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

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

YEARS ENDED DECEMBER 31, 2015 AND 2014

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ELY GOLD & MINERALS INC.

We have audited the accompanying consolidated financial statements of Ely Gold & Minerals Inc., which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of operations and comprehensive gain (loss), changes in equity (deficiency) and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ely Gold & Minerals Inc. as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 28, 2016

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

As at	Notes		December 31, 2015		December 31, 2014
ASSETS					
Current					
Cash and cash equivalents		$	4,998,718	$	578,198
Marketable securities	6		81,159		188,911
Receivables	7		26,387		5,246
Prepaid expenses	12		108,868		25,021
			5,215,132		797,376
Non-Current					
Reclamation bond			60,662		20,302
Exploration and evaluation assets	9		1,009,244		647,971
		$	6,285,038	$	1,465,649
LIABILITIES					
Current					
Accounts payable and accrued liabilities	10 & 12	$	38,009	$	54,010
			38,009		54,010
Non-Current					
Deferred compensation	12		-		1,631,016
			38,009		1,685,026
EQUITY (DEFICIENCY)					
Share capital	11		25,229,869		25,229,869
Share-based payment reserve	11		897,362		2,710,071
Deficit			(19,880,202)		(28,159,317)
			6,247,029		(219,377)
		$	6,285,038	$	1,465,649

Approved and authorized by the Board:

"Ronald Husband"	Director	*"Stephen Kenwood"*	Director
Ronald Husband		Stephen Kenwood	

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

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

For the year ended December 31,	Notes		2015		2014
EXPENSES					
Consulting fees	12	$	1,005,802	$	816,360
Insurance			17,593		14,772
Office and administration			47,853		28,640
Professional fees			160,458		71,099
Rent			13,600		17,600
Share-based payments	11 & 12		29,994		123,944
Transfer agent and filing fees			23,201		20,070
Travel and promotion			32,014		26,837
			(1,330,515)		(1,119,322)
OTHER INCOME (EXPENSE)					
Interest expense	12		(113,990)		(62,275)
Interest income			2,023		2,697
Gain on fair value of receivables	8		-		40,515
Change in value of deferred compensation	12		(245,956)		(261,100)
Change in fair value of marketable securities	6		(46,224)		22,509
(Loss) gain on disposal of marketable securities	6		(1,790)		60,393
Gain on settlement of deferred compensation	12		558,090		-
Gain on disposition of MH-LLC interest	8		7,411,682		-
Gain on foreign exchange			203,092		18,132
			7,766,927		(179,129)
Gain (Loss) and comprehensive gain (loss) for the year		$	6,436,412	$	(1,298,451)
Basic and diluted gain (loss) per share		$	0.09	$	(0.02)
Weighted average number of common shares outstanding			74,795,678		80,312,749

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

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

For the year ended December 31,	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Gain (loss) for the year	$ 6,436,412	$ (1,298,451)
Items not affecting cash:		
Interest expense	113,990	62,275
Interest income accretion	-	(2,650)
Gain on fair value of receivables	-	(40,515)
Change in value of deferred compensation	245,956	261,100
Change in fair value of marketable securities	46,224	(22,509)
Loss (gain) on disposal of marketable securities	1,790	(60,393)
Gain on settlement of deferred compensation	(558,090)	-
Gain on disposition of MH-LLC interest	(7,411,682)	-
Share-based payments	29,994	123,944
Unrealized foreign exchange	1,707	10,113
Changes in non-cash working capital items:		
Receivables	(21,141)	15,855
Prepaid expenses	(83,847)	(7,541)
Accounts payable and accrued liabilities	(16,001)	(26,634)
Deferred compensation	(1,434,579)	354,048
Net cash used in operating activities	(2,649,267)	(631,358)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditures, net of recoveries	(361,273)	(215,558)
Reclamation bond	(40,360)	(20,302)
Proceeds on disposal of marketable securities	59,738	438,708
Proceeds on disposition of MH-LLC interest, net of transaction costs	7,411,682	-
Proceeds received from Solitario Exploration & Royalty Corp.	-	278,200
Net cash provided by investing activities	7,069,787	481,048
Change in cash and cash equivalents for the year	4,420,520	(150,310)
Cash and cash equivalents, beginning of year	578,198	728,508
Cash and cash equivalents, end of year	$ 4,998,718	$ 578,198
Cash and cash equivalents consists of:		
Cash	$ 4,973,718	$ 553,198
Term deposit	25,000	25,000
	$ 4,998,718	$ 578,198

Supplemental disclosure with respect to cash flows (Note 13)

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

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

	Number of shares	Share capital	Share-based payment reserve	Deficit	Total
Balance, December 31, 2013	80,312,749	$ 25,229,869	$ 2,593,157	$ (26,867,896)	$ 955,130
Share-based payments	-	-	123,944	-	123,944
Expired options	-	-	(7,030)	7,030	-
Net loss for the year	-	-	-	(1,298,451)	(1,298,451)
Balance, December 31, 2014	80,312,749	$ 25,229,869	$ 2,710,071	$ (28,159,317)	$ (219,377)
Shares returned to treasury (Note 8)	(15,732,274)	-	-	-	-
Share-based payments	-	-	29,994	-	29,994
Expired options	-	-	(564,475)	564,475	-
Expired warrants	-	-	(1,278,228)	1,278,228	-
Net gain for the year	-	-	-	6,436,412	6,436,412
Balance, December 31, 2015	64,580,475	$ 25,229,869	$ 897,362	$ (19,880,202)	$ 6,247,029

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

1. NATURE OF AND CONTINUANCE OF OPERATIONS

Ely Gold & Minerals Inc. (the "Company" or "Ely") was incorporated under the *Business Corporations Act* (Alberta) on May 10, 1996. The Company was continued into British Columbia in 2002 where it is now domiciled and governed by the *Business Corporations Act* (British Columbia). Since 2004 its principal business activity has been the acquisition, exploration and development of exploration and evaluation assets. The Company is listed on the TSX Venture Exchange ("TSX-V"), having the symbol ELY.

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

On August 25, 2015, the Company completed the sale of its investment in Mt. Hamilton LLC ("MH-LLC") (a Colorado limited liability company) and received cash proceeds of $7,977,600 (US$6,000,000) and returned 15,732,274 of the Company's common shares to the treasury. Refer to Note 8 for a description of the MH-LLC disposal transaction.

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

The Company incurred a net gain of $6,436,412 (2014 - loss $1,298,451) for the year ended December 31, 2015. As at December 31, 2015, the Company had an accumulated deficit $19,880,202 (2014 - $28,159,317) with working capital of $5,177,123 (2014 - $743,366).

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

These consolidated financial statements were approved by the Board of Directors for issue on April 28, 2016.

2. BASIS OF PREPARATION

Statement of Compliance

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

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

These consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, DHI Minerals Ltd. ("DHI") (a Canadian corporation), DHI Minerals (US) Ltd. ("DHI US") (a Nevada corporation) and Voyageur Gold Inc. ("Voyageur") (a

2. BASIS OF PREPARATION (cont'd…)

Statement of Compliance (cont'd)

Canadian corporation). The Company's 20% equity interest in MH-LLC was owned through DHI US. All significant intercompany transactions and balances have been eliminated. On August 25, 2015, the Company disposed of its interest in MH-LLC and ceased to equity account its investment in MH-LLC at that date. Refer to Note 8.

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

Use of estimates and judgments

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

Critical accounting estimates

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

Recovery of deferred tax assets

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

Share-based payments

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

2. BASIS OF PREPARATION (cont'd…)

Use of estimates and judgments (cont'd…)

Critical accounting estimates (cont'd…)

Valuation of derivative liabilities

The Company evaluates all financial instruments for freestanding and embedded derivatives. Derivative liabilities that do not have a readily determinable fair value require significant management estimation. Effective April 1, 2014, the Company uses a hypothetical investment with a fixed interest rate of return applicable for each quarter equal to the US prime rate, as established in the Wall Street Journal, plus 2% ("Prime Rate"). Management applied judgment to determine that the deferred compensation (amended terms) contract hosts an embedded derivative that is closely related to the economic characteristics and risks of the host contract, and is not accounted for separately. Changes in the fair value during each reporting period are recorded in profit or loss. On September 10, 2015 the Company settled the deferred compensation liability and terminated the deferred compensation plan. Refer to Note 12

Impairment of mineral properties

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

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

Critical accounting judgments

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

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

The Company determined the fair value of the remaining interest in its investment in MH-LLC on February 22, 2012, the date that it lost control. The determination of when an investment is impaired requires significant judgment. In making this judgment, the Company evaluates, amongst other things, the duration and extent to which the fair value of the investment is less than its original cost at each reporting period. As the Company's share of losses from MH-LLC have exceeded the original carrying value of the investment, the carrying value of the equity investment as of December 31, 2014 is $Nil. On August 25, 2015, the Company disposed of its interest in MH-LLC. Refer to Note 8.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign exchange

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

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

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

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

Cash equivalents

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

Financial instruments

<u>Financial assets</u>

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

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

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

Financial instruments (cont'd...)

Financial assets (cont'd…)

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

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

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

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

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

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

Financial liabilities

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

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

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

Exploration and evaluation assets

Pre-exploration costs are expensed as incurred.

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

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

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

Exploration and evaluation assets (cont'd...)

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

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

Gain (loss) per share

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

Impairment of long-lived assets

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

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

Provision for environmental rehabilitation

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

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

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

Unit offerings

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

Investment in associates

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

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

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

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

Share-based payments

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

Income taxes

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

Deferred tax is recorded using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to the initial recognition of assets or liabilities that affect neither accounting nor taxable loss and differences relating to investments in subsidiaries to the extent that they will probably

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

Income taxes (cont'd...)

not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date.

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

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 de-recognition 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, 2016.

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

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

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, 2016.

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.

The amendments to IFRS 10 and IAS 28 have been deferred indefinitely.

5) Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)

Amends IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* to:

- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.
- introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.
- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Applicable to the Company's annual period beginning on January 1, 2016.

(Expressed in Canadian Dollars)

4. FINANCIAL INSTRUMENTS

The Company classifies its cash and cash equivalents as FVTPL; marketable securities, as available-for-sale; and accounts payable and accrued liabilities and deferred compensation, as other financial liabilities.

The carrying values of cash and cash equivalents, and marketable securities have been based on quoted market prices, a Level 1 measurement according to the fair value hierarchy. The carrying value of deferred compensation is based on inputs, other than quoted prices, for which there is observable market data; a Level 2 measurement according to the fair value hierarchy. The carrying value of accounts payable and accrued liabilities approximates fair value, due to the short term to maturity of these financial instruments.

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

(a) Credit risk

Credit risk refers to the potential that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company manages credit risk, in respect of cash and cash equivalents, by placing its cash balances at a major Canadian financial institution.

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:

	December 31, 2015	December 31, 2014
Cash and cash equivalents	$ 4,998,718	$ 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 December 31, 2015, the Company has cash and cash equivalents of $4,998,718 (2014 - $578,198), current liabilities of $38,009 (2014 - $54,010) and working capital of $5,177,123 (2014 - $743,366).

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

	December 31, 2015		December 31, 2014	
Due Date	Accounts Payable and Accrued Liabilities	Deferred Compensation	Accounts Payable and Accrued Liabilities	Deferred Compensation
0 – 90 days	$ 38,009	$ -	$ 54,010	$ -
90 – 365 days	$ -	$ -	$ -	$ -
More than 1 year	$ -	$ -	$ -	$ 1,631,016

4. FINANCIAL INSTRUMENTS (cont'd…)

(c) Market risk

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

(i) Interest rate risk

Interest rate risk consists of three 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.

(c) Fluctuations in the interest rates impact the value of cash equivalents. As at December 31, 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. Foreign currency risk arises because the amount of the US dollar cash, intercompany balances and payables will vary in Canadian dollar terms due to changes in exchange rates.

As at December 31, 2015, the Company has not hedged its exposure to currency fluctuations.

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

		December 31, 2015		December 31, 2014
Cash and cash equivalents	US$	3,351,757	US$	446,495
Accounts payable and accrued liabilities		(2,218)		(16,122)
Deferred compensation		-		(1,409,805)
Net	US$	3,349,539	US$	(979,432)
Canadian dollar equivalent		$ 4,635,762		$ (1,136,239)

Based on the above net exposures as at December 31, 2015, a 5% (2014 - 5%) change in the Canadian/US exchange rate would impact the Company's gain (loss) and comprehensive gain (loss) by approximately $232,000 (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 not exposed to significant price risk on its marketable securities.

(Expressed in Canadian Dollars)

4. FINANCIAL INSTRUMENTS (cont'd…)

(c) Market risk (cont'd…)

(iv) Fair value hierarchy

The following tables summarize the Company's financial instruments under the fair value hierarchy, as at December 31, 2015 and 2014:

December 31, 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
FVTPL				
Cash and cash equivalents	$4,998,718	$ -	$ -	$4,998,718
Available-for-sale				
Marketable securities	$ 81,159	$ -	$ -	$ 81,159

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

5. CAPITAL MANAGEMENT

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

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

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

There have been no changes to the Company's approach to capital management during the year ended December 31, 2015.

(Expressed in Canadian Dollars)

6. MARKETABLE SECURITIES

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

	December 31, 2015		December 31, 2014	
	Cost	Fair Value	Cost	Fair Value
Solitario Royalty & Exploration Corp.				
119,352 (2014 – 177,000) common shares	$ 144,454	$ 81,159	$ 214,226	$ 188,911

During the year ended December 31, 2015, the Company disposed of 57,648 common shares of Solitario Royalty & Exploration Corp. ("Solitario") for gross proceeds of $59,738, realizing a loss of $1,790.

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

For year ended December 31, 2015, a loss of $46,224 (2014 - gain of $22,509) was recognized in net gain (loss) as a change in fair value of marketable securities.

7. RECEIVABLES

The Company's receivables as of December 31, 2015 and 2014 are as follows:

	December 31, 2015	December 31, 2014
Sales taxes receivable	$ 26,387	$ 5,246

(Expressed in Canadian Dollars)

8. DISPOSAL OF INVESTMENT IN MT. HAMILTON LLC

On June 10, 2015, Ely, DHI US and Solitario (together, the “Sellers”) entered into a definitive agreement (the “Agreement”) to sell their combined interests in the Mt. Hamilton gold project ("Mt. Hamilton Project") to Waterton Nevada Splitter, LLC, a wholly owned subsidiary of Waterton Precious Metals Fund II Cayman, LP (collectively, "Waterton"), for total cash proceeds of US$30 million (the "Transaction"). Solitario sold its 80% interest in MH-LLC, a limited liability company, which holds 100% of the Mt. Hamilton Project assets, and DHI US sold its 20% interest in MH-LLC. As a result, on closing Solitario received cash proceeds of US$24 million and DHI US received cash proceeds of US$6 million.

Concurrent with the signing of the Agreement, the Sellers entered into an arm’s-length agreement (the “Consent Agreement”) pursuant to which Solitario agreed to surrender 15,732,274 Ely shares to the Company for cancellation in exchange for:

(i) the Company and DHI US consenting to Solitario pledging its interest as security for any refinancing required by Solitario to any third party loans;

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

(iii) DHI US repaying loans made to DHI US by Solitario pursuant to the MH-LLC Operating Agreement to fund DHI US’ Joint Venture obligations to MH-LLC, amounting to $240,887 (US$191,150).

Maxit Capital LP (“Maxit”) acted as financial advisor to the Company in connection with the Transaction. The Company paid Maxit a $200,000 fee for Maxit’s services, including delivery of the Fairness Opinion and services in connection with the completion of 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 $7,977,600 (US$6,000,000). On closing of the Consent Agreement, the Company received from Solitario 15,732,274 of its common shares, which were returned to treasury.

For the year ended December 31, 2015, the Company recorded a gain of $7,411,682 on the disposal of its investment in MH-LLC, calculated as follows:

	$
Proceeds received	7,977,600
Carrying value of investment in MH-LLC as at August 25, 2015	(13,339)
Less equity share of previously unrecognized losses	(227,548)
Less Maxit fees	(200,000)
Less Transaction costs	(125,031)
Gain on disposition of MH-LLC interest	7,411,682

(Expressed in Canadian Dollars)

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

Included in the results of operations during the year ended December 31, 2014 is a $40,515 gain on fair value of receivables relating to the Solitario shares received as part of the Continuing Payment Obligations.

Summary of financial information for MH-LLC:

As at December 31,	2015 $US	2014 $US
Current assets	-	393,785
Non-current assets	-	14,467,677
Current liabilities	-	201,234
Non-current liabilities	-	7,000,000

	For the period from January 1 to August 25, 2015 $US	For the year ended December 31, 2014 $US
Net loss	14,687	40,965
Comprehensive loss	14,687	40,965

9. EXPLORATION AND EVALUATION ASSETS

	Green Springs (a)	Cox Claims (b)	Total
Balance, December 31, 2013	$ 438,174	$ 23,523	$ 461,697
Acquisition costs	26,675	-	26,675
Exploration and evaluation costs	156,989	2,610	159,599
Balance, December 31, 2014	621,838	26,133	647,971
Acquisition costs	33,190	36,434	69,624
Exploration and evaluation costs	291,649	-	291,649
Balance, December 31, 2015	$ 946,677	$ 62,567	$ 1,009,244

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

(a) Green Springs

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

On July 7, 2014, the Company entered into an exploration and Option Agreement (the "Option Agreement") with Eurasian Minerals Inc. ("Eurasian") for the Cathedral Well gold project ("Cathedral Well Project"), which surrounds the Company's Green Springs claims. Pursuant to the Option Agreement, the Company can earn a 100% interest in the Cathedral Well Project by paying Eurasian a total of $100,000 as follows:

- US$25,000 upon signing (paid)
- US$25,000 on the first anniversary (paid)
- US$25,000 on the second anniversary
- US$25,000 on the third anniversary.

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

(b) Cox Claims

On January 16, 2013, the Company acquired a mining lease and a purchase option on mining claims contiguous to the Green Springs property, known as the Cox Claims. The lease on the Cox Claims has a term of 10 years with escalating advance royalty payments and a purchase option to acquire 100% of the property. The advance royalty payments are payable as follows on each anniversary of the agreement:

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

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

(Expressed in Canadian Dollars)

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

(b) Cox Claims (cont'd…)

In connection with the acquisition of the Cox Claims, the Company entered into an Agency Agreement with Urawest Energy LLC ("Urawest") to compensate Urawest for its involvement in the acquisition of the Cox Claims. Under the terms of the Agency Agreement, the Company will make total aggregate payments of US$47,500 to Urawest, payable in annual instalments over the 10 year term of the Cox Claims lease:

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

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

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprise the following:

	December 31 , 2015	December 31, 2014
Trade payables	$ 7,209	$ 2,000
Accrued liabilities	30,800	30,000
Due to related parties	-	22,010
Total	$ 38,009	$ 54,010

11. SHARE CAPITAL AND RESERVES

(a) Authorized share capital

As at December 31, 2015, the authorized share capital of the Company is an unlimited number of common shares without par value.

(b) Issued share capital

On August 25, 2015, as part of the Consent Agreement (refer to Note 8), the Company returned 15,732,274 of its common shares to treasury reducing the issued and outstanding share capital to 64,580,475 common shares.

During the years ended December 31, 2015 and 2014, the Company did not issue common shares.

(Expressed in Canadian Dollars)

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

(c) Stock options

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

As at December 31, 2015 and 2014, the Company had outstanding stock options enabling the holders to acquire further common shares as follows:

Expiry Date	Exercise Price	December 31, 2015	December 31, 2014
June 4, 2015	$ 0.20	-	750,000
July 7, 2015	$ 0.15	-	1,000,000
September 1, 2015	$ 0.15	-	1,000,000
January 5, 2016	$0.25	300,000	-
October 16, 2016	$0.06 - $0.14	1,175,000	-
February 26, 2017	$ 0.12	400,000	600,000
July 24, 2017	$ 0.14	200,000	200,000
January 5, 2021 *	$ 0.06	500,000	800,000
September 22, 2021 **	$ 0.06	850,000	1,300,000
January 30, 2023	$ 0.14	325,000	400,000
January 28, 2024	$ 0.12	700,000	900,000
November 27, 2024	$ 0.06	650,000	900,000
Total outstanding and exercisable		5,100,000	7,850,000

* On November 18, 2015, the exercise price of these options was re-priced from $0.25 to $0.06 per share and the expiry date extended from January 5, 2016 to January 5, 2021, which resulted in additional share-based payments expense of $21,494.

** On November 18, 2015, the exercise price of these options was re-priced from $0.20 to $0.06 per share, which resulted in additional share-based payments expense of $8,500.

The weighted average remaining contractual life for the outstanding options at December 31, 2015 is 4.48 (2014 - 4.23) years.

(Expressed in Canadian Dollars)

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

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

Stock option transactions are summarized as follows:

	December 31, 2015			December 31, 2014		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Balance, beginning of year	7,850,000	$	0.16	6,100,000	$	0.21
Granted	-	$	-	1,800,000	$	0.09
Expired	(2,750,000)	$	0.20	(50,000)	$	0.14
Options exercisable, end of year	5,100,000	$	0.10	7,850,000	$	0.16

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

On November 27, 2014, the Company granted incentive stock options to certain directors and officers of the Company entitling them to purchase 900,000 common shares at a price of $0.06 per share for a period of 10 years vesting 100% on the grant date and expiring November 27, 2024. The fair value of these options was calculated at $32,023 using the Black-Scholes option pricing model.

During the year ended December 31, 2015, the Company recorded a total share-based payment expense of $29,994 (2014 - $123,944).

During the year ended December 31, 2015, 2,750,000 options expired unexercised and the relating fair value of $564,475 was transferred from share-based payment reserve to deficit.

(d) Warrants

As at December 31, 2015 and December 31, 2014, the following share purchase warrants were outstanding:

Expiry Date	Exercise Price	December 31, 2015	December 31, 2014
February 28, 2015	$ 0.32	-	4,000,000

On February 28, 2015, 4,000,000 warrants expired unexercised and the relating fair value of $1,278,228 was transferred from share-based payment reserve to deficit.

(Expressed in Canadian Dollars)

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

(d) Warrants (cont'd…)

Share purchase warrant transactions are summarized as follows:

	December 31, 2015			December 31, 2014		
	Number of Warrants		Weighted Average Exercise Price	Number of Warrants		Weighted Average Exercise Price
Balance, beginning of year	4,000,000	$	0.32	4,000,000	$	0.32
Expired	(4,000,000)	$	0.32	-	$	-
Balance, end of year	-	$	-	4,000,000	$	0.32

No warrants were issued during the years ended December 31, 2015 and 2014.

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

	December 31, 2015		December 31, 2014	
	Options	Warrant	Options	Warrants
Risk-free interest rate	N/A	N/A	2.34%	N/A
Expected dividend yield	N/A	N/A	0.00%	N/A
Expected stock price volatility	N/A	N/A	112%	N/A
Expected life in years	N/A	N/A	10.00	N/A
Weighted average fair value	N/A	N/A	$0.10	N/A

The Company has estimated the forfeiture rate to be 0.00%. Expected volatility was determined based on the historical movements in the closing price of the Company's common shares for a length of time equivalent to the expected life of each option and warrant.

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS

Key management comprises directors and executive officers. The Company did not pay post-employment benefits and long-term benefits to key management. The following compensation was paid to key management for the year ended December 31:

	December 31, 2015	December 31, 2014
Short-term employment benefits	$ 726,997	$ 439,090
Other long-term employment benefits	272,790	353,536
Share-based payments	29,994	123,944
Total	$ 1,029,781	$ 916,570

As at December 31, 2015, $Nil (2014 - $22,010) is owing to directors and officers of the Company for consulting fees, which is included in accounts payable and accrued liabilities. A prepaid advance of $21,096 (2014 - $18,574) was made to an officer and director of the Company.

As at December 31, 2015 $Nil (2014 - $1,631,016) is owing to two officers of the Company for deferred consulting fees. The amounts are included in the consolidated statements of financial position as deferred compensation.

On September 10, 2015, the Company paid $1,692,032 to settle the deferred compensation liability. Upon settlement, the Company recognized a $558,090 gain on the settlement of the deferred compensation liability and subsequently terminated the deferred compensation plan.

The Company's consulting fees payable accrue 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 $Nil (2014 - $1,631,016) represents the expected payment obligation in the future, discounted on the consolidated statement of financial position date using an effective interest rate of 10%.

During the year ended December 31, 2015, the Company recognized in profit or loss:

- an decrease in the value of the deferred compensation liability of $245,956 (2014 - $261,100);
- an interest expense of $113,990 (2014 - $62,275); and
- a gain on the settlement of the deferred compensation liability of $558,090 (2014 - $Nil).

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

The Company entered into termination clause agreements with three of the Company's officers and directors, whereby the officers and directors are entitled to a cumulative amount of $319,296 in the event they are terminated without cause, or $837,888 in the event there is a change of control.

On October 17, 2015 the Chairman of the Company, John Brownlie, passed away suddenly; this resulted in a contractual payout of US$250,000 payable to his estate.

(Expressed in Canadian Dollars)

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

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

	2015	2014
Exploration and evaluation expenditures included in accounts payable and accrued liabilities	$ -	$ 29,284
Shares received from Solitario	$ -	$ 84,016

14. SEGMENT INFORMATION

The Company has one reportable operating segment, the acquisition and exploration of resource properties in one geographic location: the United States.

As at	December 31, 2015	December 31, 2014
Non-current assets		
United States	$ 1,069,906	$ 668,273

15. DEFERRED INCOME TAXES

(a) A reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision is provided as follows for the years ended December 31, 2015 and 2014:

	2015	2014
Gain (loss) for the year	$ 6,436,412	$ (1,298,451)
Canadian statutory tax rate	26%	26%
Income tax expense (recovery) computed at statutory rates	1,673,467	(337,597)
Foreign tax rates different from statutory rates	183,037	(44,488)
Change in timing differences	368,526	60,277
Rate difference between current and deferred taxes	(46,316)	-
Foreign exchange gains or losses	25,842	(93,813)
Non-taxable items	(1,212,835)	65,176
Tax losses and tax offsets not recognized (recognized)	(991,721)	350,445
Income tax recovery	$ -	$ -

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

(Expressed in Canadian Dollars)

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

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

	2015	2014
Non-capital losses	$ 11,538,000	$ 14,775,000
Capital losses	2,220,000	2,287,000
Tax value over book value of equipment	2,000	2,000
Tax value over book value of exploration and evaluation assets	4,144,000	4,012,000
Tax value over book value of investments	241,000	81,000
Unrecognized deductible temporary differences	$ 18,145,000	$ 21,157,000

As at December 31, 2015, the Company has non-capital losses carried forward of approximately $11,505,000 and $33,000 that may be applied against future income for tax purposes in Canada and the United States, respectively. The non-capital losses expire between 2016 and 2035.

16. EVENTS AFTER THE REPORTING PERIOD

(a) On February 26, 2016, the Company entered into a binding agreement with Nevada Eagle LLC ("Nevada Eagle") to purchase thirty one mineral properties in Nevada and the western United States. Under the terms of the agreement, the Company will pay Nevada Eagle a total purchase price of US$895,600. The purchase price will be paid as US$445,600 in cash on closing and an additional US$400,000 on the second anniversary, together with 5% interest. The remaining US$50,000 was previously advanced to Nevada Eagle for staking of mineral properties. To facilitate the Agreement and hold the US mineral properties, the company has established a wholly owned subsidiary, Nevada Select Royalty, Inc, a Nevada corporation. The closing of the transaction is subject to TSX-V acceptance of a filing to be made by the Company.

(b) On March 11, 2016, the Company granted 250,000 incentive stock options with an exercise price of $0.09 and that expire March 11, 2026.

(c) On January 5, 2016, 300,000 incentive stock options with an exercise price of $0.25 expired unexercised.