ELY GOLD & MINERALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015

Suite 459 – 409 Granville St, Vancouver, BC V6C 1T2

1.1 INTRODUCTION

Set out below is a review of the activities, financial performance and financial position of Ely Gold & Minerals Inc. ("Ely", or the "Company") and its subsidiaries for the three and six months ended June 30, 2015 and 2014. The discussion below should be read in conjunction with the Company's June 30, 2015 unaudited condensed interim consolidated financial statements and related notes. All dollar figures included in the following Management Discussion and Analysis ("MD&A") are quoted in Canadian dollars unless otherwise indicated. This MD&A has been prepared as at August 28, 2015.

The Company is a reporting issuer in the provinces of British Columbia and Alberta in Canada and is listed on the TSX Venture Exchange ("Exchange") under the symbol "ELY".

Additional information related to the Company is available on SEDAR at www.sedar.com. The Company's website is at http://www.elygoldandminerals.com

1.2 FORWARD LOOKING STATEMENTS

This MD&A contains "forward-looking statements" within the meaning of applicable Canadian securities legislation, which include all statements, other than statements of historical fact that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future. These include, without limitation:

- the Company's anticipated results and developments in the Company's operations in future periods;
- planned exploration and development of its mineral properties;
- planned expenditures and budgets;
- evaluation of the potential impact of future accounting changes;
- estimates concerning share-based payment and carrying value of properties; and
- other matters that may occur in the future.

These statements relate to analyses and other information that are based on expectations of future performance and planned work programs.

Statements concerning mineral resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if the related property is developed.

With respect to forward-looking statements and information contained herein, the Company has made a number of assumptions with respect to, including among other things, the price of gold and other metals, economic and political conditions, and continuity of operations. Although the Company believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that forward-looking statements or information contained or incorporated by reference herein will prove to be accurate.

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ materially from those expressed or implied by the forward-looking statements, including, without limitation:

- fluctuations in mineral prices;
- the Company's dependence on a limited number of mineral projects;
- the nature of mineral exploration and mining and the uncertain commercial viability of certain mineral deposits;
- the Company's lack of operating revenues;
- the Company's ability to obtain necessary financing to fund the development of its mineral properties or the completion of further exploration programs;
- jurisdiction operating risks which can over time include changes in political, economic, regulatory and taxation regimes;
- governmental regulations and specifically the ability to obtain necessary licenses and permits;
- risks related to the Company's mineral properties being subject to prior unregistered agreements, transfers, or claims and other defects in title;
- fluctuations in the currency markets;
- changes in environmental laws and regulations which may increase costs of doing business and restrict the Company's operations;
- risks related to the Company's dependence on key personnel; and
- estimates used in the Company's consolidated financial statements proving to be incorrect.

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking statements. The Company's forward-looking statements are based on beliefs, expectations and opinions of management on the date the statements are made. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

1.3 DESCRIPTION OF BUSINESS

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

The Company's operations are conducted through Ely and its wholly-owned subsidiaries, DHI Minerals Ltd. ("DHI") and its subsidiary DHI Minerals (US) Ltd. ("DHI US").

The Company is an exploration stage natural resource company engaged in the evaluation, acquisition, exploration and development of natural resource projects. The Company is currently focused on gold projects in North America.

The recoverability of costs capitalized to mineral properties and the Company's future financial success is dependent upon the extent to which economic gold mineralized bodies can develop to producing entities. Such development may take years to complete and the amount of resulting income, if any, is difficult to determine with any certainty. Many of the key factors for advancing the Company's projects to production are dependent on outside factors; such as, obtaining the necessary rights and permitting which need to be granted from certain local and governmental agencies located in the jurisdictions that the Company operates in. Additional risk factors that may affect the financial success of the Company and its consolidated financial statements and the risk factors related to mineral exploration and development are set out under the heading "Risks and Uncertainties" listed below.

The Company knows of no trends, demands, commitments, events or uncertainties outside of the normal course of business that may result in the Company's liquidity either materially increasing or decreasing at the present time or in the foreseeable future. Material increases or decreases in the Company's liquidity are substantially determined by the success or failure of the Company's exploration programs and overall market conditions for smaller resource companies. The Company is not aware of any seasonality in the business that may have a material effect upon its financial condition, other than those normally encountered by public reporting junior resource companies. The Company is not aware of any changes in the results of its operations that are other than those normally encountered in its ongoing business.

1.4 HIGHLIGHTS

- As of June 30, 2015, the Company had cash of $318,563 and consolidated working capital deficit of $141,991.
- Subsequent to June 30, 2015, the Company closed the sale of its' 20% interest in the Mount Hamilton project. Refer to the Project Updates and Acquisition section for complete details.

1.5 PROJECT UPDATES AND ACQUISITION

i. The Purchase of DHI US from Augusta Resource Corp.

On February 28, 2008, the Company acquired 100% of the issued and outstanding common shares of DHI which in turn owns 100% of the shares of DHI US, pursuant to an agreement (the "**Augusta Agreement**") with Augusta Resource Corp. DHI US was at that time the owner of 100% of the Mount Hamilton property (collectively, with related leasehold and other rights, the "**Mt. Hamilton Project**") in Nevada, subject to a sliding scale net smelter returns royalty (the "**Underlying Royalty**") reserved in favor of the lessor (the "**Royalty Holder**") from whom a lease to the Mt. Hamilton Project was acquired by DHI US. The original US$6,628,000 purchase price (the "**Purchase Price**") was payable partly in cash (US$6,625,000 over six years,) and partly by issuance to Augusta of 3,000,000 share purchase warrants at the deemed issue price of US$0.001 each (US$3,000 in the aggregate). Each warrant was exercisable to purchase one common share of the Company for CAD$0.50 for eighteen months after closing. All warrants expired without being exercised.

The Company made the initial payments on account of the Purchase Price in 2008 and 2009 (total US$2,625,000). The Augusta Agreement was then amended on November 16, 2009 to extend the time for the Company to pay the remaining US$4,000,000 of the Purchase Price according to the following schedule:

- US$250,000 by June 1, 2010;
- US$500,000 by June 1, 2011;
- US$750,000 by June 1, 2012;
- US$750,000 by June 1, 2013;
- US$750,000 by June 1, 2014; and
- US$1,000,000 by June 1, 2015.

As consideration for that extension of time, the Company issued to Augusta share purchase warrants exercisable to purchase up to an aggregate of 2,000,000 common shares of the Company for C$0.25 each until May 16, 2011. Those warrants were subsequently exercised by Augusta. On November 22, 2013, the unpaid balance of the Purchase Price was reduced from US$1,750,000 to US$1,300,000, and the unpaid balance was paid in full.

The Underlying Royalty had a base rate of 3% and increased by 0.5% for each US$50 increase in the price of gold over US$400 per ounce, to a maximum of 8%, which meant that the effective rate of the Underlying Royalty for all practical purposes was 8%, subject to an option (the "**First Royalty Reduction Option**") of DHI US to reduce it by 1.5% upon payment of US$2,000,000 to the Royalty Holder at any time prior to commencement of commercial production. The Company subsequently negotiated amendments to the terms of the Underlying Royalty to acquire:

(a) an option (the "**Second Royalty Reduction Option**") to reduce the Underlying Royalty to 4.75% upon exercise of the First Royalty Reduction Option and payment of an additional US$1,500,000 to the Royalty Holder at any time prior to commencement of commercial production; and

(b) another option (the “**Third Royalty Reduction Option**”) to reduce the Underlying Royalty to 3.0% upon exercise of the Second Royalty Reduction Option and payment of an additional

(c) US$1,500,000 to the Royalty Holder at any time prior to the first anniversary of commencement of commercial production.

The Company issued share purchase warrants to the Royalty Holder as consideration for the additional options. Those warrants ultimately expired without being exercised.

ii. The Joint Venture with Solitario

On August 26, 2010, Ely Gold and DHI US entered into an agreement (the “**JV Agreement**”) with Solitario Exploration & Royalty Corp (“**Solitario**”) pursuant to which Solitario was granted the right to acquire up to an 80% interest in the Mt. Hamilton Project by funding future payments on account of the Purchase Price by subscribing for securities of Ely Gold, making all future advance royalty payments on account of the Underlying Royalties, funding exercise of the First, Second and Third Royalty Reduction Options, and funding the continued exploration and development of the Mt. Hamilton property through to a Bankable Feasibility Study (the “**BFS**”), at which time all expenses would be shared according to the partner’s ownership interest..

In December 2010, Solitario and DHI US established MHLLC as a Colorado limited liability company to conduct joint operations. Solitario’s initial contribution of US$300,000 to MH-LLC was used to make an advance royalty payment to the original owners of the Mount Hamilton property (the “**Underlying Royalty Holder**”) subject to the Mount Hamilton lease. DHI US contributed its mineral properties (Mount Hamilton and Monte Cristo) with a fair value of $2,738,340 US$2,700,000) for a 90% interest in MH-LLC. At the same time, Solitario purchased 3,333,333 units of Ely for $500,000. One-half of the proceeds from that private placement ($250,000) were used by Ely to make a required payment to Augusta. Solitario and DHI US entered into an operating agreement (the “**Operating Agreement**”) with DHI US to govern the development of the property in accordance with the terms of the JV Agreement.

Subsequently;

Solitario earned an additional 41% interest in MH-LLC, for a total of 51% by:

(i) incurring US$1,000,000 in exploration expenditures by August 23, 2011;
(ii) investing US$300,000 into MH-LLC for an advance royalty payment to the Underlying Royalty Holder; and
(iii) making payments totaling US$1,750,000 to DHI US (paid) and issuing 100,000 Solitario common shares to DHI US by August 23, 2012.

Solitario earned an additional 19% interest in MH-LLC, for a total of 70%, by

(i) investing US$300,000 into MH-LLC for an advance royalty payment to the Underlying Royalty Holder; and
(ii) making payments totaling US$500,000 to DHI US and issuing 100,000 Solitario common shares to DHI US by August 23, 2013;
(iii) making payments totaling US$500,000 and issuing 100,000 Solitario common shares

Solitario earned an additional 10% interest in MH-LLC, for a total of 80%, Solitario is required to:

(i) investing US$600,000 into MH-LLC for an advance royalty payment to the underlying royalty holder;
(ii) making payments totaling US$500,000 to DHI US and issuing 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;
(iv) Fund all bonding requirements to achieve commercial production as described in the BFS.

Solitario was required per the terms of the Operating Agreement to fund all expenditures until completion of a BFS,

Alternatively, Solitario could 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, the Operating Agreement provided that if Solitario completes a BFS and earns an 80% interest in MH-LLC, as of that date, it would 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 below (collectively referred to as the "**Continuing Payment Obligations**").

As of February 22, 2012, Solitario earned an 80% interest in MH-LLC by completion of a BFS and had the following Continuing Payment Obligations and share issuances:

(i) make unpaid payments of cash and common shares to DHI US totaling US$1,000,000 (paid and 200,000 common shares of Solitario (paid);
(ii) make Advance Royalty Payments to the Underlying Royalty Holder of US$900,000 (paid);
(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;
(iv) and provide funding for all bonding requirements to achieve commercial production (the "**Bonding Obligations**")

In addition, the JV Agreement provided that Solitario would subscribe for additional securities of Ely in three tranches of US$750,000, US$750,000 and US$1,000,000 not later than June 1, 2013, June 1, 2014 and June 1, 2015 respectively to exercise its rights under the JV Agreement. Proceeds from those private placements were to be used by Ely Gold to make required payments to Augusta on account of the Purchase Price. In November, 2013, Ely Gold negotiated a reduction in the final two payments to Augusta to $1,300,000. Solitario subsequently subscribed to Ely Gold shares and the final payment was made. Solitario currently owns 15,732,274 Ely Gold common shares "**Solitario's Ely Gold Shares**") acquired pursuant to those private placements, representing approximately 19.6% of Ely Gold's outstanding shares. Also in November, 2013, the Company and Solitario agreed to settle the final cash payment of US$250,000 (due August 2014) with Solitario common stock. Solitario issued an additional 277,777 shares at a deemed price of US$.90 per share giving the Company a total of 577,777 Solitario shares.

At the date of this MD&A, the only Continuing Payment Obligation which has not been satisfied by Solitario is the obligation to provide MHLLC US$3,500,000 prior to commercial production and to provide MHLLC US$1,500,000 within one year of commercial production with the US$5,000,000 required to permit it to exercise the Royalty Reduction Options. Similarly, the Bonding Obligation will not arise until and unless further steps are taken by MHLLC towards placing the Mt. Hamilton Project into commercial production.

Pursuant to the Operating Agreement, Solitario was obligated to fund all expenses of MHLLC incurred in respect of the Mt. Hamilton Project prior to completion of a BFS. After completion of the BFS, Solitario and DHI US became obligated to fund such expenses (other than Continuing Payment Obligations and Bonding Obligations) ratably according to their membership interests in MHLLC; provided that DHI US was entitled to, and did, elect to require that Solitario fund, or arrange for third party funding of, DHI US' share of expenses until commencement of commercial production. All such funding provided by Solitario was agreed to be a limited recourse loan repayable only from 80% of DHI US' share of distributions from MHLLC.

MH-LLC Management

Under the Operating Agreement, Solitario has managed the day to day operation of MH-LLC. However, the Management Committee has the exclusive power and authority to approve all "Major Decisions". Solitario and DHI US appoint two representatives each to the Management Committee. The representatives of each company vote as a group. In the event that the two groups don't agree, the groups vote based on their ownership interest.

Major Decisions are defined as:

(i) Approval of all programs and budgets;
(ii) Dissolution of the Company;
(iii) Decisions to undertake production or to cease production;
(iv) Acquisition or dissolution of mineral rights, claims or real property;
(v) All financing activities & distributions;
(vi) The redemption or issuance of any portion of an interest in MH-LLC;
(vii) Bankruptcy filings; and
(viii) Any contract by any Member which requires the other Member to relinquish any of its rights under the Operating Agreement.

Since its inception, MH-LLC has held Management Meetings on a quarterly basis and the DHI US representatives have had input in all Major Decisions as well as many day to day management decisions and project development. These include press releases, reviewing all technical reports, reviewing MH-LLC financials and several site visits.

Pursuant to an agreement made as of May 27, 2011 (the "**Royalty Base Rate Reduction Agreement**"), the base rate for the Underlying Royalty was reduced from 3% to 1% and the maximum rate was reduced from 8% to 6%, with the result that:

(a) exercise of the First Royalty Reduction Option will reduce the Underlying Royalty from 6% to 5.5%;
(b) exercise of the Second Royalty Reduction Option will reduce the Underlying Royalty from 5.5% to 2.75%; and
(c) exercise of the Third Royalty Reduction Option will reduce the Underlying Royalty from 2.75% to 1.0%.

Solitario provided MHLLC with $2,500,000 for the Royalty Base Rate Reduction Agreement and under the Operating Agreement made a loan of $500,000 to DHI US for its 20% interest.

On June 11, 2012, MHLLC entered into an agreement with Sandstorm Gold Ltd. ("**Sandstorm**") whereby Sandstorm purchased a 2.4% net smelter returns royalty on the Mount Hamilton gold project for US$10,000,000 (the ("**Sandstorm Royalty**"). US$6,000,000 was paid upon signing and the remaining US$4,000,000 was paid to MHLLC on January 15, 2013. As part of the agreement, MHLLC was granted the option, for a period of 30 months, to repurchase up to 100% of the NSR for US$12,000,000 provided that Solitario enter into a gold stream agreement with Sandstorm with an upfront deposit of no less than US$30,000,000. In addition, MHLLC provided Sandstorm with a right of first refusal on any future royalty or gold stream financing for the Mount Hamilton project.

On June 28, 2012, the Management Committee of MH-LLC agreed that MH-LLC would distribute $2,500,000 to its members. DHI US' 20% portion of the distribution ($500,000) was paid directly to Solitario for repayment of the loan from the May 27, 2011 royalty buy down. Solitario agreed to forgive (a) the entire amount of the accrued interest on the Loan Amount through June 30, 2012 and (b) all interest on DHI US' share of post Bankable Feasibility Study expenditures between February 22, 2012 and June 30, 2012. The interest forgiveness was treated on Ely's financial statements as an expense recovery.

On August 10, 2012 Solitario entered into a Facility Agreement with RMB Resources whereby Solitario was permitted to borrow up to US$5,000,000 (the "RMB Loan"). The RMB Loan is secured by Solitario's 80% interest in MH-LLC and therefore required the approval of DHI US under the Operating Agreement. DHI US approved the loan subject to certain conditions including (a) a right to cure a default of the RMB Loan and (b) DHI US maintaining its first security position regarding Solitario's Continuing Payment Obligations. Solitario is required to repay the RMB Loan on August 21, 2015

Subsequent to the June 28, 2012 distribution, all of MH-LLC's expenses have been paid from the balance of the proceeds from the Sandstorm NSR and as of March 31, 2015, DHI US had no loans outstanding to Solitario or other obligations to MH-LLC.

iii. The Waterton Transaction

On May 6, 2015 the Company and Solitario (the "**Sellers**") signed a non-binding letter of intent (the "**Waterton LOI**") with Waterton Precious Metals Fund II Cayman, LP outlining the intent of the parties to negotiate a definitive agreement for the sale of 100% of the Sellers' Interests in MHLLC (the "**Interests**") for US$30,000,000, allocated as to 80% (US$24,000,000) to Solitario and as to 20% (US$6,000,000) to DHI US (the "**Transaction**"). On June 10, 2015, Solitario, DHI US, the Company and Waterton executed and delivered the Membership Interest Purchase Agreement (the "**MIPA**") as the definitive agreement contemplated by the letter of intent. Waterton is a wholly-owned subsidiary of Waterton Precious Metals Fund II Cayman, LP. The MIPA may be viewed in its entirety on SEDAR.

Background to the MIPA

The Mt. Hamilton Project has received all major permits and MHLLC is legally in a position to begin construction of mine facilities. However, it requires the necessary financing (estimated initial capital of approximately US$92,000,000). Given Solitario's limited resources, and given the recent state of the equity market for resource companies, Company management does not believe it is likely that Solitario can arrange financing for the development of the Mt. Hamilton project, and if such financing were ultimately to made available, it would, in the view of Company management, most likely result in the Company's interest in MHLLC being subjected to significant credit risk.

The Company's Board of Directors has periodically reviewed and assessed the Company's short-term and long-term strategies and objectives having regard to developments in the markets in which it operates, including, among other things, strategies to grow its businesses and operations through potential partnering, strategic alliances or other strategic opportunities with other companies or to opportunistically sell assets. After considering its strategic and business alternatives for the development of the Mt. Hamilton Project and for the reasons stated below, in November, 2014, the Company engaged Maxit Capital LP ("**Maxit**") to investigate strategic alternatives to the development of the Mt. Hamilton Project and to consider appropriate merger, sale or joint venture options for MHLLC, or a corporate level transactions with target companies.

The Company believed this was important for several reasons including:

1. The challenging financing markets in the mining industry, coupled with the fact that this would be Solitario's first mine development project, would make it very difficult for Solitario to finance the $92,000,000 in estimated capital costs to develop the Mt. Hamilton Project;

2. A large debt financing would carry significant risk to MHLLC, and the Company, as the debt terms would likely require a pledge of assets, significant hedging at current gold prices and other corporate guarantees;

2. The near term need for Solitario to repay or refinance the RMB Loan, as security for which Solitario had pledged its 80% Interest in MHLLC.

Concurrent with the Company engaging Maxit, Solitario also engaged Maxit, as the two companies agreed this was the most efficient way to market and present the Mt. Hamilton Project, and/or MHLLC to target companies. The Company did not conclusively determine that it would take any particular certain course of action at that time. Instead, the Company explored a variety of forms of transactions to potentially monetize its interest in MHLLC, including obtaining the highest offered price for its membership interest in MHLLC, the assets of the Mt. Hamilton Project, or another form of corporate transaction or arrangement. The Company's Board of Directors ultimately determined that it was in the best interests of the Company and its Shareholders that a competitive bid process be initiated. Solitario concurred, and Maxit was engaged accordingly. Between December, 2014 and April, 2015, Maxit contacted approximately twenty five targeted companies.

The Company and Solitario signed confidentiality agreements with a number of companies (the "**Interested Parties**") interested in acquiring the Interests in MHLLC, the Mt. Hamilton assets or a corporate level transaction with the Sellers. The Sellers assembled and operated an electronic data room in which the Interested Parties would be able to review a significant amount of information about MHLLC, the Company, Solitario and the Mt. Hamilton Project. Several Interested Parties performed further due diligence which led to certain of those Interested Parties submitting an expression of interest to purchase the membership interests in MHLLC.

The Standby Debt Facility

Concurrent with the signing of the MIPA, but independent of the Transaction, Solitario and Waterton entered into a separate agreement (the "**Waterton Facility Agreement**") whereby Waterton committed to provide Solitario with a standby debt facility (the "**Standby Debt Facility**") available for use by Solitario, at Solitario's option, to repay the RMB Loan. If Solitario needs to borrow funds under the Standby Debt Facility, any such loan(s) will be secured by Solitario's Interest as well as other assets of Solitario, have a six-month term and bear interest at 8% per annum. This arrangement provides assurance that should the Transaction not close prior to the RMB Loan coming due, or if Solitario is otherwise unable to make other arrangements to repay the RMB Loan, Solitario will have a source of financing to satisfy its obligations to RMB.

The Consent Agreement

Also concurrent with the signing of the MIPA, and also independent of the Transaction, as well as independent of the Standby Debt Facility, the Company, DHI US and Solitario entered into an arm's length agreement (the "**Consent Agreement**") pursuant to which Solitario has agreed to surrender Solitario's Ely Gold Shares to the Company for cancellation in exchange for

(a) the Company and DHI US consenting to Solitario pledging its Interest as security for any refinancing required by Solitario to any third party loans, including a refinancing to repay the RMB Loan;

(b) Ely and DHI US waiving Solitario's obligation to fund the exercise of the Royalty Reduction Options and the Bonding Obligations; and

(c) DHI US repaying loans (the "**JV Loans**") made to DHI US by Solitario pursuant to the MHLLC Operating Agreement to fund DHI US' Joint Venture obligations to MHLLC, to a maximum of US$200,000, if the transactions contemplated by the Consent Agreement close on the date of a sale of MHLLC to Waterton.

The Consent Agreement was entered into for several reasons. First, under the MHLLC Operating Agreement, neither Solitario nor DHI US is permitted to create any encumbrance on any portion of its Interest without the written approval of the other party, although such approval may not be unreasonably withheld or delayed. Accordingly, Solitario required the consent of DHI US to encumber Solitario's Interest as security for any refinancing, including any refinancing required by Solitario to repay the RMB

Loan and/or the Standby Debt Facility. Second, the MHLLC Operating Agreement addresses only the rights and obligations of DHI US and Solitario respecting costs to be incurred to place the Mt. Hamilton Project into commercial production following receipt of a BFS. It does not address the possibility of a sale of MHLLC or the Mt. Hamilton Project prior to commencement of commercial production, and it does not stipulate a time within which the Mt. Hamilton Project must be placed into commercial production. It simply states that Solitario is obligated to make the JV Loans to DHI US to permit DHI US to pay its 20% share of costs incurred by MHLLC after receipt of the BFS, and to fund the exercise of the Royalty Reduction Options and Bonding Obligations if, and only if, the Mt. Hamilton Project is placed into commercial production. In the event of a sale of MHLLC or the Mt. Hamilton Project prior to commencement of commercial production, Solitario will not need to fund the Bonding Obligations and Solitario will not need to fund the exercise of the Royalty Reduction Options. Third, the MHLLC Operating Agreement stipulates that all JV Loans are to be repaid to Solitario out of 80% of distributions made by MHLLC – effectively out of DHI US' share of production following commencement of commercial production, meaning that Solitario would receive no repayment of JV Loans from DHI US in the event of a sale of MHLLC prior to commencement of commercial production. During the course of discussions regarding those matters, the Waterton LOI was received and, shortly thereafter, Waterton offered to provide the Standby Debt Facility to Solitario and the terms of the Consent Agreement were settled.

The TSX Venture Exchange (the "**TSXV**") conditionally approved the Consent Agreement on June 26, 2015. Final acceptance is subject only to filing of a news release announcing completion of the transactions contemplated by the Consent Agreement. The Consent Agreement will close regardless of if the Transaction is closed on October 1, 2015. The Consent Agreement may be viewed in its entirety on SEDAR.

Summary of the Transaction

Pursuant to the MIPA, Waterton has agreed to acquire 100% of the Interests for total cash consideration of US$30,000,000. The Company is entitled to US$6,000,000 of the gross proceeds, from which it will be obligated to pay CAD$200,000 to Maxit for its services in connection with the Transaction and to repay JV Loans due to Solitario. Solitario is entitled to US$24,000,000 of the gross proceeds. The assets owned by MHLLC consist primarily of capitalized development costs, capitalized mineral lease costs, certain other assets of furniture and fixtures and certain environmental bond deposits with federal and state regulatory bodies. These assets are offset by normal accounts payable, all of which are currently less than 30 days old. The Sellers have agreed with Waterton that all inter-company amounts, all cash accounts and all normal accounts payable in excess of their terms will be zero at closing. Solitario has agreed to contribute all funds needed by MHLLC to achieve that result and DHI US will be responsible for its 20% share of such funds, capped at $200,000 by the Consent Agreement.

Purpose of the Transaction

After considering and exploring their strategic alternatives to pursuing the development of the Mt. Hamilton Project as a mine, the Company and Solitario determined to explore the potential for a transaction involving MHLLC or the Mt. Hamilton Project with a view to maximizing the value of those assets. the Company believes that the Sellers have furthered the Mt. Hamilton project significantly since its acquisition, but has determined that without an infusion of significant capital, the Sellers cannot significantly further the Mt. Hamilton Project. Because the Company does not believe it is likely that the Sellers can obtain a significant amount of capital on reasonable terms, if at all, the Company believes a transaction that monetizes MHLLC is prudent and in the best interests of the Company and its Shareholders. Further, after consummation of the Transaction, the Company will be able to focus on its Green Springs asset and potentially explore other opportunities aimed at maximizing Shareholder value. Finally, consummation of the Transaction will provide the Company with financial resources that would not otherwise be available to it without significant dilution to its current Shareholders having regard to current market conditions.

Opinion of Maxit Capital

As noted above, the Company entered into an engagement letter with Maxit during November, 2014 pursuant to which, among other things, Maxit agreed to provide the Company with an opinion as to the fairness of the consideration to be received upon completion of the Transaction, from a financial point of view, to the Company. At a meeting of the Company's the Board of Directors held on June 5, 2015, Maxit Capital provided the Board of Directors with an oral opinion to the effect that the consideration to be received by the Company on completion of the Transaction is fair, from a financial point of view, to the Company. That oral opinion was subsequently confirmed and supplemented with a written opinion (the "**Fairness Opinion**") to the same effect. The Fairness Opinion is not intended to be, and does not constitute, a recommendation by Maxit to any Shareholder as to how to vote or act at the Annual Meeting. The Fairness Opinion was one of a number of factors taken into consideration by the Board of Directors in considering the merits of the Transaction.

The Fairness Opinion was rendered on the basis of securities markets, economic and general business and financial conditions prevailing as at the date of the Fairness Opinion, and the prospects, financial and otherwise, of the Company, as they were reflected in the information and documents reviewed by Maxit and as they were presented to Maxit. Maxit has disclaimed any undertaking or obligation to amend or update the Fairness Opinion to take subsequent developments into account, or to advise any person of any change in any fact or matter affecting the Fairness Opinion which may come or be brought to the attention of Maxit after the date of the Fairness Opinion.

Maxit has acted as financial advisor to the Company in connection with the Transaction. Under its engagement letter with Maxit, the Company has agreed to pay Maxit a CAD$200,000 fee for Maxit's services, including delivery of the Fairness Opinion and services in connection with the completion of the Transaction. The Board of Directors took this fee into account when considering the merits of the Transaction and the Purchase Price. Payment of the Fee is subject to acceptance by the TSXV of a filing made by the Company in respect of the agreement with Maxit. The TSXV has conditionally approved the Fee, subject to completion of the Transaction. The Fairness Opinion may be viewed in its entirety on SEDAR.

iv. **Contemplated Activities Following Completion of the Transaction / Payment of Deferred Compensation**

Following completion of the Transaction, the Company will be well funded to carry on its business and investigate new opportunities, and its shares will remain listed on the TSXV.

The Company's 100% owned Green Springs property has been fully permitted for exploration and a drill program is planned for Q3 2015. Green Springs is a past producing mine that was in operated by U.S. Minerals Exploration Co. ("**USMX**") from 1988-1990. Green Springs was purchased for $350,000 cash in 2013 and the Company acquired significant historic data with the property, including over 600 drill holes, geochemical analysis and geophysical surveys. The entire property has been mapped, incorporating over 3000 rock/soil samples. USMX outlined six mineralized zones, three of which were mined before operations ceased. DHI US optioned additional claims from Eurasia Minerals in July 2014. This property surrounds the Green Springs claims and consolidates the district for the first time since USMX ceased operations. DHI US has filed a Plan of Operations with the United States Forest Service covering the exploration of 75 acres. The Plan and an Environmental Assessment were approved by a Decision Notice in September, 2014, and the initial bond has been posted. Information on Green Springs can be obtained on SEDAR and on the Company's website at www.elygoldandminerals.com.

The Company also believes that the current market environment may afford potential opportunities to acquire advanced mineral properties at attractive valuations. The Company intends to use a portion of the proceeds to identify and possibly acquire one or more such properties, and then to add value through establishing and increasing the existing resource base of properties acquired. Historically, the Company has been successful in employing this strategy. However, as of the date of this MD&A, the Company has not engaged in any negotiations related to any mineral properties.

Completion of the Transaction will trigger an obligation on the part of DHI US to pay deferred management compensation which has accrued pursuant to a plan (the "**DMC Plan**") established by DHI US effective January 1, 2011. The DMC Plan was designed to permit those members of management ("**Participants**") who participate in the DMC Plan to defer all or a portion of the compensation otherwise payable to them until the occurrence of certain stated events, including a "Change of Control". A "Change of Control" is defined in the DMC Plan to include a change of ownership of a "substantial portion" (defined as greater than 60%) of the assets of DHI US. The completion of the Transaction will result in a change of ownership of a "substantial portion" of the assets of DHI US and will, accordingly, trigger an obligation on the part of DHI US to pay to the Participants the balances in their respective Accounts.

The only persons who are Participants are C.F. "Trey" Wasser, the Chief Executive Officer and President of Ely Gold and Secretary/Treasurer of DHI US (the "**CEO**"), and John Brownlie, the Executive Chairman of Ely Gold and President of DHI US (the "**Chairman**"). Both the CEO and the Chairman have been members of the management committee of MHLLC since its inception. They have had significant input into project development, the Sandstorm Royalty and the RMB Loan. Under the DMC Plan, an account (in each case the "**Account**") was established in 2011 for each Participant to reflect the interest of such Participant in the DMC Plan resulting from deferral of payment of amounts owing to them plus interest.

Pursuant to two separate agreements made as of January 1, 2011 between DHI US, the CEO and the Chairman, DHI US became obligated to pay US$160,000 per year (the "**Base Salary**") to each of the CEO and the Executive Chairman. 100% of all compensation otherwise payable to the Participants to date has been deferred. Details of those agreements are set out in the Information Circular for the Company's 2014 Annual General Meeting of Shareholders, which may be viewed under the Company's profile on SEDAR.

The Change of Control payout will result in the termination of DMC Plan. Based on an anticipated termination date of 10/01/2015, the deferred compensation in each of their Accounts will total US$946,513 comprised, in each case of accrued salary totaling US$760,000 and US$186,513 in accrued interest. Under the DMC Plan, the full balance in each Account is required to be paid to the relevant Participant within sixty days following the date on which a Change of Control occurs. However, the Compensation Committee of the Company felt that the outcome of the investment in Mt Hamilton did not warrant a full payout of the DMC Plan account balances. The Participants and the Compensation Committee have agreed to a payout, in full, of US$640,000 for each participant (the "**DMC Arrangement**"). Under the DMC Arrangement, the CEO and Chairman have also agreed that payout of their Base Salaries will only be effective from and after January 1, 2016. Therefore, The Participants payout will not be affected by a delay in the termination of the DMC Plan. Ely Gold and DHI US' balance sheets will be positively affected by the DMC Arrangement.

v. TSXV Acceptance and Shareholder Approval

On June 19, 2015, the TSXV granted conditional approval of the Transaction. Conditions for final acceptance included a shareholder vote and a press release announcing the closing of the Transaction. Because the Transaction constituted greater than 50% of the Company's assets, the Business Corporations Act (B.C.) required that a special resolution approving the Transaction be passed by 2/3 of the votes cast at a meeting of shareholders.

Subsequent to the end of the second quarter, a Special General Meeting of shareholders was held on July 31. The special resolution was unanimously passed with 99.47% of 27,900,922 voting shares approving the Transaction.

Solitario required a shareholder vote of 50% plus one share of their outstanding shares. At its annual meeting, held on August 14, 2015, shareholders unanimously approved the Transaction.

On August 25, 2015, the Transaction closed and subsequently the Consent Agreement closed on August 27, 2015. Upon closing of the Transaction the Company received cash proceeds of US$6,000,000. On closing of the Consent Agreement, the Company returned 15,732,274 of its common shares to the treasury.

vi. Mineral Properties

Mount Hamilton Property

The Mount Hamilton property is a 5,455 acre property located at the southern end of the Battle Mountain Gold Trend, 65 kilometers west of the town of Ely, Nevada. The property contains both precious and base metal mineralization that occurs within a gently folded sequence of Cambrian aged sedimentary rocks. Early exploration was done by Phillips Petroleum Co. who was targeting skarn hosted molybdenum-tungsten-copper-gold-silver mineralization. The precious metal mineralization was concentrated in two near-surface, contiguous deposits, Seligman and Centennial; this mineralization was further developed by Rea Gold, a Vancouver based company that mined the Seligman gold-silver deposit from 1995-1997. Production was halted prematurely in June of 1997 due to operational problems and low metal prices.

The current focus on the Mt. Hamilton property by Ely and Solitario has been gold-silver mineralization at Centennial along with the remaining mineralization at Seligman. The pre-existing Mt. Hamilton database consists of 531 drill holes. This data has been verified/validated by SRK Consulting (U.S.) Inc. (“SRK”) in compliance with NI-43-101 requirements. Ely began work on the property in 2008 by drilling 5 holes at Centennial to verify historical data for an updated resource calculation by SRK.

Solitario drilled a total of 60 holes in 2011-2012 at both Centennial and Seligman. This drilling totaled 25,138 feet, including 7 metallurgical and 8 exploration/resource confirmation holes at Centennial and 45 resource confirmation, geotechnical, and metallurgical holes at Seligman.

The gold-silver mineralization at Centennial and Seligman have been the subject of recent reserve/resource calculations carried out by SRK for MH-LLC in NI 43-101 Technical Reports dated February 22, 2012 and October 16, 2014. The most recent results are tabulated below.

Gold-silver mineralization at Centennial and Seligman has been the subject of recent reserve/resource calculations carried out by SRK for MH-LLC. On February 22, 2012 Solitario announced positive Feasibility Study results based solely on reserves from the Centennial Deposit. With the completion of this Feasibility Study, Solitario earned an 80% interest in Mt. Hamilton LLC, subject to certain ongoing funding commitments.

On October 20, 2014, Solitario announced results of an updated Feasibility Study prepared by SRK. This Technical Report supersedes the 2012 Technical Report and represents a fully remodeled combination of both the Centennial Deposit reserves reported in 2012 and an upgraded reserve for the adjacent Seligman Deposit. SRK’s statements for Resources and Reserves are presented in the following tables:

Mineral Resource Statement at $1.300/oz Au and 0.006 Au cut-off grade, Mt. Hamilton Gold-Silver Deposit, March 25, 2014

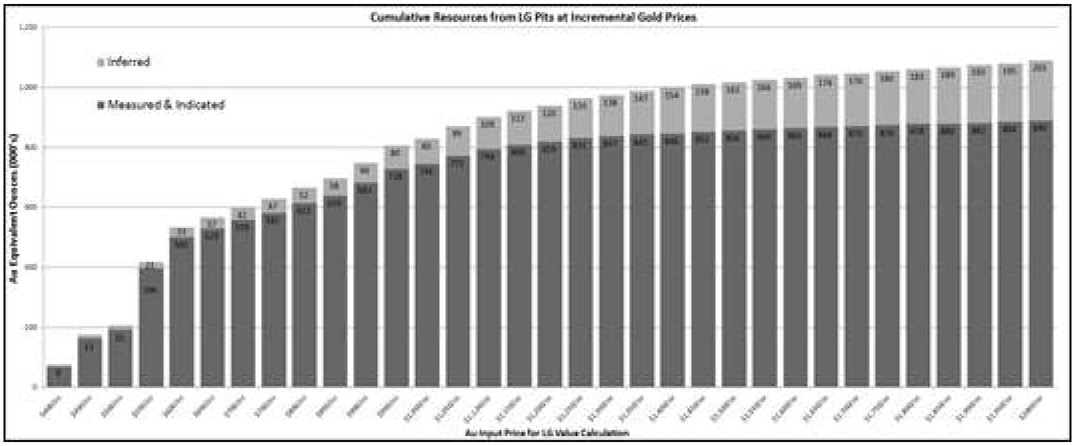
Resource Category	Tons	Au Grade	Ag Grade	Au Eq Grade		Contained Ounces (thousands of ounces)		
	(000's)	oz/t	oz/t	oz/t	g/tonne	Au	Ag	AuEq
Measured	1,427	0.03	0.209	0.033	1.125	42	299	47
Indicated	32,283	0.021	0.194	0.024	0.83	685	6,271	782
Measured and Indicated	**33,710**	**0.022**	**0.195**	**0.025**	**0.843**	**727**	**6,569**	**828**
Inferred	6,721	0.018	0.171	0.02	0.696	119	1,153	136

Mineral Reserve Statement, SRK Consulting (U.S.), Inc. Ultimate Designed Pit Reserves at $1,300/oz Au and 0.006 Au cut-off grade, Mt. Hamilton Gold-Silver Deposit, August 14, 2014

Reserve Category	Tons	Au Grade	Ag Grade	Au Eq Grade		Contained Ounces (thousands of ounces)	
	(000's)	oz/t	oz/t	oz/t	g/tonne	Au	Ag
Proven	1,240	0.029	0.198	0.031	1.06	36.6	245.8
Probable	21,260	0.024	0.198	0.025	0.87	508.8	4,213.80
Proven and Probable	22,500	0.024	0.198	0.026	0.88	545.4	4,459.60
Total Waste	63,319						

Mineral Reserves were conservatively estimated from a pit design based on $840/oz gold and $13/oz silver prices. Reserves were capped at 22.5 million tons, as that is the maximum tonnage capacity of the currently permitted heap leach site situated on the project's private land holdings. Approximately 182,000 ounces of Indicated and 119,000 Inferred gold ounces in the $1,300 resource pit are not included in the current reserves. Additional drilling and the permitting of an expanded heap leach facility would provide an opportunity to upgrade a portion of these gold ounces from Measured, Indicated and Inferred Resources to Proven and Probable Reserves, improving the project economics and extending cash flow over a longer mine life. The 2014 Feasibility Study included the following sensitivity analysis of the Resource Statement. The results of this sensitivity indicate the majority of the potential measured and indicated ounces are captured by the US$1,250/oz Au sales price pit and that there is a significant amount of inferred material that, if upgraded could have a positive impact on economics for pits designed above US$1,000/oz Au.

Cumulative Resources from LG Pits at incremental gold prices. SRK Consulting August 2014



Indicative economic results of the 2014 Feasibility Study by SRK, Base Case: $1,300 Gold and $20.00 Silver, are as follows:

- Production Rate/Mine Life: 10,000 tons ore per day (350 days/year) / 7 years
- Average Gold Recovery: 76.2% (70% of recoverable gold in first 30 days of processing)
- Average Silver Recovery: 39%
- Life of mine stripping ratio: 2.47:1.0 (waste: ore (includes stockpiled ore)
- Initial Capital Cost: $91.7 M (includes $9.0 M contingency)
- Sustaining Capital: $29.8 M (includes $2.4 M contingency and $10.1 M end-of-mine closure costs)
- Working Capital: $8.4 M
- Underlying NSR-Royalty: 3.4%
- Cash Costs per Gold-Equivalent ("AuEq") Ounce* Recovered: $558
- Avg. Annual AuEq Production: 73,000 oz (during 6.1 year active mining period)
- Avg. Annual Gold Production: 68,600 ounces
- Avg. Annual Silver Production: 279,400 oz.
    - *Gold equivalent (AuEq) was based on recovered payable metal with an effective ratio of 65:1Ag:Au.
- After tax Internal Rate of Return (IRR): 26%
- After tax payback period: 2.9 years.

In addition, the 2014 Feasibility Study included the following sensitivity analysis to the after-tax returns for the Mt. Hamilton project.

Mt. Hamilton Project Economics				
Item	**After-Tax**			
Gold US$/oz	$1,200	$1,300	$1,400	$1,500
Silver US$/oz	$18.50	$20.00	$21.50	$23.10
Cash Flow (US$ M)	$89,425	$115,882	$142,339	$168,255
NPV @ 8% (US$ M)	$41,762	$60,817	$79,872	$98,534
IRR	20.6%	26.0%	31.1%	36.0%
Payback (Years)	3.1	2.9	2.7	2.5

Permitting Status

The US Forest Service approved the Environmental Assessment and the Plan of Operations for mining operations at Mt. Hamilton in Q4 2014. The Bureau of Land Management has granted a Right of Way for access to the private properties where offices, maintenance facilities, process plant and leach pads will be located. Five major state permits have been issued by the Nevada Department of Environmental Protection ("NDEP"). The NDEP issued the Water Pollution Control Permit in July 2014 and two Reclamation Permits in January 2015. The Class I Air Quality Operating Permit and the Phase II Mercury Operating Permit to construct were issued in May 2015. Local building permits for offices and maintenance facilities will be submitted when the plans are finalized.

Shell Properties

The Shell and Monte Cristo properties are located southwest of the Mount Hamilton project, on claims that are contiguous with the Mount Hamilton property. The Shell property was originally explored by Union Carbide Corporation from 1968-1982 for its gold, molybdenum, and tungsten potential. Mineralization was intersected at depths ranging from 800 - 1,400 feet and is localized in a brecciated fault contact between shaley limestones above, and underlying calcareous shales of Cambrian age, near the intrusive Monte Cristo stock.

Drilling by Union Carbide identified mineralization from two separate zones that are separated by between 20 to 40 feet and remain open in all directions. A molybdenum rich zone lies above a gold rich zone.

Due to certain contractual obligations including a right of first refusal on the Monte Cristo property, the Shell property was transferred to MH-LLC during the year ended December 31, 2011 and MH-LLC has assumed all liabilities related to the Shell property. The Monte Cristo property was included as part of the Company's initial contribution into MH-LLC.

The Shell deposit is located near the Mount Hamilton property and is subject to minimum advance royalty payments starting with US$80,000 payable on June 6, 2006 and increasing by US$20,000 per annum until production commences.

On May 23, 2013, MH-LLC amended the Shell property lease to reduce advance royalty payments, eliminate current work commitments and eliminate the right of first refusal on the Monte Cristo property. Advance royalty payments were reduced to $50,000 in 2014 and $95,000 for 2015. There are no work commitments in 2014 or 2015.

Great American, Nevada

During the year ended December 31, 2011, the Management Committee of MH-LLC agreed to enter into an option agreement with Great American Minerals, Inc. to acquire 100% of the Great American claims for a total payment of US$525,000, payable as follows:

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

Green Springs, Nevada

On February 4, 2013, DHI US 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. Green Springs is 100% owned by DHI US and is not a part of MH-LLC.

Green Springs covers an area of 1498 acres and lies approximately 5 miles south of the Mt Hamilton project. The Green Springs property is located 14 miles southeast of Midway Gold's ("Midway") Pan Deposit which is in the permitting process for mine development and 7 miles southeast of Midway's Goldrock project and 10 miles northwest of Pilot Gold's Griffon project.

Previous work on the Green Springs property was conducted by U.S. Minerals Exploration Company ("USMX") during the 1980's. The work outlined six zones of gold mineralization from approximately 650 reverse circulation drill holes. Using a cut-off grade of 0.7g/t gold, USMX developed and produced from three of these mineralized zones. Historic production records, from 1988-1990, indicate that 1.1 million metric tons of ore averaging 2.1 g/t gold were mined by open pit mining and heap leaching, and gold recoveries of approximately 80% were obtained from a relatively coarse crush. Very little exploration work was done on peripheral targets after the initial discoveries by USMX. However in 2004-2008, previous owners conducted extensive ground sampling, mapping and a CSMAT geophysical survey. The USMX figures are historical figures obtained from a 1991 report by the Geological Society of Nevada. However, a qualified person has not done sufficient work to classify the historical estimate as current mineral resources or mineral reserves and the issuer is not treating the historical estimate as current mineral resources or mineral reserves. Therefore, the USMX figures should not be relied upon by investors.

At the Green Springs project the Company owns 76 unpatented lode mining claims and has an option to acquire a 100% interest in a further 2 unpatented lode mining claims that altogether cover an area of 1,498 acres. The property hosts Carlin style, epithermal, disseminated, sediment hosted gold-silver mineralization. The principal target horizon at Green Springs in the 1980's was the Lower Chainman Shale and Upper Joana Limestone similar to Midway's Goldrock project. These units lie stratigraphically above the Pilot Shale, a primary host to Carlin style gold mineralization elsewhere in the region, including Midway's Pan Mine.

The Company will initially focus on compilation of historical data to provide direction to define targets proximal to the historic pits as well as new exploration targeting the Pilot Shale. To that end, SRK Consulting (U.S.) Inc. has compiled and digitized historic data, and has created a modern geologic and mineralization model for the Property, to ultimately produce a National Instrument 43-101 Geological Report with recommendations for future exploration and development. In addition, Enviroscientists, Inc. was retained by the Company in 2013 to coordinate the permitting and environmental requirements for exploration and development on the property.

An exploration Plan of Operations ("POO") was submitted to the U.S. Forest Service in October 2013. An Environmental Assessment ("EA") is also in progress for this POO. The EA process undertaken by the U.S. Department of Agriculture--Forest Service ("USFS") was completed on September 2, 2014. The Company posted the initial bond for the project and the USFS granted final approval to the Plan of Operations filed on November 22, 2014. The EA and Plan of Operations cover over 75 acres, providing an opportunity to confirm historic resources and test other formations which host gold mineralization in the District. The Company also received final approval of its Nevada Reclamation Permit from the Nevada Department of Environmental Protection. In November 2014, the Company submitted an Intent Notice for less than a 5 acre disturbance to the Bureau of Land Management ("BLM") in the area around two historic waste dumps and the Notice was approved in January 2015.

Cox Claims, Nevada

On January 16, 2013, the Company acquired a mining lease and a 100% 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 100% purchase option. The minimum advance royalty payments total US$222,500. The purchase option for the Cox claims 100% owned by DHI US and is not part of MH-LLC

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 installments over the 10 year term of the Cox Claims lease. In the event the Company exercises the purchase option to acquire 100% of the Cox Claims, any unpaid fees to Urawest as at the date of exercise shall be paid in full. Upon commencement of commercial production from the Cox Claims, the Company shall pay Urawest a 0.25% NSR.

Cathedral Well, Nevada

In July 2014 the Company signed an Exploration and Option Agreement with Eurasian Minerals through its wholly-owned subsidiary Bronco Creek Exploration, Inc., for EMX's Cathedral Well gold project. The Cathedral Well property bounds the Company's Green Springs project area to the east and the west. The Cathedral Well option is 100% owned by DHI US and is not part of MH-LLC

Pursuant to the Agreement, the Company can earn a 100% interest in the Project by paying EMX a total of US$100,000 as follows: US$25,000 upon execution of the Agreement and US$75,000 over the next three years, after which EMX 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 Project, the Company will pay EMX annual advance royalties equal to a) 20 ounces of gold each year until completion of a feasibility study, prepared in accordance with the requirements of NI 43-101 and CIM definitions and guidelines, covering either, or both, of the Project and the adjacent the Company properties, and b) 35 ounces of gold each year thereafter until commencement of commercial production from either, or both, of the Project and the adjacent the Company properties. the Company may purchase 0.5% of the EMX NSR royalty by paying Eurasian 500 ounces of gold within 60 days after commencement of commercial production from either, or both, of the Project and the adjacent the Company properties.

The EMX property contains numerous outcropping jasperoids and de-calcified zones developed along the Joanna-Chainman sedimentary rock contact, as well as widespread alteration in sedimentary units above and below the Chainman Formation.

EMX acquired Cathedral Well through staking in 2008, and immediately optioned the property to a wholly-owned subsidiary of Eldorado Gold Corp. ("Eldorado"). EMX and Eldorado completed 30.5 line kilometers of NSAMT and CSAMT geophysical surveys, soil and stream sediment surveys totaling 1,597 samples, and identified seven targets that were permitted for drill testing. Six reverse circulation drill holes totaling 1,426 meters were completed over the western target area. Eldorado relinquished their property interest in 2011, leaving the prospective outcrops and targets on the eastern portion of the property untested. The Company will be the operator of the program, with technical assistance from EMX through a defined Management Committee arrangement during the option period.

1.6 RESULTS OF OPERATIONS

Three months ended June 30, 2015, compared to the three months ended June 30, 2014.

The Company recorded a net loss of $401,766 ($0.01 loss per common share) for the three months ended June 30, 2015 (the "current quarter") compared to a net loss of $211,556 ($0.00 loss per common share) during the three months ended June 30, 2014 (the "comparative quarter"), an increase of $190,209, as explained in the following paragraphs.

- Consulting fees were $23,335 lower in the current quarter ($211,672) when compared to the comparative quarter ($188,337). The increase relates to consulting fees that are paid in US dollars, which has gained in value since the comparative quarter.

- Professional fees were $108,943 higher in the current quarter ($113,512) when compared to the comparative quarter ($4,569). The Company incurred additional legal fees in the current quarter as a result of the work relating to the sale of the Company's Mt. Hamilton Project.

- Interest expense was $23,432 higher in the current quarter ($42,465) when compared to the comparative quarter ($19,033). Interest expense relates to the interest on the deferred compensation, which is expected to increase over time as the deferred compensation balance increases until such time that it is paid.

- Change in fair value of marketable securities was $45,384 lower in the current quarter (loss - $19,495) when compared to the comparative quarter (gain - $26,889). During the comparative quarter, the market value of the Solitario shares held by the Company increased in value. As well, the Company owns less Solitario shares when compared to the comparative quarter, which increases the financial statement impact of a change in the fair market value of Solitario's shares.

- Gain (loss) arising from foreign exchange was $24,355 lower in the current year (loss - $8,866) when compared to the comparative quarter (loss - $33,221). Gains (losses) from foreign currency will fluctuate from period to period based on changes in the CAD/USD exchange rate as the Company has cash and accounts payable denominated in US dollars that get revalued at the exchange rate prevailing on the financial statement reporting date.

Six months ended June 30, 2015, compared to the six months ended June 30, 2014.

The Company recorded a net loss of $819,236 ($0.01 loss per common share) for the six months ended June 30, 2015 (the "current period") compared to a net loss of $293,336 ($0.00 loss per common share) during the six months ended June 30, 2014 (the "comparative period"), an increase of $525,900, as explained in the following paragraphs.

- Consulting fees were $16,853 lower in the current period ($416,558) when compared to the comparative period ($433,411). The decrease is due to a reduction in the number of consultants engaged in the current period when compared to the comparative period, which was offset by an increase in consulting fees that are paid in US dollars.

- Professional fees were $109,830 higher in the current period ($133,759) when compared to the comparative period ($23,929). The Company incurred additional legal fees in the current period as a result of the work relating to the sale of the Company's Mt. Hamilton Project.

- Share-based payments, a non-cash expense, were $91,921 lower in the current period ($nil) when compared to the comparative period ($91,921). No options were granted in the current period whereas 900,000 options were granted and vested during the comparative period.

- Gain/loss arising from foreign exchange was $100,995 lower in the current period (gain: $34,660) when compared to the comparative period (Loss: $66,335). The Company has mineral properties in the US and incurs US dollar payables, which can result in fluctuations in the gain/loss arising from foreign exchange on a period by period basis. As well, the Company holds a balance of its cash and cash equivalents in US dollars, which are revalued at the prevailing exchange rate as at the date of the balance sheet.

- Interest expense was $62,563 higher in the current period ($81,596) when compared to the comparative period ($19,033). Interest expense relates to the interest on the deferred compensation, which is expected to increase over time as the deferred compensation balance increases until such time that it is paid.

- Change in fair value on marketable securities was $405,863 lower in the current period (loss: $34,030) when compared to the comparative period (Gain: $371,833). During the current period the fair market value of the Solitario shares held by the Company decreased in value. In the comparative period the Company held a great number of Solitario shares when compared to the current period, which would have increased the impact to the Company in the comparative period when there was a change in the market value of Solitario's shares.

1.7 ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The material component of exploration and evaluation costs are:

	Six months ended June 30, 2015	Year ended December 31, 2014	Year ended December 31, 2013
Exploration and evaluation costs			
Geological consulting	$ 5,533	$ 120,399	$ 80,052
Claim maintenance	-	36,590	12,124
	$ 5,533	$ 156,989	$ 92,176

1.8 SUMMARY OF QUARTERLY RESULTS (unaudited)

The following table summarizes selected information from the Company's unaudited consolidated financial statements, prepared in accordance with IFRS, for the last eight quarters.

For the quarters ended

	Jun 30 2015	Mar 31 2015	Dec 31 2014	Sept 30 2014
Total revenues (Interest & other income)	$92	$53	$47	$109
Loss for the quarter	($401,766)	($417,470)	($612,704)	($392,411)
Loss per share	($0.00)	($0.01)	($0.02)	($0.00)

For the quarters ended

	Jun 30 2014	Mar 31 2014	Dec 31 2013	Sept 30 2013
Total revenues (Interest & other income)	$ -	$2,541	$7,975	$12,152
Gain (loss) for the quarter	($211,556)	($81,780)	$123,007	($216,892)
Gain (loss) per share	($0.00)	($0.00)	$0.00	($0.00)

The Company earns interest income from its cash and cash equivalents, which will vary from period to period depending on their relative balances.

The quarter ended June 30, 2015, includes interest expense of $81,596 and a change in fair value of deferred compensation of $126,820.

1.9 LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2015 the Company had cash of $318,563 and a consolidated working capital deficit of $141,991. As of the date of this MD&A the Company completed the sale of its 20% interest in the Mt. Hamilton Project and received proceeds of US$6,000,000, which is sufficient to fund its operations for the next twelve months.

The Company's cash and cash equivalents are highly liquid and held at a major Canadian financial institution.

	Increase (Decrease) in Cash & Cash Equivalents for the Six Months Ended June 30			
		2015		**2014**
Operating activities	$	(309,484)	$	(385,166)
Investing activities		49,849		191,549
Financing activities		-		-
Total Change in Cash		(259,635)		(193,617)
Cash and Cash Equivalents, Beginning of the Period		578,198		728,508
Cash and Cash Equivalents, End of the Period	$	318,563	$	534,891

The Company has obligations in the next twelve months to maintain the purchase options on the Cox Claims and Cathedral Well as well as claim maintenance fees, which approximate $100,000. There are no work commitments on these properties in 2015.

Operating Activities
The nature of the Company's operating activities has not significantly changed when compared to the comparative period. There was an increase of $175,086 in items not affecting cash that included an increase of $126,820 relating to the change in the fair value of marketable securities and an increase in unrealized foreign exchange of $676,853. The changes in non-cash working capital items increased by $776,668 when compared to the comparative period, which was mainly due to the increase in deferred compensation of $397,832 and the increase in accounts payable, which increased as a portion of the deferred compensation was reclassified as a current liability.

Investing Activities
For the six months ended June 30, 2015, the decrease in cash provided by investing activities when compared to the comparative period is a result of the Company receiving proceeds from Solitario during the comparative period.

Financing Activities
For the six months ended June 30, 2015 and 2014, the Company did not issue common shares.

The Company currently has no revenues from operations and has been dependent on equity financing to fund its operations. Management has been successful in accessing the equity markets in prior years, but there is no assurance that such sources will be available, on acceptable terms, or at all in the future. Factors which could impact management's ability to access the equity markets include the state of capital markets, market prices for natural resources and the non-viability of the projects.

1.10 TRANSACTIONS WITH RELATED PARTIES

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 three and six months ended June 30:

	For the three months ended June 30, 2015	For the three months ended June 30, 2014	For the six months ended June 30, 2015	For the six months ended June 30, 2014
Short-term employment benefits	$ 110,259	$ 133,846	$ 215,849	$ 245,694
Other long-term employment benefits		88,264	175,772	164,784
Share-based payments	88,186	-	-	91,921
Total	$ 198,445	$ 222,110	$ 391,571	$ 314,031

As at June 30, 2015, $12,231 (December 31, 2014 - $22,010) is owing to related parties for consulting fees, which is included in accounts payable and accrued liabilities. A prepaid advance of $14,677 (December 31, 2014 - $18,574) was made to an officer and director of the Company.

As at June 30, 2015 $2,030,546 (December 31, 2014 - $1,631,016) is owing to related parties for deferred consulting fees; $457,290 is payable January 1, 2016, $190,848 is payable January 1, 2017, $520,877 is payable January 1, 2020 and $861,531 is payable January 1, 2021. The amounts are included in the condensed interim 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 $2,030,546 (December 31, 2014 - $1,631,016) represents the expected payment obligation in the future, discounted at June 30, 2015 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 three months ended June 30, 2015, the Company recognized in net loss:

- a decrease in the value of the deferred compensation liability of $28,371 (2014 - $31,126); and
- an interest expense of $42,465 (2014 - $19,033).

During the six months ended June 30, 2015, the Company recognized in net loss:

- an increase in the value of the deferred compensation liability of $126,820 (2014 - $18,908); and
- an interest expense of $81,596 (2014 - $19,033).

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.

1.11 SHARE CAPITAL AND DISCLOSURE OF OUTSTANDING SHARE DATA

At June 30, 2015 the authorized share capital was an unlimited number of common shares and there were 80,312,749 common shares issued and outstanding. As at the date of this MD&A the Company had 64,580,475 common shares issued and outstanding.

Stock Options and Warrants

The following summarizes information on the number of stock options outstanding at June 30, 2015:

Expiry Date	Exercise Price	Number of options
July 7, 2015*	$ 0.15	1,000,000
September 1, 2015	$ 0.15	1,000,000
January 5, 2016	$ 0.25	800,000
February 26, 2017*	$ 0.12	600,000
July 24, 2017	$ 0.14	200,000
September 22, 2021	$ 0.20	1,300,000
January 30, 2023	$ 0.14	400,000
January 28, 2024	$ 0.12	900,000
November 27, 2024	$ 0.06	900,000
Total		7,100,000

* On July 7, 2015 these options expired unexercised.

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

Outstanding share data

As at the date of this report, the Company's fully diluted shares outstanding is as follows:

Common shares	64,580,475
Options	7,000,000
Fully diluted shares outstanding	71,580,475

1.12 OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

1.13 PROPOSED TRANSACTIONS

Other than previously stated in this MD&A, the Company has no proposed transactions.

1.14 CONTRACTUAL OBLIGATIONS

The Company has obligations to maintain the purchase options on the Cox Claims and Cathedral Well gold project as well as claim maintenance fees, which is estimated to be $100,000 over the next twelve months. There are no required work commitments on these properties in 2015.

The Company has no commitments, material capital lease agreements and no material long term obligations other than the above.

1.15 RISKS AND UNCERTAINTIES

The Company is in the mineral exploration and development business and has not commenced commercial operations and has no assets other than cash and mineral property agreements under option. It has no history of earnings, and it is not expected to generate earnings or pay dividends in the foreseeable future.

Precious and Base Metal Price Fluctuations
The profitability of the precious and base metal operations in which the Company has an interest will be significantly affected by changes in the market prices of precious and base metals. Prices for precious and base metals fluctuate on a daily basis, have historically been subject to wide fluctuations and are affected by numerous factors beyond the control of the Company such as the level of interest rates, the rate of inflation, central bank transactions, world supply of the precious and base metals, foreign currency exchange rates, international investments, monetary systems, speculative activities, international economic conditions and political developments. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving adequate returns on invested capital or the investments retaining their respective values. Declining market prices for these metals could materially adversely affect the Company's operations and profitability.

Fluctuations in the Price of Consumed Commodities
Prices and availability of commodities consumed or used in connection with exploration, development and mining, such as natural gas, diesel, oil, electricity, cyanide and other reagents fluctuate affecting the costs of exploration in our operational areas. These fluctuations can be unpredictable, can occur over short periods of time and may have a materially adverse impact on our operating costs or the timing and costs of various projects.

Foreign Exchange Rate Fluctuations
Operations may be subject to foreign currency exchange fluctuations. The Company to-date has raised its funds through equity issuances which are priced in Canadian dollars. DHI US and MH-LLC operate in the United States and incur exploration and administration expenditures denominated in United States dollars. As a result, the Company may suffer losses due to adverse foreign currency fluctuations.

Competitive Conditions
Significant competition exists for natural resource acquisition opportunities. As a result of this competition, some of which is with large, well established mining companies with substantial capabilities and significant financial and technical resources, the Company may be unable to either compete for or acquire rights to exploit additional attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that the Company will be able to acquire any interest in additional projects that would yield reserves or results for commercial mining operations.

Operating Hazards and Risks
Exploration activities may generally involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. These risks include, but are not limited to, the following: environmental hazards, industrial accidents, third party accidents, unusual or unexpected geological structures or formations, fires, power outages, labor disruptions, floods, explosions, cave-ins, land-slides, acts of God, periodic interruptions due to inclement or hazardous weather conditions, earthquakes, war, rebellion, revolution, delays in transportation, inaccessibility to property, restrictions of courts and/or government authorities, other restrictive matters beyond the reasonable control of the Company, and the inability to obtain suitable or adequate machinery, equipment or labor and other risks involved in the normal course of exploration activities.

Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of precious and base metals, any of which could result in work stoppages, delayed production and resultant losses, increased production costs, asset write downs, damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damages. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. Any compensation for such liabilities may have a material, adverse effect on the Company's financial position.

Infrastructure
Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. The lack of availability of acceptable terms or the delay in the availability of any one or more of these items could prevent or delay exploitation or development of the Company's projects. If adequate infrastructure is not available in a timely manner, there can be no assurance that the exploitation or development of the Company's projects will be commenced or completed on a timely basis, if at all.

Exploration and Development
There is no assurance given by the Company that its exploration and development programs and properties will result in the discovery, development or production of a commercially viable ore body or yield new reserves to replace or expand current reserves.

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At this time, none of the Company's properties have any defined ore-bodies with proven reserves.

The economics of developing silver, gold and other mineral properties are affected by many factors including capital and operating costs, variations of the tonnage and grade of ore mined, fluctuating mineral markets, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Depending on the prices of silver, gold or other minerals produced, the Company may determine that it is impractical to commence or continue commercial production. Substantial expenditures are required to discover an ore-body, to establish reserves, to identify the appropriate metallurgical processes to extract metal from ore, and to develop the mining and processing facilities and infrastructure. The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately foreseen or predicted, such as market fluctuations, conditions for precious and base metals, the proximity and capacity of milling and smelting facilities, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection. In order to commence exploitation of certain properties presently held under exploration concessions, it is necessary for the Company to apply for an exploitation concession. There can be no guarantee that such a concession will be granted. Unsuccessful exploration or development programs could have a material adverse impact on the Company's operations and profitability.

Business Strategy

As part of the Company's business strategy, it has sought and will continue to seek new exploration and development opportunities in the mining industry. In pursuit of such opportunities, it may fail to select appropriate acquisition candidates, negotiate appropriate acquisition terms, conduct sufficient due diligence to determine all related liabilities or to negotiate favorable financing terms. The Company may encounter difficulties in transitioning the business, including issues with the integration of the acquired businesses or its personnel into the Company. The Company cannot assure that it can complete any acquisition or business arrangement that it pursues, or is pursuing, on favorable terms, or that any acquisitions or business arrangements completed will ultimately benefit its business.

Environmental Factors

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that any future changes in environmental regulation, will not adversely affect the Company's operations. The costs of compliance with changes in government regulations have the potential to reduce the profitability of future operations. Environmental hazards that may have been caused by previous or existing owners or operators may exist on the Company's mineral properties, but are unknown to the Company at the present.

Title to Assets

Although the Company has or will receive title opinions for any properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company has not conducted surveys of the claims in which it holds direct or indirect interests and, therefore, the precise area and location of such claims may be in doubt. The Company's claims may be subject to prior unregistered agreements or transfers, or native land claims, and title may be affected by unidentified or unknown defects. The Company has conducted as thorough an investigation as possible on the title of properties that it has acquired or will be acquiring to be certain that there are no other claims or agreements that could affect its title to the concessions or claims. If title to the Company's properties is disputed, it may result in the Company paying substantial costs to settle the dispute or clear title and could result in the loss of the property, which events may affect the economic viability of the Company.

Uncertainty of Funding

The Company has limited financial resources, and the mineral claims in which the Company has an interest or an option to acquire an interest require financial expenditures to be made by the Company. There can be no assurance that adequate funding will be available to the Company so as to exercise its option or to maintain its interests once those options have been exercised. Further exploration work and development of the properties in which the Company has an interest or option to acquire depend upon the Company's ability to obtain financing through joint venturing of projects, debt financing or equity financing or other means. Failure to obtain financing on a timely basis could cause the Company to forfeit all or parts of its interests in mineral properties or reduce or terminate its operations.

Agreements with Other Parties

The Company has entered into agreements with other parties relating to the exploration, development and production of its properties. The Company may in the future, be unable to meet its share of costs incurred under agreements to which it is a party, and the Company may have its interest in the properties subject to such agreements reduced as a result. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the costs required to complete recommended programs.

Potential Conflicts of Interest

The directors and officers of the Company may serve as directors and/or officers of other public and private companies, and may devote a portion of their time to manage other business interests. This may result in certain conflicts of interest. To the extent that such other companies may participate in ventures in which the Company is also participating, such directors and officers of the Company may have a conflict of interest in negotiating and reaching an agreement with respect to the extent of each company's participation. The laws of British Columbia, Canada, require the directors and officers to act honestly, in good faith, and in the best interests of the Company and its shareholders. However, in conflict of interest situations, directors and officers of the Company may owe the same duty to another company and will need to balance the competing obligations and liabilities of their actions.

There is no assurance that the needs of the Company will receive priority in all cases. From time to time, several companies may participate together in the acquisition, exploration and development of natural resource properties, thereby allowing these companies to: (i) participate in larger properties and programs; (ii) acquire an interest in a greater number of properties and programs; and (iii) reduce their financial exposure to any one property or program. A particular company may assign, at its cost, all or a portion of its interests in a particular program to another affiliated company due to the financial position of the company making the assignment. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, it is expected that the directors and officers of the Company will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Third Party Reliance

The Company's rights to acquire interests in certain mineral properties may have been granted by third parties who themselves may hold only an option to acquire such properties. As a result, the Company may have no direct contractual relationship with the underlying property holder.

Assurance on Financial Statements

We prepare our financial reports in accordance with accounting policies and methods prescribed by IFRS. In the preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting policies and practices are described in more detail in the notes to our consolidated financial statements for the years ended December 31, 2014. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use and transactions are properly recorded and reported, we have implemented and continue to analyze our internal control systems for financial reporting. Although we believe our financial reporting and consolidated financial statements are prepared with reasonable safeguards to ensure reliability, we cannot provide absolute assurance in that regard.

General Economic Conditions

The unprecedented events in global financial markets during the last few years have had a profound effect on the global economy. Many industries, including the gold and silver mining industry, are affected by these market conditions. Some of the key effects of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect the Company's growth and profitability.

Substantial Volatility of Share Price

In recent years, the securities markets have experienced a high level of price and volume volatility, and the securities of many mineral exploration companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. The price of the Company's common shares is also likely to be significantly affected by short-term changes in mineral prices or in the Company's financial condition or results of operations as reflected in its quarterly financial reports.

Potential dilution of present and prospective shareholdings
In order to finance future operations and development efforts, the Company may raise funds through the issue of common shares or the issue of securities convertible into common shares. The Company cannot predict the size of future issues of common shares or the issue of securities convertible into common shares or the effect, if any, that future issues and sales of the Company's common shares will have on the market price of its common shares. Any transaction involving the issue of shares, or securities convertible into shares, could result in dilution, possibly substantial, to present and prospective holders of shares.

1.16 FUTURE ACCOUNTING STANDARDS

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 re-measured).

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.

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 a 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.

1.17 FINANCIAL INSTRUMENTS

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

The carrying value of cash and cash equivalents, and marketable securities has 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 is 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 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 is as follows:

	June 30, 2015	December 31, 2014
Cash and cash equivalents	$ 318,563	$ 578,198

(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 June 30, 2015, the Company has cash and cash equivalents of $318,563 (December 31, 2014 - $578,198), current liabilities of $132,383 (December 31, 2014 - $54,010) and working capital deficit of $141,991 (December 31, 2014 - working capital of $743,366).

The amounts listed below are the remaining contractual maturities for financial liabilities held by the Company:

	June 30, 2015		December 31, 2014	
Due Date	Accounts Payable and Accrued Liabilities	Deferred Compensation	Accounts Payable and Accrued Liabilities	Deferred Compensation
0 – 90 days	$ 132,383	$ -	$ 54,010	$ -
90 – 365 days	$ -	$ 457,290	$ -	$ -
More than 1 year	$ -	$ 1,573,256	$ -	$ 1,631,016

(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 June 30, 2015, 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 June 30, 2015, the Company has not hedged its exposure to currency fluctuations.

At June 30, 2015 and December 31, 2014, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

		June 30, 2015		December 31, 2014
Cash and cash equivalents	US$	191,950	US$	446,495
Amounts receivable (1)		-		-
Other financial liabilities (2)		(1,656,079)		(1,425,927)
Net	US$	(1,464,128)	US$	(979,432)
Canadian dollar equivalent		(1,828,696)		(1,136,239)

(1) Includes receivables and other receivables.
(2) Includes accounts payable and accrued liabilities and deferred compensation.

Based on the above net exposures as at June 30, 2015, a 5% (2014 - 5%) change in the Canadian/US exchange rate would impact the Company's loss and comprehensive loss by approximately $91,000 (December 31, 2014 - $56,812).

(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 June 30, 2015, a 1% change in the Prime Rate would impact the Company's earnings by approximately $8,000 (2014 - $3,000). 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 June 30, 2015 and December 31, 2014:

June 30, 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
FVTPL				
Cash and cash equivalents	$318,563	$ -	$ -	$ 318,563
Available-for-sale				
Marketable securities	$95,488	$ -	$ -	$ 95,488
Other financial liabilities				
Deferred compensation	$ -	$2,030,546	$ -	$2,030,546

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

Additional information related to the Company is found on SEDAR at www.sedar.com.