ELY GOLD & MINERALS INC.
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

YEAR ENDED DECEMBER 31, 2014

SmytheRatcliffe
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ELY GOLD & MINERALS INC.

We have audited the accompanying consolidated financial statements of Ely Gold & Minerals Inc., which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ely Gold & Minerals Inc. as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, British Columbia

April 23, 2015

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

As at December 31		2014		2013
ASSETS				
Current				
Cash and cash equivalents	$	578,198	$	728,508
Marketable securities (Note 6)		188,911		461,166
Receivables (Notes 7)		5,246		300,000
Prepaid expenses (Note 13)		25,021		17,480
		797,376		1,507,154
Non-Current				
Reclamation bond		20,302		-
Exploration and evaluation assets (Note 9)		647,971		461,697
	$	1,465,649	$	1,968,851
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Notes 10 and 13)	$	54,010	$	109,928
		54,010		109,928
Non-Current				
Deferred compensation (Note 13)		1,631,016		903,793
		1,685,026		1,013,721
EQUITY (DEFICIENCY)				
Share capital (Note 12)		25,229,869		25,229,869
Share-based payment reserve (Note 12)		2,710,071		2,593,157
Deficit		(28,159,317)		(26,867,896)
		(219,377)		955,130
	$	1,465,649	$	1,968,851

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

Approved and authorized by the Board:

"Ronald Husband" Director — Ronald Husband

"Stephen Kenwood" Director — Stephen Kenwood

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

Year Ended December 31	2014	2013
EXPENSES		
Consulting fees (Note 13)	$ 816,360	$ 893,294
Insurance	14,772	20,867
Office and administration	28,640	24,917
Professional fees	71,099	108,547
Rent	17,600	16,687
Share-based payments (Note 12)	123,944	240,167
Transfer agent and filing fees	20,070	32,725
Travel and promotion	26,837	24,955
	(1,119,322)	(1,362,159)
OTHER INCOME (EXPENSE)		
Interest expense (Notes 9, 11 and 13)	(62,275)	(167,490)
Interest income (Note 8)	2,697	49,719
Gain on early settlement of Augusta loan (Note 11)	-	288,830
Gain (loss) on fair value of receivables (Note 8)	40,515	(87,655)
Change in value of deferred compensation (Note 13)	(261,100)	101,531
Excess on distribution from equity investment (Note 8)	-	49,050
Change in fair value of marketable securities (Note 6)	22,509	(100,111)
Gain on disposal of marketable securities (Note 6)	60,393	-
Gain (loss) on foreign exchange	18,132	(63,182)
	(179,129)	70,692
Loss and comprehensive loss for the year	$ (1,298,451)	$ (1,291,467)
Basic and diluted loss per share	$ (0.02)	$ (0.02)
Weighted average number of common shares outstanding	80,312,749	66,477,334

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

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

Year Ended December 31	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (1,298,451)	$ (1,291,467)
Items not affecting cash:		
Interest expense	62,275	167,490
Interest income accretion	(2,650)	(46,575)
Gain on early settlement of Augusta loan	-	(288,830)
Loss (gain) on fair value of receivables	(40,515)	87,655
Change in value of deferred compensation	261,100	(101,531)
Fair value adjustment of marketable securities	(22,509)	100,111
Gain on disposal of marketable securities	(60,393)	-
Share-based payments	123,944	240,167
Unrealized foreign exchange	10,113	7,499
Changes in non-cash working capital items:		
Receivables	15,855	10,053
Prepaid expenses	(7,541)	(3,519)
Accounts payable and accrued liabilities	(26,634)	(40,549)
Deferred compensation	354,048	392,172
Net cash used in operating activities	(631,358)	(767,324)
CASH FLOWS FROM INVESTING ACTIVITIES		
Distribution from equity investment	-	49,050
Exploration and evaluation expenditures, net of recoveries	(215,558)	(432,413)
Reclamation bond	(20,302)	-
Proceeds on disposal of marketable securities	438,708	-
Proceeds received from Solitario Exploration & Royalty Corp.	278,200	515,340
Net cash provided by investing activities	481,048	131,977
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares for cash, net of issuance costs	-	1,870,250
Repayment of other liabilities, net of recoveries	-	(2,151,990)
Net cash used in financing activities	-	(281,740)
Change in cash and cash equivalents for the year	(150,310)	(917,087)
Cash and cash equivalents, beginning of year	728,508	1,645,595
Cash and cash equivalents, end of year	$ 578,198	$ 728,508
Cash and cash equivalents consists of		
Cash	$ 553,198	$ 703,508
Term deposit	25,000	25,000
	$ 578,198	$ 728,508

Supplemental disclosure with respect to cash flows (Note 14)

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

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

	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 year	18,702,504	1,870,250	-	-	1,870,250
Share-based payments	-	-	240,167	-	240,167
Expired warrants	-	-	(31,197)	31,197	-
Net loss for the year	-	-	-	(1,291,467)	(1,291,467)
Balance, December 31, 2013	80,312,749	25,229,869	2,593,157	(26,867,896)	955,130
Share-based payments	-	-	123,944	-	123,944
Expired options	-	-	(7,030)	7,030	-
Net loss for the year	-	-	-	(1,298,451)	(1,298,451)
Balance, December 31, 2014	80,312,749	$ 25,229,869	$ 2,710,071	$ (28,159,317)	$ (219,377)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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 exploration and evaluation assets. The Company is listed on the TSX Venture Exchange ("TSX-V"), having the symbol ELY.

The Company's registered office is Suite 459 – 409 Granville St, Vancouver, British Columbia, Canada, V6C 1T2.

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 $1,298,451 for the year ended December 31, 2014 (2013 - $1,291,467). As at December 31, 2014, the Company had an accumulated deficit $28,159,317 (2013 - $26,867,896) with a working capital of $743,366 (2013 - $1,397,226).

These 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 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 consolidated financial statements were approved by the Board of Directors for issue on April 23, 2015.

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

2. BASIS OF PREPARATION (cont'd…)

Basis of consolidation and presentation

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

These 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 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 year are included in the 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 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 consolidated financial statements and the reported revenues and expenses during the year. 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:

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.

2. BASIS OF PREPARATION (cont'd…)

Use of estimates and judgments (cont'd…)

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 US prime rate, as established in the Wall Street Journal, plus two percent ("Prime Rate"). Management applied judgement to determine that the deferred compensation (amended terms) contract hosts an embedded derivative that is closely related to the economic characteristics and risks of the host contract, and is not accounted for separately. 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 consolidated statement of operations and comprehensive loss.

Impairment of mineral properties

Assets or cash-generating units are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's mineral properties.

In respect of costs incurred for its mineral properties, management has determined that exploratory drilling, evaluation, development and related costs incurred, which have been capitalized, continue to be appropriately recorded on the consolidated statement of financial position at its carrying value. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, economic assessment/studies, accessible facilities and existing permits.

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 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 that 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 the December 31, 2014 is $Nil (2013 - $Nil). As such, the Company determined that there is no impairment on the investment.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

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 and 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 a present value technique.

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

Foreign exchange

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are retranslated at the year-end exchange rates. Non-monetary items measured using historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the Company, DHI and DHI US is the Canadian dollar. The functional currency of MH-LLC is the US dollar. The functional currency determinations were conducted through an analysis of the consideration factors indentified in International Accounting Standard ("IAS") 21 *The Effects of Changes in Foreign Exchange Rates*.

Foreign operations are translated from their functional currencies into Canadian dollars on consolidation. Items in the consolidated statements of operations are translated using the weighted average exchange rates that reasonably approximate the exchange rate at the transaction date. Items in the consolidated statements of financial position are translated at the closing spot exchange rate. Exchange differences on the translation of the net assets of entities with functional currencies other than the Canadian dollar are recognized in a separate component of equity through other comprehensive income.

On disposition or partial disposition of a foreign operation, the cumulative amount of related exchange differences recorded in a separate component of equity is recognized in profit or loss.

Cash equivalents

Cash equivalents include short-term liquid investments that are cashable or readily convertible into a known amount of cash and which are subject to insignificant risk of changes in value.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments

Financial assets

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. It initially measures financial assets and financial liabilities at their fair value, adding or deducting directly attributable transaction costs (except for transaction costs directly attributable to acquiring financial assets or financial liabilities at fair value through profit or loss ("FVTPL"), which is recognized immediately in profit or loss). Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

The Company categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate fair values. The fair value of financial assets and financial liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Financial assets and liabilities in Level 2 are valued using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data.

The Company classifies its financial assets into one of the following categories as follows:

FVTPL - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

All financial assets, except those measured at FVTPL, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

FVTPL - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

Other financial liabilities - This category consists of liabilities carried at amortized cost using the effective interest method.

Exploration and evaluation assets

Pre-exploration costs are expensed as incurred.

Once the legal right to explore a property has been acquired, costs directly related to the exploration and evaluation of mineral properties are capitalized, in addition to the acquisition costs, including appropriate borrowing costs. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

When the technical and commercial viability of a mineral resource have been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and depreciated using the unit-of-production method on commencement of commercial production.

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount. Exploration and evaluation assets are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction". Exploration and evaluation assets are also tested for impairment before the assets are transferred as development properties.

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share, except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Impairment of long-lived assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of exploration and evaluation assets. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

Unit offering

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated to common shares using the market price on the date the common shares are priced and the residual, if any, is allocated to warrants.

Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The results, assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associates. When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Investments in associates (cont'd...)

Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Share-based payments

The Company grants stock options to directors, officers, employees and consultants. Share-based payments to employees are measured on the grant date at the fair value of the equity instruments issued, using the Black-Scholes option pricing model and are accrued and charged either to operations or exploration and evaluation assets, over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or at the fair value of the equity instruments issued (if it is determined the fair value of the goods or services cannot be reliably measured), and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payment reserve. Consideration paid for the shares on the exercise of stock options or warrants is credited to share capital and the applicable amounts of share-based payment reserve are transferred to share capital. Charges for options that are forfeited before vesting are reversed from share-based payment reserve and transferred to deficit. For options that expire or are forfeited after vesting, the recorded value is transferred from the share-based payment reserve to deficit.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax is recorded using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to the initial recognition of assets or liabilities that affect neither accounting nor taxable loss and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Changes in accounting standards not yet adopted

The Company has reviewed new and revised accounting pronouncements that have been issued, but are not yet effective. The Company has not early-adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

1) IFRS 9 *Financial Instruments* (2014)

This is a finalized version of IFRS 9, which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement.* The standard contains requirements in the following areas:

- Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a "fair value through other comprehensive income" category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- Impairment. The 2014 version of IFRS 9 introduces an "expected credit loss" model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Applicable to the Company's annual period beginning on January 1, 2018.

2) *Accounting for Acquisitions of Interests in Joint Operations* (Amendments to IFRS 11)

Amends IFRS 11 *Joint Arrangements* to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 *Business Combinations)* to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRS, except for those principles that conflict with the guidance in IFRS 11
- disclose the information required by IFRS 3 and other IFRS for business combinations. The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

Note: The amendments apply prospectively to acquisitions of interests in joint operations in which the activities of the joint operations constitute businesses, as defined in IFRS 3, for those acquisitions occurring from the beginning of the first period in which the amendments apply. Amounts recognized for acquisitions of interests in joint operations occurring in prior periods are not adjusted.

Applicable to the Company's annual period beginning on January 1, 2017.

3) *Equity Method in Separate Financial Statements* (Amendments to IAS 27)

Amends IAS 27 *Separate Financial Statements* to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Applicable to the Company's annual period beginning on January 1, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Changes in accounting standards not yet adopted (cont'd...)

4) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28)

Amends IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e., a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g., whether the sale or contribution of assets occurs by an investor transferring shares in an subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

Applicable to the Company's annual period beginning on January 1, 2017.

4. FINANCIAL INSTRUMENTS

The Company classifies its cash and cash equivalents, shares receivable and deferred compensation as FVTPL; marketable securities, as available-for-sale; other receivables, as loans and receivables; and accounts payable and accrued liabilities and other liabilities and deferred compensation (amended terms), as other financial liabilities.

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 other receivables approximate fair value, as the instruments are subject to market rates of interest. The carrying value of accounts payable and accrued liabilities approximate fair value, due to the short term to maturity of these financial instruments.

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%, and the Company's interest will increase to 51%.

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 as of December 31 is as follows:

	2014	2013
Cash and cash equivalents	$ 578,198	$ 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 December 31, 2014, the Company has cash and cash equivalents of $578,198 (2013 - $728,508), current liabilities of $54,010 (2013 - $109,928) and working capital of $743,366 (2012 - $1,397,226).

The amounts listed below are the remaining contractual maturities for financial liabilities held by the Company as at December 31, 2014 and 2013:

	December 31, 2014		December 31, 2013	
Due Date	Accounts Payable and Accrued Liabilities	Deferred Compensation	Accounts Payable and Accrued Liabilities	Deferred Compensation
0 – 90 days	$ 54,010	$ -	$ 109,928	$ -
90 – 365 days	$ -	$ -	$ -	$ -
More than 1 year	$ -	$ 1,631,016	$ -	$ 903,793

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

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

		2014		2013
Cash and cash equivalents	US$	446,495	US$	654,111
Amounts receivable [1]		-		250,000
Other financial liabilities [2]		(1,425,927)		(873,860)
Net	US$	(979,432)	US$	30,251
Canadian dollar equivalent		(1,136,239)		32,175

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

Based on the above net exposures as at December 31, 2014, a 5% (2013 - 5%) change in the Canadian/US exchange rate would impact the Company's loss and comprehensive loss by approximately $56,812 (2013 - $3,533).

4. 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. At December 31, 2014, a 1% change in the Prime Rate would impact the Company's earnings by approximately $41,000. 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 December 31, 2014 and 2013:

December 31, 2014	Level 1	Level 2	Level 3	Total
FVTPL				
Cash and cash equivalents	$578,198	$ -	$ -	$ 578,198
Available-for-sale				
Marketable securities	$188,911	$ -	$ -	$ 188,911
Other financial liabilities				
Deferred compensation	$ -	$1,631,016	$ -	$1,631,016

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
Loans and receivables				
Cash portion of other receivables	$ -	$ -	$247,605	$ 247,605

5. CAPITAL MANAGEMENT

The Company is an exploration stage company and this involves a high degree of risk. The Company has not determined whether its exploration and evaluation assets contain economically recoverable reserves of ore and currently has not earned any revenues from its exploration and evaluation assets, and therefore, does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of share capital and debt. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Company defines its capital as shareholders' equity. Capital requirements are driven by the Company's exploration activities on its exploration and evaluation assets. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities.

The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

There have been no changes to the Company's approach to capital management during the year ended December 31, 2014.

6. 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.

	December 31, 2014		December 31, 2013	
	Cost	Fair Value	Cost	Fair Value
Mountain China Resorts Holding Ltd.				
Nil (2013 - 100,000) common shares	$ -	$ -	$ 65,000	$ 2,000
Solitario Royalty & Exploration Corp.				
177,000 (2013 – 527,777) common shares	214,226	188,911	615,277	459,166
	$ 214,226	$ 188,911	$ 680,277	$ 461,166

During the year ended December 31, 2014, the Company disposed 100,000 common shares of Mountain China Resorts Holding Ltd. for gross proceeds of $465, realizing a loss of $1,535; the Company received 50,000 common shares of Solitario and disposed of 400,777 common shares of Solitario for gross proceeds of $438,708 (US$395,610), realizing a gain of $61,928.

For year ended December 31, 2014, a gain of $22,509 (2013 - loss of $100,111) was recognized in net loss as a change in fair value of marketable securities. During the year ended December 31, 2012, management had made the assessment that marketable securities had experienced a prolonged decline in their fair values below cost. Fair values remained below average cost as at December 31, 2013 and 2014.

7. RECEIVABLES

The Company's receivables as of December 31 are as follows:

		2014		2013
Sales taxes receivable	$	5,246	$	8,895
Current portion of additional consideration receivable (other receivables) (Note 8)		-		291,105
Total	$	5,246	$	300,000

8. 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 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 Letter of Intent 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 (the "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$2,700,000) 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 November 22, 2013); and
(iii) US$1,000,000 of common shares on or before May 1, 2015 (settled 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 11).

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 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.

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

(d) (cont'd…)

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, Solitaro 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 (paid in 2011); and
(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 the 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 and 200,000 common shares of Solitario (received);
(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%.

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

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 December 31, 2013, the Company is not indebted to Solitario for any proportionate share of MH-LLC expenses (Note 9).

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 consolidated 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 part of 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 December 31, 2014, the remaining balance of the Additional Consideration was received. For the year ended December 31, 2014, interest income of $Nil (2013 - $46,575) and a gain on the fair value of the Solitario common shares receivable of $40,515 (2013 - loss of $87,655), was recognized in net loss.

Since December 31, 2012, the share of losses and recoveries from MH-LLC has 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 consolidated statements of operations and comprehensive loss. At December 31, 2013 and 2014, the carrying value of the Company's equity investment in MH-LLC continues to be $Nil.

	December 31, 2014	December 31, 2013
Current receivables	$ -	$ 291,105
Non-current receivables	-	-
Total	$ -	$ 291,105

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

During the year ended December 31, 2013, MH-LLC declared a distribution of US$250,000, of which US$50,000 ($49,050) was distributed to the Company and recognized in the consolidated statements of operations and comprehensive loss.

Summary of financial information for MH-LLC:

As at December 31	2014 $US	2013 $US
Current assets	393,785	1,980,728
Non-current assets	14,467,677	12,301,299
Current liabilities	201,234	184,984
Non-current liabilities	7,000,000	7,000,000

For the year ended December 31	2014 $US	2013 $US
Net loss	50,197	237,013
Comprehensive loss	50,197	237,013

9. 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	156,989	2,610	-	159,599
Balance, December 31, 2014	$ 621,838	$ 26,133	$ -	$ 647,971

(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.

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

(a) Green Springs (cont'd…)

Eurasian will retain a 2.5% net smelter return ("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 in 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, 2014, US $10,000 (paid in 2013)
- January 16, 2015, US $12,000 (paid in 2014)
- January 16, 2016, US $15,000
- January 16, 2017, US $15,000
- January 16, 2018, US $15,000
- January 16, 2019, US $20,000
- January 16, 2020 and on each subsequent anniversary, US $25,000.

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:

- Upon signing, US $2,500 (paid in 2013)
- January 16, 2014, US $2,500 (paid in 2014)
- January 16, 2015, US $2,500 (paid in 2015)
- 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.

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

(c) Mount Hamilton property, Nevada

Solitario's interest in MH-LLC is 80% and the Company's interest is 20%. The Company accounts for its investment in MH-LLC as a significantly influenced equity investment and records its share of profit or loss from MH-LLC and accordingly, the Company's interest in the Mount Hamilton property is presented as an equity investment in MH-LLC (Note 8).

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 (the "First Royalty Reduction Option").

In 2010 the Company issued to the holder of the NSR 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 was extended from February 28, 2013 to February 28, 2015 (Note 12).

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.

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.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprise the following:

	2014	2013
Trade payables	$ 2,000	$ 74,678
Accrued liabilities	30,000	30,000
Due to related parties	22,010	5,250
Total	$ 54,010	$ 109,928

11. OTHER LIABILITIES

On February 28, 2008, as amended on November 16, 2009 and November 30, 2013, 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.

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).

Acquisition Payments amounting to US$6,175,000 were fully settled with the final payment of $1,300,000 completed in November 2013.

The payment was being amortized using the effective interest rate method at an effective interest rate of 10.47% with the undernoted carrying amounts. For the year ended December 31, 2014, the interest expense of $nil (2013 - $167,490) relating to the amortization of the Acquisition Payments was included in net loss.

The continuity of the Acquisition Payment during the years ended December 31 is as follows:

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

12. SHARE CAPITAL AND RESERVES

(a) Authorized share capital

As at December 31, 2014, the authorized share capital of the Company is an unlimited number of common shares without par value.

(b) Issued share capital

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

Expiry Date	Exercise Price	2014	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	-
November 27, 2024	$ 0.06	900,000	-
Total outstanding and exercisable		7,850,000	6,100,000

* During the year ended December 31, 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, which was included in share-based payment expense.

The weighted average remaining contractual life for the outstanding options at December 31, 2014 is 4.23 (2013 - 3.71) years.

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

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

Stock option transactions are summarized as follows:

	2014			2013		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Balance, beginning of year	6,100,000	$	0.21	5,650,000	$	0.22
Granted	1,800,000	$	0.09	450,000	$	0.14
Expired	(50,000)	$	0.14	-	$	-
Options exercisable, end of year	7,850,000	$	0.16	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.

On November 27, 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 $0.06 per share for a period of 10 years vesting 100% on the grant date and expiring November 27, 2024. The fair value of these options was calculated at $32,023 using the Black-Scholes option pricing model.

During the year ended December 31, 2014, the Company recorded a total share-based payment expense of $123,944.

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, expiring January 30, 2023. The fair value of these options was calculated at $65,831 using the Black-Scholes option pricing model. During the year ended December 31, 2013, the Company recorded a total share-based payment expense of $240,167.

(d) Warrants

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

Expiry Date	Exercise Price	2014	2013
February 28, 2015*	$ 0.32	4,000,000	4,000,000

* During the year ended December 31, 2013, these warrants were extended for a period of two years, resulting in an increase in fair value of $142,228, which was included in share-based payment expense.

On February 28, 2015, the 4,000,000 warrants expired unexercised.

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

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

Share purchase warrant transactions are summarized as follows:

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

No warrants were issued during the years ended December 31, 2014 and 2013.

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

	2014		2013	
	Options	Warrants	Options	Warrants
Risk-free interest rate	3.20%	N/A	1.63%	1.13%
Expected dividend yield	0.00%	N/A	0.00%	0.00%
Expected stock price volatility	112%	N/A	132%	69%
Expected life in years	10.00	N/A	6.38	2.10

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.

Weighted average fair value of the options at grant during the years ended December 31:

	2014		2013	
	Options	Warrants	Options	Warrants
Weighted average fair value at grant	$0.06	N/A	$0.11	$0.04

13. RELATED PARTY TRANSACTIONS

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 for the year ended December 31:

		2014		2013
Short-term employment benefits	$	439,090	$	462,028
Other long-term employment benefits		353,536		329,568
Share-based payments		123,944		90,624
Total	$	916,570	$	882,220

As at December 31, 2014, $22,010 (2013 - $5,250) is owing to related parties for consulting fees, which is included in accounts payable and accrued liabilities. A prepaid advance of $18,574 (2013 - $13,042 (US $12,000)) was made to an officer and director of the Company.

As at December 31, 2014, $1,631,016 (2013 - $903,793) is owing to related parties for deferred consulting fees; $1,218,018 (2013 - $647,899) is payable January 1, 2016 and $412,998 (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, adjusted and compounded each quarter, at the Prime Rate (defined as the rate published by the Wall Street Journal on the last business day of the quarter, plus 2%). Due to the long-term nature of the payment of the deferred compensation, the carrying value of the estimated obligation of $1,631,016 (2013 - $903,793) represents the expected payment obligation in the future, discounted at December 31, 2014 using an effective interest rate of 10%. Prior to this amendment, the payment of consulting fees was indexed to the DJIA and the value of the deferred compensation fluctuated based on the movements in the DJIA index. 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 year ended December 31, 2014, the Company recognized in net loss:

- an increase in the value of the deferred compensation liability of $261,100 (2013 a decline in the value of the deferred compensation liability of $101,531); and
- an interest expense of $62,275 (2013 - $nil).

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 and directors, whereby the officers and directors are entitled to a cumulative amount of $1,000,000 in the event they are terminated without cause; or $1,960,000 in the event there is a change of control.

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash operating, investing and financing transactions during the years ended December 31 consisted of:

	2014	2013
Exploration and evaluation expenditures included in accounts payable and accrued liabilities	$ -	$ 29,284
Shares received from Solitario	$ 84,016	$ 407,000

15. 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.

	2014	2013
Non-current assets		
United States	$ 668,273	$ 461,697

16. DEFERRED INCOME TAXES

(a) A reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision is provided as follows:

	2014	2013
Loss for the year	$ (1,298,451)	$ (1,291,467)
Canadian statutory tax rate	26%	26%
Income tax recovery computed at statutory rates	(337,597)	(335,781)
Foreign tax rates different from statutory rates	(44,488)	(35,857)
Change in timing differences	60,277	(100,295)
Rate difference between current and deferred taxes	-	(169,133)
Foreign exchange gains or losses	(93,813)	(44,965)
Permanent differences	65,176	64,423
Unused tax losses and tax offsets not recognized in tax asset	350,445	621,608
Income tax recovery	$ -	$ -

The British Columbia corporate tax rate and the Canadian federal corporate tax rate remained constant at 11% and 15%, respectively. There were no changes to the Company's statutory tax rate at 26%.

16. DEFERRED INCOME TAXES (cont'd...)

(b) The Company recognizes tax benefits on losses or other deductible amounts generated in countries where it is probable the Company will generate future taxable income. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2014	2013
Non-capital losses	$ 14,775,000	$ 13,719,000
Capital losses	2,287,000	2,287,000
Share issue costs	-	1,000
Tax value over book value of equipment	2,000	2,000
Tax value over book value of exploration and evaluation assets	4,012,000	3,914,000
Tax value over book value of investments	81,000	118,000
Unrecognized deductible temporary differences	$ 21,157,000	$ 20,041,000

As at December 31, 2014, the Company has non-capital losses carried forward of approximately $11,945,000 and $2,500,000 that may be applied against future income for tax purposes in Canada and the United States, respectively. The non-capital losses expire between 2015 and 2034.