH-LLC

Effective February 22, 2012, the Company determined it no longer had control over MH-LLC based on elements of control in accordance with IAS 27 - Consolidated and Separate Financial Statements and, accordingly, is no longer consolidating the financial results of MH-LLC. As the Company has significant influence over MH-LLC, the Company accounts for its investment in MH-LLC as an equity investment and will subsequently record its share of profit or loss from MH-LLC in the statement of operations while significant influence is maintained.

Upon loss of control of MH-LLC, the retained interest was recorded at a fair value of $343,366 and is adjusted for the Company's 20% interest in the profit or loss of MH-LLC for each period going forward or to the extent of any distributions from MH-LLC.

The loss of control of MH-LLC has the following impact on net loss and comprehensive loss:

Fair value of the retained investment in MH-LLC, February 22, 2012	$ 343,366
Fair value of additional consideration receivable	1,201,871
Carrying amount of MH-LLC	(1,933,018)
Loss recognized on loss of control of MH-LLC for the three and nine months ended September 30, 2012	$ (387,781)

The additional consideration receivable from Solitario comprises cash of US$1,000,000 and 200,000 Solitario common shares.

(Expressed in Canadian Dollars)

6. INVESTMENT IN MT. HAMILTON LLC (cont'd…)

The net present value of the cash component of the consideration receivable on February 22, 2012 was calculated as $881,781, using a discount rate of 7% and a deferred interest income of $118,619. On February 22, 2012, the Solitario common shares component of the consideration receivable were fair valued using the closing market price of Solitario's common shares for a total amount of $320,000.

As at September 30, 2013, the net present value of the cash component of the consideration receivable is $478,608 and the fair value of the Solitario common shares component of the consideration receivable is $99,000 and is disclosed in the consolidated statement of financial position as follows:

		September 30, 2013	December 31, 2012
Current receivables	$	577,608	$636,561
Non-current receivables		-	603,600
Total	$	577,608	$ 1,240,161

The cash component is recognized at amortized cost and is being accreted up to its face value with changes in carrying value recognized as interest income. For the three and nine months ended September 30, 2013, interest income of $12,152 (2012 - $17,160) and $41,744 (2012 - $34,133) and a loss on the fair value of the Solitario common shares receivable of $1,500 (2012 – gain of $91,000) and $91,000 (2012 – gain of $34,000), respectively, was recognized in profit and loss.

The continuity of the Company's investment in MH-LLC is as follows:

Fair value of the retained investment in MH-LLC, February 22, 2012	$	343,366
Share of losses of MH-LLC for the period from February 22, to December 31, 2012		(58,408)
Distribution by MH-LLC		(497,450)
Excess on distribution from equity investment		212,492
Balance, December 31, 2012 and September 30, 2013	$	-

At December 31, 2012, the share of losses and recoveries from MH-LLC had exceeded the original carrying value of the investment in MH-LLC, and as such, the carrying value of the Company's equity investment in MH-LLC is $Nil. All future recoveries will be shown in profit or loss.

The amount of non-controlling interest is as follows:

		September 30, 2013		December 31, 2012
Non-controlling interest, beginning of period	$	-	$	7,312,564
Additional capital contributions by Solitario		-		315,087
Share of foreign currency translation adjustment		-		(17,546)
Share of net loss in MH-LLC		-		(839)
Dilution of investment to 20% of MH-LLC		-		(7,609,266)
Non-controlling interest, end of period	$	-	$	-

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS

	Green Springs (a)	Cox Claims (b)	Mount Hamilton (c)	Total
Balance, December 31, 2011	$ -	$ -	$ 10,304,749	$ 10,304,749
Derecognition of the Company's interest in MH-LLC			(10,304,749)	(10,304,749)
Balance, December 31, 2012	-	-	-	-
Acquisition costs	345,998	13,080	-	359,078
Exploration and evaluation costs	53,778	-	-	53,778
Balance, September 30, 2013	$ 399,776	$ 13,080	$ -	$ 412,856

(a) Green Springs

On February 4, 2013, the Company acquired the Green Springs property in White Pine County, Nevada, for US$300,000 (paid) and $50,000 (paid) cash. The Green Springs property is subject to a 2% net smelter return royalty ("NSR").

(b) Cox Claims

On January 16, 2013, the Company acquired a mining lease and a purchase option on two mining claims contiguous to the Green Springs property, known as the Cox Claims. The lease on the Cox claims has a term of 10 years with escalating advance royalty payments and a purchase option to acquire 100% of the property. The minimum advance royalty payments total US$222,500 (upon signing, US$10,500 was paid).

The Company has the option to purchase the claims for an amount equal to US$200,000 less the aggregate of the annual advance royalty payments made prior to the date of exercising the purchase option. Upon exercise of the purchase option, title to the Cox Claims will be taken subject to annual advance royalty payments of US$25,000 until commencement of commercial production, after which a 2% NSR will be payable, after recovery of the aggregate advance royalties. The Company has the option to buy-down 1% of the NSR for US$500,000.

In connection with the acquisition of the Cox Claims, the Company entered into an Agency Agreement with Urawest Energy LLC ("Urawest") to compensate Urawest for its involvement in the acquisition of the Cox Claims. Under the terms of the Agency Agreement, the Company will make total aggregate payments of US$47,500 to Urawest, payable in annual instalments over the 10 year term of the Cox Claims lease. In the event the Company exercises the purchase option to acquire 100% of the Cox Claims, any unpaid fees to Urawest as at the date of exercise shall be paid in full. Upon commencement of commercial production from the Cox Claims, the Company shall pay Urawest a 0.25% NSR.

7. EXPLORATION AND EVALUATION ASSETS (cont'd…)

(c) Mount Hamilton property, Nevada

As of February 22, 2012, Solitario's interest in MH-LLC increased to 80% resulting in the Company no longer consolidating MH-LLC. The Company now accounts for its investment in MH-LLC as a significantly influenced equity investment and records its share of profit or loss from MH-LLC (Note 6) and accordingly, the Company's interest in the Mount Hamilton property has been derecognized.

The Mount Hamilton property is subject to minimum advance royalty payments of US$300,000 per annum.

Upon commencement of commercial production, a base rate of 3% NSR is payable, subject to an increase whenever the price of gold is greater than US$400 per ounce. The NSR shall increase by one-half of 1% for each US$50 increment to a maximum of 8% NSR. Of the NSR, 1.5% can be bought down at any time prior to the date commercial production commences for US$2,000,000 ("First Royalty Reduction Option").

On November 16, 2009, the Company negotiated an extension of the time permitted to make the US$100,000 advanced royalty payment otherwise required to be made by November 19, 2009. As consideration for the extension, the Company agreed to increase the amount of the payment from US$100,000 to US$110,000 (paid - $115,720) and to issue to the lessor warrants exercisable to purchase up to an aggregate of 50,000 common shares of the Company at the price of $0.25 each until May 16, 2011. The warrants were exercised during the year ended December 31, 2011.

On February 22, 2010 and April 28, 2010, the Company further negotiated amendments to the Mount Hamilton lease to reduce the NSR under the original agreement. If the Company exercises the First Royalty Reduction Option and reduces the NSR to 6.5%, it will have the option to purchase an additional 1.75% NSR for a further $1,500,000 payment at any time prior to the date commercial production commences ("Second Royalty Reduction Option"), reducing the NSR to 4.75%. Upon exercise of the Second Royalty Reduction Option, the Company will have the option to purchase an additional 1.75% NSR for a further $1,500,000 payment at any time prior to the date commercial production commences ("Third Royalty Reduction Option"), reducing the NSR to 3.0%.

In addition, in 2010 the Company issued to the lessor share purchase warrants exercisable to purchase 4,000,000 common shares of the Company at a price of $0.32 per share to February 28, 2013 (the "reduction warrants"). If commercial production has not commenced before the sixtieth day (the "Trigger Date") before the expiry date, then within 10 days of the Trigger Date, the Company will apply to the TSX-V to extend the time period within which they may be exercised to February 28, 2015. On January 23, 2013, the exercise period of the warrants were extended from February 28, 2013 to February 28, 2015.

Solitario Loan

On May 27, 2011, MH-LLC entered into an agreement to buy-down the NSR on the Mount Hamilton property (the "Agreement"). Pursuant to the Agreement, the 3% NSR base rate has been reduced to 1% and the maximum NSR has been reduced from 8% to 6%; the percentages and costs of the three royalty reduction options noted above remain unchanged. As consideration for the royalty buy-down, MH-LLC paid US$2.52 million ($2.56 million) to the Underlying Royalty Holder.

Solitario contributed the entire proceeds of the royalty buy-down and loaned DHI US its 20%, US$504,000, proportionate share. The loan payable by DHI US to Solitario bears interest at 6% per annum and will be repaid from DHI US's future production proceeds.

7. EXPLORATION AND EVALUATION ASSETS (cont'd…)

(c) Mount Hamilton property, Nevada (cont'd…)

Sandstorm NSR Royalty

On June 11, 2012, MH-LLC entered into an agreement with Sandstorm Gold Ltd. ("Sandstorm") whereby Sandstorm purchased a 2.4% NSR on the Mount Hamilton gold project for US$10 million; US$6 million was paid upon signing and the remaining US$4 million was paid to MH-LLC in January 2013. As part of the agreement, MH-LLC will have the option, for a period of 30 months, to repurchase up to 100% of the NSR for US$12 million, provided that MH-LLC enters into a gold stream agreement with Sandstorm that has an upfront deposit of no less than US$30 million. In addition, MH-LLC provided Sandstorm with a right of first refusal on any future royalty or gold stream financing for the Mount Hamilton project.

MH-LLC Distribution

On June 28, 2012, Ely and Solitario entered into an agreement whereby DHI US received US$500,000 from MH-LLC as a return on equity, which was subsequently paid to Solitario to repay the loan owing. Upon repayment of the loan owing, Solitario forgave the accrued interest of $17,723, which was included in interest expense/(recoveries) on the statements of operations during the year ended December 31, 2012.

In April 2013, MH-LLC authorized a distribution of US$250,000, which was distributed according to ownership inMH-LLC resulting in Solitario receiving US$200,000 and the Company receiving US$50,000 ($49,050), which was included in excess on distribution from equity investment.

Great American property, Nevada

During the year ended December 31, 2011, MH-LLC entered into an option agreement to acquire 100% of the Great American property for a total payment of US$525,000, payable as follows:

- On signing the agreement - US$50,000 (paid)
- On or before September 8, 2012 – US$50,000 (paid)
- On or before September 8, 2013 – US$75,000 (paid)
- On or before September 8, 2014 – US$150,000
- On or before September 8, 2015 – US$200,000

The Great American property is subject to:

- an annual advanced minimum royalty payment, of the greater of US$30,000 or the cash value of 33 ounces of gold, commencing on September 8, 2016 and ending when production commences; and
- a 3% NSR from all gold or silver productions and 2% NSR from all other products produced or sold.

(Expressed in Canadian Dollars)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprise the following:

	September 30, 2013	December 31, 2012
Trade payables	$ 36,489	$ 35,722
Accrued liabilities	22,500	47,500
Due to related parties	62,428	37,971
Total	$ 121,417	$ 121,193

9. OTHER LIABILITIES

On February 28, 2008, as amended on November 16, 2009, the Company acquired 100% of the issued and outstanding common shares of DHI, which owns 100% of the shares of DHI US, pursuant to an agreement with Augusta. As consideration for the acquisition, the Company agreed to pay US$6,625,000 (the "Acquisition Payment") and issued 3,000,000 share purchase warrants with an exercise price of $0.50 per share, exercisable for 18 months from the date of the agreement at a fair value of $2,828,661.

The Acquisition Payment is without interest and is payable as follows:

Upon signing	US	$1,625,000	(paid - $1,592,175)
February 28, 2009	US	1,000,000	(paid - $1,247,520)
June 1, 2010	US	250,000	(paid - $266,353)
June 1, 2011	US	500,000	(paid - $488,043)
June 1, 2012	US	750,000	(paid - $757,380)
June 1, 2013	US	750,000	(paid - $774,975)
June 1, 2014	US	750,000	
June 1, 2015	US	1,000,000	
	US	$6,625,000	

The amount payable to Augusta is secured by the Company's shareholdings in DHI and all present and future assets of DHI and DHI US. As at September 30, 2013, the remaining balance due is US$1,750,000.

The Acquisition Payment balance is being amortized using the effective interest rate method at an effective interest rate of 10.47% with the undernoted carrying amounts. During the three and nine months ended September 30, 2013 interest expense of $53,769 and $154,503 relating to the amortization of the Acquisition Payments was included in net loss. As of September 30, 2013 and December 31, 2012, the Acquisition Payment balance was as follows:

	September 30, 2013	December 31, 2012
Payable to Augusta Resources Ltd.	$ 1,554,290	$ 2,149,727
Current portion	(771,375)	(746,175)
Other liabilities	$ 782,915	$ 1,403,552

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES

(a) Authorized share capital

The authorized share capital of the Company is an unlimited number of common shares without par value.

(b) Issued share capital

During the nine month period ended September 30, 2013, the Company issued 5,131,150 common shares to Solitario for gross proceeds of $513,115 (US$500,000).

During the year ended December 31, 2012, the Company issued 2,400,000 common shares at a value of $0.25 per common share in lieu of payment of a performance bonus that was awarded to the directors during the year ended December 31, 2010.

(c) Stock options

The Company has an incentive stock options plan (the "Plan") in place under which it is authorized to grant options to directors and employees to acquire up to 10% of the Company's issued and outstanding common shares. In addition, the aggregate number of shares reserved for issuance to any one person shall not exceed 5% of the issued and outstanding shares (2% if the participant is a consultant). Under the Plan, the exercise price of each option may not be less than the market price of the Company's share capital as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of 10 years and vesting periods are determined by the Board of Directors.

As at September 30, 2013 and December 31, 2012, the Company had outstanding stock options enabling the holders to acquire further common shares as follows:

Expiry Date	Exercise Price	September 30, 2013	December 31, 2012
June 4, 2015	$ 0.20	750,000	750,000
July 7, 2015	$ 0.15	1,000,000	1,000,000
September 1, 2015	$ 0.15	1,000,000	1,000,000
January 5, 2016	$ 0.25	800,000	800,000
February 26, 2017*	$ 0.12	600,000	600,000
July 24, 2017	$ 0.14	200,000	200,000
September 22, 2021	$ 0.20	1,300,000	1,300,000
January 30, 2023	$ 0.14	450,000	-
Total outstanding		6,100,000	5,650,000

* During the three months ended June 30, 2013, these options' exercise price was reduced from $0.50 to $0.12 and the exercise period was extended for a period of two years, resulting in an increase in fair value of $nil.

The weighted average remaining contractual life for the outstanding options at September 30, 2013 is 3.81 (December 31, 2012 – 4.07) years.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (cont'd...)

(c) Stock options (cont'd...)

Stock option transactions are summarized as follows:

	September 30, 2013			December 31, 2012		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Balance, beginning of period	5,650,000	$	0.22	5,850,000	$	0.23
Granted	450,000	$	0.14	200,000	$	0.14
Expired	-	$	-	(400,000)	$	0.29
Balance, end of period	6,100,000	$	0.21	5,650,000	$	0.22
Options exercisable, end of period	5,875,000	$	0.22	5,650,000	$	0.22

On January 30, 2013, the Company granted incentive stock options to certain directors and officers of the Company entitling them to purchase 450,000 common shares at a price of $0.14 per share for a period of 10 years that will vest 25% on each of the date of grant and three, six and nine months after the grant date, expiring January 30, 2023. The fair value of these options was calculated at $65,830 using the Black-Scholes option pricing model. During the three and nine months ended September 30, 2013, the Company recorded share-based payment expense of $14,976 and $199,520 , respectively.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (cont'd...)

(d) Warrants

As at September 30, 2013 and December 31, 2012, the following share purchase warrants were outstanding:

Expiry Date	Exercise Price	September 30, 2013	December 31, 2012
March 29, 2013	$ 0.40	-	5,124,700
February 28, 2015**	$ 0.32	4,000,000	4,000,000
		4,000,000	9,124,700

** During the three months ended March 31, 2013, these warrants were extended for a period of two years, resulting in an increase in fair value of $142,228, which is included in share-based payments.

Share purchase warrant transactions are summarized as follows:

	September 30, 2013		December 31, 2012	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	9,124,700	$ 0.36	11,942,866	$ 0.34
Expired	(5,124,700)	$ 0.40	(2,818,166)	$ 0.25
Balance, end of period	4,000,000	$ 0.32	9,124,700	$ 0.36

(e) The fair value of stock options and warrants is estimated using the Black-Scholes option pricing model with the following weighted average assumptions and weighted average fair value:

	2013	2012
Risk-free interest rate	1.57%	1.3%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	0.76%	108%
Expected life in years	2.83	5
Weighted average fair value	$0.05	$0.09

The Company has estimated the forfeiture rate to be 0.00%.

Expected volatility was determined based on the historical movements in the closing price of the Company's common shares for a length of time equivalent to the expected life of each option and warrant.

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements of Ely and its subsidiaries listed in the following table:

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest	Principal Activity
DHI	British Columbia, Canada	100%	Holding Company
DHI US	Nevada, USA	100%	Mineral Exploration
Voyageur	Canada	100%	Holding Company

Key management comprises directors and executive officers. The Company did not pay post-employment benefits and long-term benefits to key management. The following compensation was paid to key management as of September 30:

	2013	2012
Short-term employment benefits	$ 612,599	$ 525,189
Share-based payments	57,292	25,260
Total	$ 669,891	$ 550,449

As at September 30, 2013, $62,428 (December 31, 2012 - $39,691) is owing to related parties for consulting fees, which are included in accounts payable and accrued liabilities.

As at September 30, 2013, $1,050,176 (December 31, 2012 – $665,190) is owing to related parties for deferred consulting fees that are not payable until January 1, 2016 and are included in the statement of financial position as deferred compensation. During the year ended December 31, 2012, the Company amended the terms of the payment of consulting fees so that the amount payable is now indexed to the Dow Jones Industrial Average (“DJIA”). The value of the deferred compensation fluctuates based on movements in the DJIA index and therefore it meets the definition of a derivative financial liability. During the three and nine months ended September 30, 2013, the Company recognized a fair value gain of $53,694 (2012 - $nil) and a fair value loss of $94,169 (2012 - $nil) in profit or loss.

All other amounts due to related parties are payable on demand. Interest is not charged on outstanding balances.

The Company entered into termination clause agreements with four of the Company’s officers whereby the officers are entitled to a cumulative amount of:

- $1,015,000 in the event they are terminated without cause; or
- $1,960,000 in the event there is a change of control.

(Expressed in Canadian Dollars)

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash operating, investing and financing transactions during the nine months ended September 30 consisted of:

	2013	2012
Shares issued to settle debt	$ -	$ 600,000
Common shares received from optioned evaluation and exploration assets	$ 137,999	$ 71,250

13. SEGMENT INFORMATION

The Company has one reportable operating segment, the acquisition and exploration of resource properties in two geographical locations: Canada and the United States.

	September 30, 2013	December 31, 2012
Non-current assets		
United States	$ 412,856	$ -

14. FINANCIAL INSTRUMENTS

The Company classifies its cash and cash equivalents and deferred compensation as fair value through profit and loss; marketable securities, as available-for-sale; receivables, as loans and receivables; and accounts payable and accrued liabilities and other liabilities, as other financial liabilities.

The carrying values of accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. The carrying value of marketable securities and deferred compensation have been based on quoted market prices, a Level 1 measurement according to the fair value hierarchy. The carrying value of receivables and other liabilities approximate fair values as the instruments are subject to market rates of interest.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

(a) Credit risk

Credit risk refers to the potential that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company manages credit risk, in respect of cash and cash equivalents, by placing its cash balances at a major Canadian financial institution. The Company manages credit risk, in respect of additional consideration receivable from Solitario, by holding a security of Solitario's interest in MH-LLC. Should Solitario default on any of the payments to DHI US, Solitario's interest will be reduced from 80% to 49%.

Concentration of credit risk exists with respect to the Company's cash and cash equivalents, as all amounts are held at major Canadian financial institutions and other receivable. The Company's concentration of credit risk and maximum exposure thereto is as follows:

	September 30, 2013	December 31, 2012
Cash and cash equivalents	$ 932,117	$ 1,645,595
Receivables	$ 577,608	$ $1,240,161

(Expressed in Canadian Dollars)

14. FINANCIAL INSTRUMENTS (cont'd…)

(a) Credit risk (cont'd…)

As at September 30, 2013, the Company has a guaranteed investment certificates for $25,000, earning interest at 0.90%, maturing on August 27, 2014 and is cashable at any time.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At September 30, 2013, the Company has cash and cash equivalents of $932,117 (December 31, 2012 - $1,645,595), current liabilities of $892,792 (December 31, 2012 - $867,368) and working capital of $854,576 (December 31, 2012 - $1,601,322).

The amounts listed below are the remaining contractual maturities for financial liabilities held by the Company as at September 30, 2013:

Due Date		Accounts Payable and Accrued Liabilities		Deferred Compensation		Other Liabilities (Note 9)
0 – 90 days	$	121,417	$	-	US$	-
90 – 365 days	$	-	$	-	US$	750,00
More than 1 year	$	-	$	1,050,176	US$	1,000,000

The amounts listed below are the remaining contractual maturities for financial liabilities held by the Company as at December 31, 2012:

Due Date		Accounts Payable and Accrued Liabilities		Deferred Compensation		Other Liabilities (Note 9)
0 – 90 days	$	121,193	$	-	$	-
90 – 365 days	$	-	$	-	US$	750,000
More than 1 year	$	-	$	665,190	US$	1,750,000

14. FINANCIAL INSTRUMENTS (cont'd…)

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

Interest rate risk consists of two components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Fluctuations in the interest rates impact the value of cash equivalents. As at September 30, 2013, the impact of interest rates on the Company is not deemed significant. The Company's other liabilities are not exposed to interest rate risk, as they are carried at amortized cost.

(ii) Foreign currency risk

The Company incurs expenditures in Canada and the US and has deferred compensation and a loan payable in US dollars. Foreign currency risk arises because the amount of the US dollar cash, intercompany balances and payables will vary in Canadian dollar terms due to changes in exchange rates.

As at September 30, 2013 and December 31, 2012, the Company has not hedged its exposure to currency fluctuations.

At September 30, 2013 and December 31, 2012, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

		September 30, 2013		December 31, 2012
Cash	US$	681,035	US$	827,224
Amounts receivable [1]		500,000		1,000,000
Other financial liabilities [2]		(2,800,176)		(2,869,347)
Net	US$	(1,619,141)	US$	(1,042,123)
Canadian dollar equivalent		(1,665,286)		(1,036,808)

[1] Includes receivables and other receivables.
[2] Includes accounts payable and accrued liabilities, deferred compensation and other liabilities.

Based on the above net exposures as at September 30, 2013, a 5% change in the Canadian/US exchange rate would impact the Company's earnings by approximately $83,000.

14. FINANCIAL INSTRUMENTS (cont'd…)

(c) Market risk (cont'd…)

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk on its deferred compensation, which is indexed to the DJIA thus its value fluctuates based on movement in that index. At September 30, 2013, a 5% change in the DJIA would impact the Company's earnings by approximately $51,000. The Company is not exposed to significant price risk on its marketable securities.