

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, 2014

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 Institute of Chartered Professional Accountants for a review of financial statements by an entity's auditor.

ELY GOLD & MINERALS INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
EXPENSES				
Consulting fees	\$ 189,222	\$ 210,744	\$ 622,633	\$ 683,511
Insurance	3,624	4,039	11,148	16,828
Office and administration	10,387	2,350	21,276	16,740
Professional fees	27,540	28,462	51,469	89,191
Rent	4,800	4,800	14,400	11,887
Share-based payments	-	14,976	91,921	199,520
Transfer agent and filing fees	2,548	3,125	16,789	21,139
Travel and promotion	10,055	5,354	22,489	23,286
	(248,176)	(273,850)	(852,125)	(1,062,102)
OTHER INCOME / (EXPENSE)				
Interest expense (Note 9)	(20,247)	(53,769)	(39,280)	(154,503)
Interest income (Note 6)	109	12,512	2,650	41,744
Gain / (loss) on fair value of receivables (Note 6)	-	7,499	40,515	(62,001)
Gain / (loss) on derivative financial liability (Note 11)	(3,210)	53,694	(22,118)	(94,169)
Excess on distribution from equity investment	-	-	-	49,050
Gain / (loss) on marketable securities	(75,111)	(1,500)	296,722	(92,500)
Gain / (loss) foreign exchange	(45,776)	38,882	(112,111)	(39,993)
	(144,235)	56,958	166,378	352,372
Loss and comprehensive loss for the period	\$ (392,411)	\$ (216,892)	\$ (685,747)	\$ (1,414,474)
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.02)
Weighted average number of common shares outstanding	80,312,749	66,741,395	80,312,749	63,509,621

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)

Six months ended September 30,	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (685,747)	\$ (1,414,474)
Items not affecting cash:		
Interest expense	39,280	154,503
Interest income accretion	(2,650)	(41,744)
Loss on derivative financial liability	22,118	135,722
Loss / (gain) on fair value of receivables	(40,515)	62,001
Loss / (gain) on marketable securities	(296,722)	92,500
Share-based payments	91,921	199,520
Unrealized foreign exchange	118,034	12,916
Changes in non-cash working capital items:		
Receivables	15,855	12,923
Prepaid expenses	8,726	(17,532)
Accounts payable and accrued liabilities	(41,460)	224
Proceeds received from Solitario Exploration & Royalty Corp.	278,200	515,340
Deferred compensation	262,595	249,264
Net cash used in operating activities	(230,365)	(38,837)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation asset acquisition costs	(177,613)	(412,856)
Net cash used in investing activities	(177,613)	(412,856)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares, net of issuance costs	-	513,115
Repayment of other liabilities, net of recoveries	-	(774,900)
Net cash provided from financing activities	-	(261,785)
Change in cash and cash equivalents for the period	(407,978)	(713,478)
Cash and cash equivalents, beginning of period	728,508	1,645,595
Cash and cash equivalents, end of year	\$ 320,530	\$ 932,117
Cash and cash equivalents consists of		
Cash	\$ 295,530	\$ 907,117
Term deposit	25,000	25,000
	\$ 320,530	\$ 932,117

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	Deficit	Total
Balance, December 31, 2012	61,610,245	\$ 23,359,619	\$ 2,384,187	\$ (25,607,626)	\$ 136,180
Shares issued during the period	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)
Shares issued during the period	13,571,354	1,357,135	-	-	1,357,135
Share-based payments	-	-	40,647	-	40,647
Expired stock options and warrants	-	-	-	-	-
Net gain (loss) for the period	-	-	-	123,007	123,007
Balance, December 31, 2013	80,312,749	25,229,869	2,593,157	(26,867,896)	955,130
Share-based payments	-	-	91,921	-	91,921
Expired stock options and warrants	-	-	-	-	-
Net loss for the period	-	-	-	(685,747)	(685,747)
Balance, September 30, 2014	80,312,749	\$25,229,869	\$2,685,078	\$ (27,553,643)	\$ 361,304

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

ELY GOLD & MINERALS INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

(Unaudited)

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 December 22, 2010, the Company entered into a Limited Liability Company Operating Agreement with Solitario Exploration & Royalty Corp. (“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 8 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 \$392,411 and \$685,747 for the three and nine months ended September 30, 2014, respectively (2013 - \$216,892 and \$ 1,414,474), respectively. As at September 30, 2014, the Company had an accumulated deficit of \$27,553,643 with a working capital of \$1,032,508.

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. These matters indicate the existence of material uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

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 26, 2014.

ELY GOLD & MINERALS INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

(Unaudited)

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, 2013 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, 2013 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.

Non-controlling interests in the net assets of MH-LLC are identified separately from the Company's equity therein. The interest of non-controlling shareholders is initially measured at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets. Subsequent to acquisition, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of the acquisition.

The results of the subsidiary acquired or disposed of during the period are included in the condensed interim consolidated statement of operations 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.

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.

ELY GOLD & MINERALS INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

(Unaudited)

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

Use of estimates and judgments (cont'd...)

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:

Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

Share-based payments

The fair value of share-based payments is subject to the limitation of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. As the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Valuation of derivative liabilities

The Company evaluates all financial instruments for freestanding and embedded derivatives. Derivative liabilities that do not have readily determinable fair value require significant management estimation. Effective April 1, 2014, the Company uses a hypothetical investment with a fixed interest rate of return applicable for each quarter equal to the U.S. prime rate, as established in the Wall Street Journal, plus two percent ("Prime Rate") to estimate the fair value at the end of each applicable reporting period of the deferred compensation contract that hosts an embedded derivative. Prior to April 1, 2014, the Company used a hypothetical investment in units of the Dow Jones Industrial Average ("DJIA") to estimate the fair value at the end of each applicable reporting period of the deferred compensation contract that hosts an embedded derivative. Changes in the fair value during each reporting period are recorded in the condensed interim consolidated statement of operations and comprehensive loss.

Critical accounting judgments

Management must make judgments given the various options available as per accounting standards for items included in the condensed interim 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:

Determination of fair value of the remaining interest of the investment in associate on the date the Company lost control

The Company determined the fair value of the remaining interest in its investment in MH-LLC on February 22, 2012, the date that it lost control. The determination of when an investment is impaired requires significant judgment. In making this judgment, the Company evaluates, amongst other things, the duration and extent to which the fair value of the investment is less than its original cost at each reporting period. As the Company's share of losses from MH-LLC have exceeded the original carrying value of the investment, the carrying value of the equity investment as of September 30, 2014 is \$Nil (December 31, 2013 - \$Nil). As such, the Company determined that there is no impairment on the investment.

ELY GOLD & MINERALS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES*Changes to accounting policies*

The following accounting standards and amendments to existing standards were adopted 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 legally enforceable right of set-off”;
- The application of simultaneous realization and settlement;
- The offsetting of collateral amounts; and
- The unit of account for applying the offsetting requirements.

Amendments to IAS 36 *Impairment of Assets* reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarifies the disclosures required and introduces an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where the recoverable amount (based on fair value less costs of disposal) is determined using the present value technique.

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 adopted**Accounting Standards Issued where the Adoption Date is not Specified*

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 effective implementation date is January 1, 2018.

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.

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, 2014		December 31, 2013	
	Cost	Fair Value	Cost	Fair Value
Melco China Resorts Holding Ltd.				
100,000 common shares	\$ 65,000	\$ 1,000	\$ 65,000	\$ 2,000
Solitario Royalty & Exploration Corp.				
577,777 (December 31, 2013 – 527,777) common shares	699,293	756,888	615,277	459,166
	\$ 764,293	\$ 757,888	\$ 680,277	\$ 461,166

During the year ended December 31, 2013, there were decreases in fair value of the marketable securities, \$100,111 was recognized in net loss. For the three and nine months ended September 30, 2014, a loss of \$75,111 (2013 – loss \$1,500) and gain of \$296,722 (2013 – loss \$92,500) was recognized in net loss, respectively. Subsequent to September 30, 2014, the Company disposed of 400,777 Solitario common shares for gross proceeds of US\$395,610.

ELY GOLD & MINERALS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

(Unaudited)

5. RECEIVABLES

The Company's receivables as of September 30, 2014 and December 31, 2013 are as follows:

	September 30, 2014	December 31, 2013
Sales taxes receivable	\$ 2,313	\$ 8,895
Current portion of additional consideration receivable (Note 6)	-	291,105
Total	\$ 2,313	\$ 300,000

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 letter of intent ("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 exploration and evaluation assets (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);
- (d) Solitario to subscribe for three additional tranches of common shares of Ely (the "Additional Tranches"):
 - (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 (settled on November 22, 2013); and
 - (iii) US\$1,000,000 of common shares on or before May 1, 2015 (settled on November 22, 2013).

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).

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.

ELY GOLD & MINERALS INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

(Unaudited)

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

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 written consent of Solitario. Any discount from the amount of payments to Augusta shall reduce, on a dollar-for-dollar basis, the obligation of Solitario to subscribe for the Additional Tranches.

On November 22, 2013, at Solitario's request, Ely entered into an agreement (the "Amending Agreement") with Augusta reducing the payments to Augusta from US\$1,750,000 to US\$1,300,000.

On November 22, 2013, Solitario subscribed for 13,571,354 common shares of the Company at a price of \$0.10 per share for gross proceeds of \$1,357,135. With this subscription, Solitario concluded its obligation to subscribe to the common shares of Ely under 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);
 - (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) 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% net smelter return royalty ("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.

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.

ELY GOLD & MINERALS INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

(Unaudited)

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

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 and 200,000 common shares of Solitario ("Additional Consideration");
- (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. As of September 30, 2014, the Company is not indebted to Solitario for any proportionate share of MH-LLC expenses (Note 7).

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 records its share of profit or loss from MH-LLC in the statement of operations while significant influence is maintained.

As at December 31, 2013, the remaining balance of the Additional Consideration receivable comprises US\$250,000 and 50,000 common shares of Solitario. The net present value of the cash component of the consideration receivable is \$247,605 and the fair value of the Solitario common shares component of the consideration receivable is \$43,500 and is disclosed in the consolidated statements of financial position as current receivables of \$291,105.

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. The Solitario common shares component of the consideration receivable is fair valued using the closing market price of Solitario's common shares.

As at September 30, 2014, the remaining balance of the Additional Consideration was received. For the three and nine months ended September 30, 2014, interest income of \$nil and \$ 2,541 (2013 - \$12,152 and \$ 41,744) and a loss on the fair value of the Solitario common shares receivable of \$75,111 and a gain of \$ 296,722 (2013 - loss \$1,500 and loss \$ 92,500), respectively, was recognized in the condensed interim consolidated statement of operations and comprehensive loss.

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 distributions will be recognized in the condensed interim consolidated statements of operations and comprehensive loss. At September 30, 2014, the carrying value of the Company's equity investment in MH-LLC continues to be \$Nil.

ELY GOLD & MINERALS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

(Unaudited)

7. EXPLORATION AND EVALUATION ASSETS

	Green Springs (a)	Cox Claims (b)	Mount Hamilton (c)	Total
Balance, December 31, 2012	\$ -	\$ -	\$ -	\$ -
Acquisition costs	345,998	23,523	-	369,521
Exploration and evaluation costs	92,176	-	-	92,176
Balance, December 31, 2013	438,174	23,523	-	461,697
Acquisition costs	26,675	-	-	26,675
Exploration and evaluation costs	136,837	2,610	-	139,447
Balance, September 30, 2014	\$ 601,686	\$ 26,133	\$ -	\$ 627,819

(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% NSR.

On July 7, 2014, the Company entered into an exploration and option Agreement with Eurasian Minerals Inc. ("Eurasian") for the Cathedral Well gold project ("Cathedral Project"). Pursuant to this agreement, the Company can earn a 100% interest in the Cathedral Project by paying Eurasian a total of \$100,000 as follows:

- US\$25,000 upon execution of this agreement (paid); and
- US\$75,000 over the next three years.

Eurasian will retain a 2.5% NSR royalty, inclusive of an underlying 0.5% NSR royalty. In addition, after earning the 100% interest in the Cathedral Project, the Company will pay Eurasian annual advance royalties equal to 20 ounces of gold each year beginning year four of this agreement. After completion of a feasibility study of the Cathedral Project and /or the adjacent Company properties, the annual payment will increase to 35 ounces of gold each year thereafter until commencement of commercial production from either, or both, of the Cathedral Project and the adjacent Company properties. The Company may purchase 0.5% of the Eurasian NSR royalty by paying Eurasian 500 ounces of gold within 60 days after commencement of commercial production from either, or both, of the Cathedral Project and the adjacent Company properties. However, Eurasian will not retain any royalty on the Company's existing Green Springs project.

(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 advance royalty payments are payable as follows on each anniversary of the agreement:

- Upon signing, US \$7,500 (paid in 2013)
- January 16, 2015, US \$12,000
- January 16, 2017, US \$15,000
- January 16, 2019, US \$20,000
- January 16, 2014, US \$10,000 (paid in 2013)
- January 16, 2016, US \$15,000
- January 16, 2018, US \$15,000
- January 16, 2020 and on each subsequent anniversary, US \$25,000

ELY GOLD & MINERALS INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

(Unaudited)

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

(b) Cox Claims (cont'd...)

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 as follows:

- Upon signing, US \$2,500 (paid in 2013)
- January 16, 2014, US \$2,500 (paid in 2014)
- January 16, 2015, US \$2,500
- January 16, 2016 to January 16, 2023, US \$5,000 each year

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.

(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").

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 (Note 10).

ELY GOLD & MINERALS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

(Unaudited)

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 shall be paid to MH-LLC on January 15, 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

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

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 in 2012)
- On or before September 8, 2012 – US\$50,000 (paid in 2012)
- On or before September 8, 2013 – US\$75,000 (paid in 2013)
- On or before September 8, 2014 – US\$150,000 (paid in 2014)
- 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.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprise the following:

	September 30, 2014	December 31, 2013
Trade payables	\$ 12,672	\$ 74,678
Accrued liabilities	22,500	30,000
Due to related parties	21,805	5,250
Total	\$ 56,977	\$ 109,928

ELY GOLD & MINERALS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

(Unaudited)

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 amended agreement on November 16, 2009 extended the Acquisition Payment for which the Company issued an additional 2,000,000 share purchase warrants to Augusta to purchase 2,000,000 common shares of the Company at \$0.25 per share for a period of 18 months, expiring May 16, 2011. These warrants were exercised during the year ended December 31, 2011.

On November 20, 2013, the Company entered into an Amending Agreement with Augusta to reduce the Acquisition Payment by US\$450,000 to US\$6,175,000. Pursuant to the Amending Agreement, the Company has the right to satisfy all obligations to Augusta by paying the reduced amount owing of US\$1,300,000 by November 30, 2013 (paid).

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)
November 30, 201	US	750,000	(paid - \$1,377,090)
	US	\$6,175,000	

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. For the three and six months ended September 30, 2014, the interest expense of \$nil and \$nil (2013 - \$53,769 and \$154,503), respectively, relating to the amortization of the Acquisition Payments was included in net loss.

The continuity of the Acquisition Payment is as follows:

		September 30, 2014	December 31, 2013
Opening balance.	\$	-	\$ 2,149,727
Interest expense		-	167,490
Foreign exchange loss (gain)		-	123,603
Payments		-	(2,151,990)
Gain on settlement		-	(288,830)
Ending balance payable to Augusta	\$	-	\$ -

ELY GOLD & MINERALS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

(Unaudited)

10. SHARE CAPITAL AND RESERVES

(a) Authorized share capital

As at September 30, 2014, the authorized share capital of the Company is an unlimited number of common shares without par value.

(b) Issued share capital

During the nine months ended September 30, 2014, the Company did not issue common shares.

During the year ended December 31, 2013, the Company issued 18,702,504 common shares at a value of \$0.10 per common share to Solitario for gross proceeds of \$1,870,250.

(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, 2014 and December 31, 2013, the Company had outstanding stock options enabling the holders to acquire further common shares as follows:

Expiry Date	Exercise Price	September 30, 2014	December 31, 2013
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	400,000	450,000
January 28, 2024	\$ 0.12	900,000	-
Total outstanding and exercisable		6,950,000	6,100,000

* 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 \$32,108.

The weighted average remaining contractual life for the outstanding options at September 30, 2014 is 3.78 (December 31, 2013 – 3.71) years.

ELY GOLD & MINERALS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

(Unaudited)

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

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

Stock option transactions are summarized as follows:

	September 30, 2014		December 31, 2013	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	6,100,000	\$ 0.21	5,650,000	\$ 0.22
Granted	900,000	\$ 0.12	450,000	\$ 0.14
Expired	(50,000)	\$ 0.14	-	\$ -
Options exercisable, end of period	6,950,000	\$ 0.17	6,100,000	\$ 0.21

On January 28, 2014, the Company granted incentive stock options to certain directors and officers of the Company entitling them to purchase 900,000 common shares at a price of \$0.12 per share for a period of 10 years vesting 100% on the grant date and expiring January 28, 2024. The fair value of these options was calculated at \$91,921 using the Black-Scholes option pricing model. During the three and nine months ended September 30, 2014, the Company recorded share-based payment expense of \$nil and \$91,921, respectively.

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 \$65,831 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

(d) Warrants

As at September 30, 2014 and December 31, 2013, the following share purchase warrants were outstanding:

Expiry Date	Exercise Price	September 30, 2014	December 31, 2013
February 28, 2015*	\$ 0.32	4,000,000	4,000,000
		4,000,000	4,000,000

* 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.

ELY GOLD & MINERALS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

(Unaudited)

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

(d) Warrants (cont'd...)

Share purchase warrant transactions are summarized as follows:

	September 30, 2014		December 31, 2013	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of period	4,000,000	\$ 0.32	9,124,700	\$ 0.36
Expired	-	\$ -	(5,124,700)	\$ 0.40
Balance, end of period	4,000,000	\$ 0.32	4,000,000	\$ 0.32

(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:

	2014		2013	
	Options	Warrants	Options	Warrants
Risk-free interest rate	2.34%	N/A	1.57%	1.3%
Expected dividend yield	0.00%	N/A	0.00%	0.00%
Expected stock price volatility	112%	N/A	0.76%	108%
Expected life in years	10.00	N/A	2.83	5
Weighted average fair value	\$0.10	N/A	\$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.

ELY GOLD & MINERALS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

(Unaudited)

11. RELATED PARTY TRANSACTIONS

The condensed interim 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:

Nine months ended September 30,	2014	2013
Short-term employment benefits	\$ 598,853	\$ 428,254
Share-based payments	91,921	43,316
Total	\$ 690,774	\$ 470,570

As at September 30, 2014, \$21,805 (December 31, 2013 - \$5,250) is owing to related parties for consulting fees, which are included in accounts payable and accrued liabilities. A prepaid advance of \$Nil (December 31, 2013 - \$13,042 (US \$12,000)) was made to an officer and director of the Company.

As at September 30, 2014, \$1,299,023 (December 31, 2013 - \$903,793) is owing to related parties for deferred consulting fees; \$1,000,336 (December 31, 2013 - \$647,899) is payable January 1, 2016 and \$298,687 (December 31, 2013 - \$255,894) is payable January 1, 2020. The amounts are included in the consolidated statements of financial position as deferred compensation.

On April 1, 2014, the Company amended the terms of the payment of consulting fees so that the amount payable accrues interest at the Prime Rate. The value of the deferred compensation fluctuates based on movements in the Prime Rate, and therefore it meets the definition of a derivative financial liability with fair value gains and losses recorded in profit or loss. Due to the long-term nature of the payment of the deferred compensation, the carrying value of the estimated obligation of \$1,445,763 is discounted at September 30, 2014 using an effective interest rate of 10%. Prior to this amendment, the payment of consulting fees was indexed to the DJIA. Management determined that the amended terms were substantially different to the terms previously in place and accounted for the amendment as an extinguishment of the original liability and recognition of a new liability in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

During the nine months ended September 30, 2014, the Company recognized in the condensed interim consolidated statements of operations:

- a loss on the extinguishment of the original derivative financial liability of \$339,319 (2013 - \$nil);
- a gain on the derivative financial liability \$317,201 (2013 - a loss on the original derivative financial liability of \$147,863); and
- an interest expense of \$39,280.

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

ELY GOLD & MINERALS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

(Unaudited)

11. RELATED PARTY TRANSACTIONS (cont'd...)

The Company entered into termination clause agreements with four of the Company's officers and directors whereby the officers and directors are entitled to a cumulative amount of \$1,060,000 in the event they are terminated without cause; or \$1,960,000 in the event there is a change of control.

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

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

	2014	2013
Common shares received from optioned evaluation and exploration assets	\$ -	\$ 85,000
Shares received from Solitario	\$ 84,016	\$ 85,000

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, 2014	December 31, 2013
Non-current assets		
United States	\$ 627,819	\$ 461,697

14. FINANCIAL INSTRUMENTS

The Company classifies its cash and cash equivalents, shares receivable 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 cash and cash equivalents, marketable securities and shares receivable have been based on quoted market prices, a Level 1 measurement according to the fair value hierarchy. The carrying value of deferred compensation is based on inputs other than quoted prices, but the significant input of the DJIA is based on observable market data. Consequently this is considered to be a Level 2 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 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%.

ELY GOLD & MINERALS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

(Unaudited)

14. FINANCIAL INSTRUMENTS (cont'd...)

(a) Credit risk (cont'd...)

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 with respect to other receivables, as it is due from only one party. The Company's concentration of credit risk and maximum exposure thereto is as follows:

	September 30, 2014	December 31, 2013
Cash and cash equivalents	\$ 320,530	\$ 728,508
Receivables	\$ -	\$ 291,105

(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, 2014, the Company has cash and cash equivalents of \$320,530 (December 31, 2013 - \$728,508), current liabilities of \$56,977 (December 31, 2013 - \$109,928) and working capital of \$1,032,508 (December 31, 2013 - \$1,397,226).

The amounts listed below are the remaining contractual maturities for financial liabilities held by the Company as at September 30, 2014:

Due Date	Accounts Payable and Accrued Liabilities	Deferred Compensation
0 – 90 days	\$ 56,977	\$ -
90 – 365 days	\$ -	\$ -
More than 1 year	\$ -	\$ 1,299,023

The amounts listed below are the remaining contractual maturities for financial liabilities held by the Company as at December 31, 2013:

Due Date	Accounts Payable and Accrued Liabilities	Deferred Compensation
0 – 90 days	\$ 109,928	\$ -
90 – 365 days	\$ -	\$ -
More than 1 year	\$ -	\$ 903,793

ELY GOLD & MINERALS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

(Unaudited)

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, 2014, 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, 2014 and December 31, 2013, the Company has not hedged its exposure to currency fluctuations.

At September 30, 2014 and December 31, 2013, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

		September 30, 2014		December 31, 2013
Cash	US\$	233,482	US\$	654,111
Amounts receivable ⁽¹⁾		-		250,000
Other financial liabilities ⁽²⁾		(1,159,014)		(873,860)
Net	US\$	(1,159,014)	US\$	30,251
Canadian dollar equivalent		(1,037,336)		32,175

(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, 2014, a 5% (December 31, 2013 - 5%) change in the Canadian/US exchange rate would impact the Company's earnings by approximately \$52,000 (December 31, 2013 - \$3,533).

ELY GOLD & MINERALS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

(Unaudited)

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 accrues interest at the Prime Rate thus its value fluctuates based on movement in that Prime Rate. At September 30, 2014, a 1% change in the Prime Rate would impact the Company's earnings by approximately \$7,000. At December 31, 2013 a 5% change in the DJIA would impact the Company's earnings by approximately \$58,000. The Company is not exposed to significant price risk on its marketable securities.

(iv) Fair value hierarchy

The following tables summarize the Company's financial instruments under the fair value hierarchy, as at September 30, 2014 and December 31, 2013:

September 30, 2014	Level 1	Level 2	Level 3	Total
FVTPL				
Cash and cash equivalents	\$320,530	\$ -	\$ -	\$ 320,530
Deferred compensation	\$ -	\$1,299,023	\$ -	\$1,299,023
Available-for-sale				
Marketable securities	\$757,888	\$ -	\$ -	\$757,888
December 31, 2013	Level 1	Level 2	Level 3	Total
FVTPL				
Cash and cash equivalents	\$728,508	\$ -	\$ -	\$728,508
Shares receivable	\$ 43,500	\$ -	\$ -	\$ 43,500
Deferred compensation	\$ -	\$903,793	\$ -	\$903,793
Available-for-sale				
Marketable securities	\$461,166	\$ -	\$ -	\$461,166