Excelsior MINING CORP

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Excelsior Mining Corp.

We have audited the accompanying consolidated financial statements of Excelsior Mining Corp., which comprise the consolidated statements of financial position as at December 31, 2014 and 2013 and the consolidated statements of operations and comprehensive loss, cash flows, and changes in equity 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.

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Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Excelsior Mining Corp. as at December 31, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Accountants

April 23, 2015

EXCELSIOR MINING CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at

		December 31, 2014		December 31, 2013
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**11,608,021**	$	1,640,877
Prepaid expenses		**90,424**		87,506
Receivables		**93,137**		36,287
		11,791,582		1,764,670
Equipment (Note 3)		**146,096**		127,716
Reclamation bonds (Note 4)		**145,013**		-
Exploration and evaluation assets (Note 4)		**344,316**		-
	$	**12,427,007**	$	1,892,386
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**2,167,127**	$	295,107
Amounts accrued and due to related parties (Note 6)		**245,470**		76,784
		2,412,597		371,891
Equity				
Capital stock (Note 5)		**28,867,753**		14,881,678
Other equity reserves (Note 5)		**5,558,281**		4,581,335
Deficit		**(24,325,514)**		(17,952,677)
Accumulated other comprehensive income (loss)		**(86,110)**		10,159
		10,014,410		1,520,495
	$	**12,427,007**	$	1,892,386

Nature of operations (Note 1)
Commitments and contingencies (Note 12)
Subsequent events (Note 13)

Approved on April 23, 2015 on behalf of the Board of Directors:

"Colin Kinley" Director
Colin Kinley

"Jay Sujir" Director
Jay Sujir

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

EXCELSIOR MINING CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in Canadian Dollars)

		2014		2013
Exploration and evaluation (Note 4)	$	**6,467,725**	$	1,392,298
Share-based compensation (Note 5)		**886,301**		492,107
Wages and salaries		**535,370**		470,145
Management fees (Note 6)		**495,073**		334,685
Investor relations		**311,670**		102,404
Professional fees		**291,277**		67,238
Office and administration		**191,493**		133,519
Rent		**186,876**		128,690
Travel and entertainment		**141,369**		79,634
Regulatory fees		**137,222**		62,387
Directors fees		**122,435**		123,578
Depreciation (Note 3)		**48,831**		42,935
Insurance		**31,688**		31,156
Consulting fees		**8,285**		26,500
Gain on sale of royalty (Note 4)		**(3,000,000)**		(1,479,038)
Gain on foreign exchange		**(466,754)**		(14,501)
Finance income		**(16,024)**		(14,980)
Gain on settlement of debt		**-**		(134,800)
Loss for the year	$	**(6,372,837)**	$	(1,843,957)
Cumulative translation adjustment		**(96,269)**		16,224
Comprehensive loss for the year	$	**(6,469,106)**	$	(1,827,733)
Loss per common share:				
Basic and diluted	$	**(0.08)**	$	(0.03)
Weighted average number of common shares outstanding:				
Basic and diluted		**81,666,315**		55,511,165

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

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EXCELSIOR MINING CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in Canadian Dollars)

		2014		2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the year	$	(6,372,837)	$	(1,843,957)
Items not affecting cash:				
Depreciation		48,831		42,935
Share-based compensation		886,301		492,107
Gain on debt settlement		-		(134,800)
Gain on sale of royalty		(3,000,000)		(1,479,038)
Non-cash working capital item changes:				
Receivables		(56,850)		146,678
Due to related parties		128,544		(7,071)
Prepaid expenses		(933)		71,565
Accounts payable and accrued liabilities		1,461,682		168,494
Net cash used in operating activities		(6,905,262)		(2,543,087)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds on sale of royalty		3,000,000		2,000,000
Acquisition of exploration and evaluation assets		(58,694)		(156,615)
Purchase of reclamation deposits		(82,845)		-
Purchase of equipment		(56,549)		(6,532)
Net cash provided by investing activities		2,801,912		1,836,853
CASH FLOWS FROM FINANCING ACTIVITIES				
Exercise of stock options		60,000		-
Proceeds from private placement		15,038,494		1,000,000
Cash share issuance costs		(1,010,105)		(5,750)
Net cash provided by financing activities		14,088,389		994,250
Effect of foreign exchange on cash and cash equivalents		(17,895)		(11,261)
Net change in cash and cash equivalents		9,967,144		276,755
Cash and cash equivalents, beginning of the period		1,640,877		1,364,122
Cash and cash equivalents, end of the period	$	11,608,021	$	1,640,877
Cash and cash equivalents consist of:				
Cash	$	729,248	$	632,450
Liquid short term investments		10,878,773		1,008,427
	$	11,608,021	$	1,640,877
Cash received for interest	$	12,158	$	26,794

Supplemental disclosure with respect to cash flows (Note 7)

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

EXCELSIOR MINING CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Expressed in Canadian Dollars)

	Capital Stock						
	Number of Shares						
	Voting shares	Non-Voting	Amount	Other Equity Reserves (Note 5)	Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2012	**52,874,179**	**7,007,876**	**$ 13,887,428**	**$ 4,089,228**	**$ (16,108,720)**	**$ (6,065)**	**$ 1,861,871**
Private placement	6,250,000	-	1,000,000	-	-	-	1,000,000
Share issue costs- cash	-	-	(5,750)	-	-	-	(5,750)
Share-based compensation	-	-	-	492,107	-	-	492,107
Loss for the year	-	-	-	-	(1,843,957)	-	(1,843,957)
Translation adjustment	-	-	-	-	-	16,224	16,224
Balance, December 31, 2013	**59,124,179**	**7,007,876**	**$ 14,881,678**	**$ 4,581,335**	**$ (17,952,677)**	**$ 10,159**	**$ 1,520,495**
Non-voting share conversion	7,007,876	(7,007,876)	-	-	-	-	-
Stock option exercises	200,000	-	71,545	(11,545)	-	-	60,000
Private placement	48,469,507	-	15,038,494	-	-	-	15,038,494
Share issue cost - agent warrants	-	-	(102,190)	102,190	-	-	-
Share issue costs – cash	-	-	(1,021,774)	-	-	-	(1,021,774)
Share-based compensation	-	-	-	886,301	-	-	886,301
Loss for the year	-	-	-	-	(6,372,837)	-	(6,372,837)
Translation adjustment	-	-	-	-	-	(96,269)	(96,269)
Balance, December 31, 2014	**114,801,562**	**-**	**$ 28,867,753**	**$ 5,558,281**	**$ (24,325,514)**	**$ (86,110)**	**$ 10,014,410**

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

1. NATURE OF OPERATIONS

Excelsior Mining Corp. (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on June 9, 2005 and was classified as a Tier 2 issuer on the TSX Venture Exchange ("TSX-V"), and trades under the symbol "MIN". The address of the Company's registered office is #1240 - 1140 West Pender Street, Vancouver, BC, Canada V6E 4G1. Subsequent to year end, the Company graduated to Tier 1 status on the TSX-V.

These consolidated financial statements have been prepared 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. As at December 31, 2014, the Company had working capital of $9,378,985 (December 31, 2013 - $1,392,779) and an accumulated deficit of $24,325,514 (December 31, 2013 - $17,952,677). The Company intends to continue financing its future requirements through a combination of equity, debt and/or other instruments. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Management is of the opinion that the Company has sufficient working capital to fund operations for the next 12 months following the date of the audit report.

The Company is in the process of exploring and evaluating its exploration and evaluation assets and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete the development of those mineral reserves and upon future production or proceeds from the disposition thereof.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). They have also been prepared in accordance with interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss or available-for-sale which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The consolidated financial statements are presented in Canadian dollars, unless otherwise stated.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (cont'd…)

Principles of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiary (see below). A subsidiary is an entity (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has the rights to, variable returns from the Company's involvement with the entity and has the ability to affect those returns through the Company's power over the entity.

The results of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

Details of the Company's subsidiary are as follows:

Name	Place of incorporation	Interest %	Principal activity
Excelsior Mining Arizona, Inc. ("Excelsior Arizona")	Arizona, United States	100%	Exploration and evaluation of mineral property interests

The functional currency of the Company is the Canadian dollar, and the functional currency of Excelsior Arizona is the United States dollar.

Critical Accounting Estimates and Judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, shareholders' equity, and the disclosure of contingent assets and liabilities, as at the date of the financial statements, and expenses for the years reported.

Critical Judgments

The preparation of the consolidated financial statements requires management to make judgments regarding the going concern of the Company, as well as the determination of functional currency. The functional currency is the currency of the primary economic environment in which an entity operates, and has been determined to be the Canadian dollar for the Company and the United States dollar for Excelsior Arizona.

Key Sources of Estimation Uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant.

Significant estimates made by management affecting the consolidated financial statements include:

Share-based Payments

Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of the share-based compensation expense for the period along with the assumptions and model used for estimating fair value for share-based compensation transactions are disclosed in Note 5.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (cont'd…)

Critical Accounting Estimates and Judgments (cont'd…)

Key Sources of Estimation Uncertainty (cont'd…)

Deferred Tax Assets & Liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

Useful Life of Equipment

Equipment is depreciated over its estimated useful life. Estimated useful lives are determined based on current facts and past experience, and take into consideration the anticipated physical life of the asset, the potential for technological obsolescence, and regulations.

Recoverability of Exploration & Evaluation Assets

The Company is in the process of exploring and evaluating its exploration and evaluation assets and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete the development of those mineral reserves and upon future production or proceeds from the disposition thereof.

Cash and cash equivalents

The Company considers all highly liquid short-term investments with a maturity of three months or less to be cash and cash equivalents.

Financial Instruments

All financial instruments are initially recognized at fair value on the statement of financial position. The Company has classified each financial instrument into one of the following categories: (1) financial assets or liabilities at fair value through profit or loss ("FVTPL"), (2) loans and receivables, (3) financial assets available-for-sale, (4) financial assets held-to-maturity, and (5) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in the statement of operations. Financial assets "available-for-sale" are subsequently measured at fair value with changes in fair value recognized in other comprehensive income (loss), net of tax.

Financial assets "held-to-maturity", "loans and receivables", and "other financial liabilities" are subsequently measured at amortized cost using the effective interest rate method.

The Company's financial assets and liabilities are recorded and measured as follows:

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (cont'd…)

Financial Instruments (cont'd…)

Asset or Liability	Category	Measurement
Cash and cash equivalents	FVTPL	Fair value
Receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Amounts accrued and due to related parties	Other liabilities	Amortized cost
Reclamation bonds	Held-to-maturity	Amortized cost

The Company classifies the fair value of financial instruments according to the following hierarchy based on the reliability of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The carrying value of the Company's receivables, accounts payable and accrued liabilities, and amounts accrued and due to related parties, approximates their fair values due to their short terms to maturity.

Cash and cash equivalents have been measured at fair value using Level 1 inputs.

The Company's other financial instrument, being reclamation bonds, is measured at amortized cost. The carrying value of the Company's reclamation bonds approximates their fair value as at December 31, 2014.

Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. The equipment below is depreciated over its useful lives using the following annual rates and methods:

Computer and office equipment	30%	Declining balance
Computer software	45%	Declining balance
Exploration equipment	20%	Declining balance
Furniture	20%	Declining balance

Equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the statement of operations and comprehensive loss. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (cont'd…)

Exploration and Evaluation Assets

Before legal rights to explore a property have been acquired, costs are expensed as incurred. Costs related to the acquisition of exploration and evaluation assets are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value. Costs related to the exploration and evaluation of mineral properties are recognized in profit or loss as incurred.

Any option payments or proceeds from the sale of royalty interest received by the Company or tax credits refunded to the Company are credited to the capitalized cost of the mineral interest. If payments received exceed the capitalized cost of the exploration and evaluation asset, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and evaluation, and future profitable production or proceeds from the disposition thereof.

Foreign Currency Translation

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency of the Company is the Canadian dollar and the functional currency of Excelsior Arizona is the United States dollar.

Accordingly, the accounts of Excelsior Arizona are translated into Canadian dollars as follows:

- all of the assets and liabilities are translated at the rate of exchange in effect on the date of the statement of financial position;
- income and expenses are translated at the exchange rate approximating those in effect on the date of the transactions; and
- exchange gains and losses arising from translation are included in accumulated other comprehensive income (loss).

Transactions occurring in currencies other than the functional currency of the entity in question are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities that are denominated in foreign currencies are translated at the rate of exchange at the date of the statement of financial position while non-monetary assets and liabilities are translated at historical rates. Income and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of operations and comprehensive loss.

Loss per Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year.

For diluted per share computations, assumptions are made regarding potential common shares outstanding during the period. The weighted average number of common shares is increased to include the number of additional common shares that would be outstanding if, at the beginning of the year, or at time of issuance, if later, all options and warrants are exercised. Proceeds from exercise are used to purchase the Company's common shares at their average market price during the year, thereby reducing the weighted average number of common shares outstanding. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (cont'd…)

Share-Based Payment Transactions

The Company grants stock options to buy common shares of the Company to directors, officers, employees, and service providers. The Company recognizes share-based compensation expense based on the estimated fair value of the options. A fair value measurement is made for each vesting installment within each option grant and is determined using the Black-Scholes option-pricing model. The fair value of the options is recognized over the vesting period of the options granted as share-based compensation expense. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent years. The other equity reserve account is subsequently reduced if the options are exercised and the amount initially recorded is then credited to capital stock.

When equity instruments are issued to non-employees, the entity instrument is measured at the fair value of the service received, unless this cannot be specifically identified, in which case they are measured at the fair value of the share-based payment.

The Company recognizes the fair value of all warrants issued, recording the amount as an expense in the period, and addition to a related asset, or a cost of issue of shares, as appropriate. Where warrants have been issued in a currency that is different from the functional currency of the issuer, the warrants meet the definition of a derivative liability and are recorded at fair value through profit and loss. Warrants are measured at the time of issue using the Black-Scholes option-pricing model to determine their fair value. Warrants that are equity instruments are not re-measured subsequent to grant unless the terms and conditions of the warrants are substantially amended.

Income Taxes

Income tax on profit or loss for the year comprises current and deferred tax. Current tax is the expected tax paid or payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax paid or payable in respect of previous years.

Deferred tax is recorded using the 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. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting 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. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the year that includes the date of enactment or substantive enactment of change. Deferred tax assets and liabilities are presented separately except where there is a right of set-off within fiscal jurisdictions.

Impairment of Long-lived Assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there are any indications that those assets may be impaired. If such indications exist, 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 an asset's fair value less costs to sell and its 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 the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amounts that would have been determined, net of depreciation, if no impairment loss had been recognized.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (cont'd…)

New Accounting Pronouncements

Amendments to IAS 32, *Financial Instruments: Presentation* was amended to clarify requirements for offsetting financial assets and financial liabilities. This amendment was effective January 1, 2014 and had no material impact on the financial statements of the Company.

Amendments to IAS 36, *Impairment of Assets (*"IAS 36") will address the disclosures required regarding the recoverable amount of impaired assets or cash generating units (CGU) for periods in which an impairment loss has been recognized or reversed. This amendment was effective January 1, 2014 and had no material impact on the financial statements of the Company.

Future Accounting Pronouncements

Amendments to IFRS 7, Financial Instruments: Disclosures ("IFRS 7") will require additional disclosure of information on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2015.

In October 2010, the IASB issued IFRS 9, *Financial Instruments* ("IFRS 9"), which represents the completion of the first part of a three-part project to replace IAS 39, *and Financial Instruments: Recognition and Measurement*, with a new standard. Per the new standard, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income or loss section of the entity's statement of comprehensive loss, rather than within profit or loss. Additionally, IFRS 9 includes revised guidance related to derecognition of financial instruments. IFRS 9 applies to financial statements for annual periods beginning on or after January 1, 2018, with early adoption permitted.

(Expressed in Canadian Dollars)

3. EQUIPMENT

	COMPUTER AND OFFICE EQUIPMENT	COMPUTER SOFTWARE	EXPLORATION EQUIPMENT	FURNITURE	TOTAL
COST					
Balance at December 31, 2012	$ 12,884	$ 132,228	$ 73,933	$ 14,628	$ 233,673
Additions	2,024	-	4,508	-	6,532
Balance at December 31, 2013	14,908	132,228	78,441	14,628	240,205
Additions	12,248	20,952	-	23,349	56,549
Balance at December 31, 2014	$ 27,156	$ 153,180	$ 78,441	$ 37,977	$ 296,754
ACCUMULATED DEPRECIATION					
Balance at December 31, 2012	$ 6,063	$ 48,446	$ 20,049	$ 2,540	$ 77,098
Depreciation for the year	2,169	28,860	10,511	1,395	42,935
Balance at December 31, 2013	8,232	77,306	30,560	3,935	120,033
Depreciation for the year	4,935	28,427	9,021	6,448	48,831
Balance at December 31, 2014	$ 13,167	$ 105,733	$ 39,581	$ 10,383	$ 168,864
EFFECTS OF FOREIGN CURRENCY TRANSLATION					
For the year ended December 31, 2013	$ 290	$ 4,878	$ 2,370	$ 6	$ 7,544
For the year ended December 31, 2014	$ 1,113	$ 9,537	$ 6,477	$ 1,079	$ 18,206
NET BOOK VALUE					
At December 31, 2013	$ 6,966	$ 59,800	$ 50,251	$ 10,699	$ 127,716
At December 31, 2014	$ 15,102	$ 56,984	$ 45,337	$ 28,673	$ 146,096

4. EXPLORATION AND EVALUATION ASSETS AND EXPENSES

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral claims. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of its interests are in good standing. The mineral property interests in whom the Company has committed to earn an interest are located in the United States of America.

Gunnison Project

The Company, through Excelsior Arizona, entered into a series of option agreements to purchase the Gunnison Project, located in Cochise County, Arizona. Under the amended option agreement, Excelsior Arizona had the exclusive right to acquire 100% of the Gunnison Project for US$350,000 to be paid as follows:

- US$150,000 to be paid on the execution of the amended option agreement (paid in December 2012);
- US$150,000 to be paid on the earlier of;
    - thirty days of the closing of an equity financing greater than US$2,000,000; and
    - on or before January 1, 2014 (paid in August 2013); and
- US$50,000 payable on or before January 1, 2015 (paid in December 2014).

As of December 31, 2014 the Company had fulfilled the above mentioned series of payments which gives it 100% ownership of the Gunnison Project.

A further payment of US$246,205 to certain land holders of the Gunnison Project became payable on the exercise of the option on the Gunnison property. The payment has been accrued at year end as acquisition costs for exploration and evaluation assets (Note 13).

On July 19, 2013, the Company entered into a Share Purchase and Royalty Option Agreement (the “Callinan Agreement”) with Callinan Royalties Corporation (“Callinan”). Under the terms of the Callinan Agreement, Callinan was to invest $1,000,000 in the Company by way of a non-brokered private placement and up to a further $21,000,000 through the purchase of a staged gross revenue royalty (“GRR”) on the Gunnison Project.

Under the terms of the Callinan Agreement, Callinan made an initial investment as follows:

- Purchased 6,250,000 common shares of the Company at a price of $0.16 per common share for aggregate consideration of $1,000,000 (cash received and common shares issued in July 2013), and
- Paid $2,000,000 to the Company in exchange for 0.5% GRR (the “Initial GRR”) (received in July 2013).

Callinan had the right to require the Company to repurchase all or part of the Initial GRR for $2,000,000 pro-rated for the portion of the Initial GRR purchased by the Company and payable in common shares of the Company priced at $0.25 per common share.

The first royalty option under the Callinan Agreement was exercised on July 29, 2014. To exercise the first royalty option, Callinan paid the Company $3,000,000 in return for 0.5% GRR on the Gunnison Project. Combined with the initial GRR that Callinan acquired in July 2013, Callinan now holds a 1.0% GRR on the Gunnison Project.

Callinan has the option to invest up to an additional $16,000,000 into the Company in exchange for a further 2.0% GRR on the Gunnison Project based on development milestones (1%) and a construction option (1%).

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS AND EXPENSES (cont'd…)

Gunnison Project (cont'd…)

Development Milestones

1% of the additional GRR is staged and based upon the Company meeting specific development milestones leading up to the construction of a mining facility, including completion of hydrology and metallurgy models, to feasibility study level, and successful administrative review of the key permits (Aquifer Protection Permit and the Underground Injection Control and Aquifer Exemption Permit). Upon the completion of each milestone, Callinan will have the option to purchase an additional 0.5% GRR for $3,000,000 each, for a total of $6,000,000.

Construction Option

The construction option gives Callinan the right to buy a 1% GRR for $10,000,000 following completion of the feasibility study, receipt of all required permits and the Company securing a firm commitment for 50% of the required capital required for mine construction. One quarter (0.25%) of the construction option will vest with each $3,000,000 paid by Callinan to the Company pursuant to the initial investment or upon the exercise of any of the royalty options.

The exercise price of the construction option may be adjusted if the feasibility study recommends the construction of a plant with capacity lower than 80 million pounds of copper per year based on an agreed upon schedule.

Should all the royalty options be exercised, Callinan would acquire a 3% GRR on the Gunnison Project for total proceeds of $21,000,000.

Exploration and evaluation assets		Gunnison Property
Balance at December 31, 2012	$	**338,077**
Addition to acquisition costs		156,615
Effect of foreign currency translation		26,270
Royalty proceeds received [(1)]		(520,962)
Balance at December 31, 2013	$	**-**
Addition to acquisition costs		344,316
Balance at December 31, 2014	$	**344,316**

[(1)] The Company recognized a gain on sale of royalty of $1,479,038 during the year ended December 31, 2013, which represents the difference between the $2,000,000 received and its cost of the property.

A breakdown of exploration and evaluation expenses is as follows:

Exploration and evaluation expenses	For the years ended December 31, 2014		2013	
Hydrology	$	2,760,559	$	101,273
Drilling		1,472,238		162,198
Metallurgy		1,007,184		90,976
Geology		380,875		154,637
Administration		326,041		81,293
Geophysics		171,824		-
Pre-feasibility		111,135		682,851
Feasibility		99,507		-
Camp maintenance		71,608		71,363
Geochemistry		56,398		-
Resource estimate		10,356		47,707
	$	6,467,725	$	1,392,298

4. EXPLORATION AND EVALUATION ASSETS AND EXPENSES (cont'd…)

Gunnison Project (cont'd…)

Reclamation Bonds

As at December 31, 2014, the Company had outstanding reclamation bonds for the Gunnison property of $145,013 (December 31, 2013 – $Nil) registered with the Bureau of Land Management in Arizona and with the Arizona State Land Department.

5. CAPITAL STOCK AND OTHER EQUITY RESERVES

Share issuances

The Company issued the following common shares during the year ended December 31, 2014:

- On January 20, 2014 the Company issued 100,000 common shares for proceeds of $30,000 in connection with the exercise of stock options with an exercise price of $0.30. These options had a carrying value of $1,686 which was reclassified from other equity reserves to capital stock.

- On January 21, 2014 the Company issued 50,000 common shares for proceeds of $15,000 in connection with the exercise of stock options with an exercise price of $0.30. These options had a fair value of $9,016 which was reclassified from other equity reserves to capital stock.

- On January 29, 2014 2,331,000 non-voting shares were converted to 2,331,000 voting common shares.

- On April 7, 2014 the Company issued 50,000 common shares for proceeds of $15,000 in connection with the exercise of stock options with an exercise price of $0.30. These options had a fair value of $843 which was reclassified from other equity reserves to capital stock.

- On June 27, 2014 the Company completed a public offering by issuing 16,000,000 units (the "Units") priced at $0.25 per Unit for gross proceeds of $4,000,000. Each Unit consists of one common share of the Company and one-half common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one common share of the Company at a price of $0.45 until June 27, 2016. The Company paid share issue costs in the amount of $585,097 related to this share issuance. The Company also issued 960,000 non-transferable agent warrants. Each agent warrant is exercisable into one common share of the Company until June 27, 2016 at an exercise price of $0.45. An amount of $102,190 representing the fair value of these warrants on granting was recorded as share issuance costs.

- On July 2, 2014, 4,676,876 non-voting shares were converted to 4,676,876 voting common shares.

- On September 5, 2014 the Company completed the first tranche of a US$10,000,000 financing and strategic partnership agreement with an affiliate of Greenstone Resources L.P ("Greenstone"), whereby Greenstone purchased 20,580,000 common shares, equal to approximately 19.9% of the issued and outstanding common shares of the Company, for gross proceeds of $6,968,742 (US$6,393,342). The Company incurred $144,808 of share issuance costs in conjunction with this financing.

- On October 20, 2014, the Company completed the second tranche of the US$10,000,000 equity financing and strategic partnership with Greenstone. In conjunction with this closing, Greenstone purchased 11,889,507 common shares of the Company for gross proceeds of $4,069,752 (US$3,606,658). The Company incurred $291,869 of share issuance costs in conjunction with this financing. As at December 31, 2014, Greenstone holds 32.4 million common shares or approximately 28.2% of the Company's issued and outstanding common shares.

(Expressed in Canadian Dollars)

5. CAPITAL STOCK AND OTHER EQUITY RESERVES (cont'd…)

Share issuances (cont'd…)

The Company issued the following common shares during the year ended December 31, 2013:

- On July 31, 2013, the Company issued 6,250,000 common shares priced at $0.16 per common share for gross proceeds of $1,000,000 in relation to the Callinan Agreement (Note 4). The Company paid share issue costs in the amount of $5,750 related to this share issuance.

Warrants

The following is a summary of warrants outstanding as at December 31, 2014:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2012	**9,155,431**	**$0.90**
Expired	(7,311,265)	$1.00
Outstanding, December 31, 2013	**1,844,166**	**$0.50**
Expired	(1,844,166)	$0.50
Issued	8,960,000	$0.45
Outstanding, December 31, 2014	**8,960,000**	**$0.45**

As at December 31, 2014, the Company had the following warrants outstanding:

Outstanding	Exercise Price	Remaining life (years)	Expiry Date
8,000,000	$0.45	1.49	June 27, 2016
960,000[1]	$0.45	1.49	June 27, 2016
8,960,000			

[1] Agents warrants

The following weighted average assumptions were used for the Black-Scholes valuation of agent warrants granted during the year ended December 31, 2014 and 2013:

	December 31, 2014	December 31, 2013
Risk-free interest rate	1.13%	-
Expected life of warrants	2 years	-
Annualized volatility	113%	-
Dividend rate	0%	-

The risk free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed warrant life. The expected average term is the average expected period to exercise, based on the historical activity. The expected volatility is based on the historical volatility of the Company. The weighted average fair value of agents warrants issued during the year ended December 31, 2014 is $0.106 per warrant (2013 - $Nil).

(Expressed in Canadian Dollars)

5. CAPITAL STOCK AND OTHER EQUITY RESERVES (cont'd…)

Stock options

The Company's stock option plan (the "Plan"), provides for the grant of incentive stock options to employees, consultants, officers, and directors of the Company. Currently, the number of shares authorized for issuance under the Plan is 16,466,400. Options granted under the Plan have a maximum term of ten years. The exercise price of the options shall be determined by the Board of Directors, but shall not be less than the closing price of the common shares on the last trading day proceeding the date the options are granted. The vesting terms are at the Board of Directors' discretion.

The following is a summary of stock options outstanding as at December 31, 2014:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2012	**10,955,334**	**$0.45**
Forfeited	(182,000)	$0.52
Expired	(117,334)	$0.30
Outstanding, December 31, 2013	**10,656,000**	**$0.29**
Forfeited	(335,000)	$0.30
Exercised	(200,000)	$0.30
Issued	1,650,000	$0.26
Outstanding, December 31, 2014	**11,771,000**	**$0.28**
Exercisable, December 31, 2014	**10,346,000**	**$0.29**

At December 31, 2014, the following stock options were outstanding and exercisable:

Outstanding	Exercisable	Exercise Price	Remaining life (years)	Expiry Date
2,800,000[(1)]	2,800,000	US$0.25	4.00	December 31, 2018
58,667[(1)]	58,667	$0.30	4.00	December 31, 2018
2,971,000[(1),(2)]	2,971,000	$0.30	4.00	December 31, 2018
200,000[(2)]	200,000	$0.30	1.09	February 1, 2016
100,000[(2)]	100,000	$0.30	1.32	April 25, 2016
100,000[(2)]	100,000	$0.30	1.59	August 2, 2016
100,000[(2)]	100,000	$0.30	1.68	September 6, 2016
1,241,333[(2)]	1,241,333	$0.30	2.13	February 15, 2017
2,550,000	2,550,000	$0.30	2.72	September 18, 2017
600,000	150,000	$0.25	4.60	August 6, 2019
300,000	75,000	$0.265	4.75	September 30, 2019
250,000	-	$0.25	4.92	December 1, 2019
500,000	-	$0.26	4.81	October 20, 2019
11,771,000	10,346,000			

[(1)] During the year ended December 31, 2014, 2,800,000 stock options with an exercise price of US$0.25 and 3,029,667 stock options with an exercise price of $0.30 were modified to extend the expiry date to December 31, 2018. Where stock options are modified, new fair values were calculated based on the modified expiry date and this new fair value is used in determining compensation expense over the remaining vesting periods of the options. Due to modifying the stock options, an additional $582,419 was recorded as share-based compensation during the year ended December 31, 2014.

(Expressed in Canadian Dollars)

5. CAPITAL STOCK AND OTHER EQUITY RESERVES (cont'd…)

Stock options (cont'd…)

(2)During the year ended December 31, 2013, 5,147,333 stock options ranging in price from \$0.50 to \$0.73 were re-priced at \$0.30 per share. Where stock options are re-priced, new fair values were calculated based on the new exercise price and this new fair value is used in determining compensation expense over the remaining vesting periods of the options. Due to re-pricing the options, an additional \$60,452 was recorded as share-based compensation during the year ended December 31, 2013.

Share-based compensation

The Company recognizes share-based compensation expense for all stock options granted using the fair value based method of accounting. The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares, forfeiture rate, and expected life of the options. During the year ended December 31, 2014, the Company recognized share-based compensation of \$886,301 (December 31, 2013 - \$492,107).

The weighted average fair value of stock options issued during the year ended December 31, 2014 was \$0.20 per stock option.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted, re-priced or modified during the years ended December 31, 2014 and 2013:

	December 31, 2014	**December 31, 2013**
Risk-free interest rate	1.40%	1.61%
Expected life of options	4.16 years	4.11 years
Annualized volatility	105.92%	86%
Expected forfeitures	4%	4%
Dividend rate	0%	0%

The risk free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed warrant life. The expected average term is the average expected period to exercise, based on the historical activity. The expected volatility is based on the historical volatility of the Company.

Other equity reserves

		Options and agent warrants		**Finance warrants**		**Total**
Balance, December 31, 2012	**$**	**2,453,254**	**$**	**1,635,974**	**$**	**4,089,228**
Share-based compensation		492,107		-		492,107
Balance, December 31, 2013	**$**	**2,945,361**	**$**	**1,635,974**	**$**	**4,581,335**
Share-based compensation		886,301		-		886,301
Issuance of agent warrants		102,190		-		102,190
Fair value of stock options exercised		(11,545)		-		(11,545)
Balance, December 31, 2014	**$**	**3,922,307**	**$**	**1,635,974**	**$**	**5,558,281**

(Expressed in Canadian Dollars)

6. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying consolidated financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors, corporate officers, including the Company's Executive Chairman, Chief Executive Officer, Chief Financial Officer, and Vice Presidents.

Remuneration attributed to key management personnel can be summarized as follows:

		Years Ended December 31,		
		2014		2013
Share-based compensation	$	756,283	$	425,781
Short-term benefits*		597,521		462,538
	$	**1,353,804**	**$**	**888,319**

* includes base salaries, consulting fees, management fees, director fees, and other employment benefits, pursuant to contractual employment, consultancy or management services arrangements

Other related parties

King & Bay West Management Corp, ("King & Bay") is an entity owned by Mark Morabito, the Executive Chairman of the Company who employs or retains certain officers of the Company. King & Bay provides administrative, management, geological, regulatory, tax, corporate development and corporate communications services to the Company. These services are provided to the Company on an as-needed basis and are billed based on the cost or value of the services provided to the Company. The amount set out in the table below represents amounts paid to King & Bay for the services of King & Bay personnel and for overhead and third party costs incurred by King & Bay on behalf of the Company.

Kinley Exploration LLC, ("Kinley Exploration") is an entity owned by Colin Kinley, a Director of the Company and provides certain technical services on an as-needed basis to the Company.

Cassels Brock & Blackwell LLC, ("Cassels Brock") is a law firm that John Vettese, a former Director of the Company, is a partner in and provides legal services on an as-needed basis to the Company.

Transactions entered into with related parties other than key management personnel included the following:

		Years Ended December 31,		
		2014		2013
King & Bay	$	759,556	$	601,145
Kinley Exploration LLC		-		37,226
Cassels Brock & Blackwell LLP		395,911		3,667
	$	**1,155,467**	**$**	**642,038**

(Expressed in Canadian Dollars)

6. RELATED PARTY TRANSACTIONS (cont'd…)

Amounts due to related parties at December 31, 2014 included the following:

- King & Bay - $200,800 (December 31, 2013 - $39,558)
- Kinley Exploration LLC, a company controlled by a director - $Nil (December 31, 2013 - $37,226)
- Michael Haworth, a director of the Company - $6,000 (December 31, 2013 – $Nil)
- SCT Holdings Management LLC, a company controlled by the CEO - $38,670 (December 31, 2013 - $Nil)

7. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The following were the significant non-cash transactions affecting cash flows from investing and financing activities during the year ended December 31, 2014:

- 200,000 stock options with an exercise price of $0.30 per option were exercised. An amount of $11,545, representing the fair value of the options on granting was reclassified from other equity reserves to capital stock on exercise.
- The Company issued 960,000 agent warrants in connection with its financing as described in Note 5 with a fair value of $102,190.
- Included in accounts payable and accrued liabilities as at December 31, 2014 are share issuance costs of $11,669.
- Included in accounts payable and accrued liabilities as at December 31, 2014 are exploration and evaluation assets of $285,622.
- Included in accounts payable and accrued liabilities as at December 31, 2014 are reclamation deposits of $58,005.

There were no significant non-cash transactions affecting cash flows from investing, and financing activities during the year ended December 31, 2013.

8. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration and evaluation of mineral properties in North America.

Geographical information is as follows:

		As at December 31, 2014		As at December 31, 2013
Equipment				
United States	$	137,480	$	126,821
Canada		8,616		895
	$	146,096	$	127,716
Reclamation Bonds				
United States	$	145,013	$	-
Exploration and evaluation assets				
United States	$	344,316	$	-

9. FINANCIAL INSTRUMENTS

As at December 31, 2014, the Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash and cash equivalents are held at large North American financial institutions some of which are interest bearing accounts. The Company has no investments in asset-backed commercial paper. The Company's receivables consist mainly of input tax credits receivable due from the Government of Canada. As a result the Company does not believe it is subject to significant credit risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through its capital management as outlined in Note 10. As at December 31, 2014, the Company has cash and cash equivalents balance of $11,608,021 to settle current liabilities of $2,412,597. The Company believes it has sufficient cash and cash equivalents to settle current liabilities and to support further advancement of the Gunnison Project and working capital requirements for the next 12 months.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and commodity and equity prices and foreign currency fluctuations.

(a) Interest Rate Risk

The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The risk that the Company will realize a loss as a result of a decline in the fair value of short-term investments is low.

Interest rate risk on cash and cash equivalents is minimal because these investments generally have a fixed yield rate. As of December 31, 2014, the Company did not have any interest bearing debt.

(b) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

(c) Currency risk

Currency exchange risk is the risk that the future cash flows of financial instruments will fluctuate as a result of changes in foreign exchange rates. The majority of the Company's operations are conducted in U.S. dollars; the Company's recent financing was in U.S. dollars but any future equity raised may be in either U.S dollars or Canadian dollars. Approximately 80% of cash and cash equivalents are held in U.S. dollar bank accounts. A 10% change in the Canadian dollar versus the U.S. dollar exchange rate would affect the loss of the Company by approximately $850,000.

(Expressed in Canadian Dollars)

10. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and evaluation of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

In the management of capital, the Company considers components of equity.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

11. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

		December 31, 2014		December 31, 2013
Loss for the year	$	(6,372,837)	$	(1,843,957)
Expected income tax recovery	$	(1,657,000)	$	(475,000)
Permanent difference		(550,000)		(254,000)
Change in statutory, foreign tax, foreign exchange rates, and other		(910,000)		(530,000)
Share issuance costs		(266,000)		(1,000)
Change in unrecognized deductible temporary differences		3,383,000		1,260,000
Total income tax recovery	$	-	$	-

The significant components of the Company's unrecorded deferred tax assets are as follows:

		December 31, 2014		December 31, 2013
Exploration and evaluation assets	$	5,545,000	$	3,094,000
Equipment		52,000		41,000
Share issuance costs		243,000		102,000
Non-capital losses available for future periods		2,930,000		2,150,000
		8,770,000		5,387,000
Unrecognized deferred tax assets		(8,770,000)		(5,387,000)
Net deferred tax assets	$	-	$	-

(Expressed in Canadian Dollars)

11. INCOME TAXES (cont'd…)

The significant deductible temporary differences, unused tax losses and expiry dates are as follows:

	December 31, 2014		December 31, 2013	
Exploration and evaluation assets	$ 14,476,000	no expiry	$ 8,008,000	no expiry
Equipment	$ 138,000	no expiry	$ 105,000	no expiry
Share issuance costs	$ 933,000	2035 - 2038	$ 391,000	2034 - 2037
Non-capital losses available for future periods	$ 10,072,000	2015 - 2034	$ 7,434,000	2014 - 2033
Investment tax credit	$ 12,000	2030	$ 12,000	2020-2033

Tax attributes are subject to review, and potential adjustment, by tax authorities.

12. COMMITMENTS AND CONTINGENCIES

The Company has the following commitments with respect to the lease of its office in Phoenix, Arizona:

Fiscal Year End	Office Lease Payments
2015	$ 74,491
2016	101,281
2017	103,895
2018	26,137
Total	**$ 305,804**

No contingent liabilities have been accrued as of December 31, 2014, nor are any known disputes pending against the Company that could significantly impact the Company's consolidated financial statements.

13. SUBSEQUENT EVENTS

The following reportable events occurred subsequent to the year ended December 31, 2014:

- On January 15, 2015, the Company received approval for graduation from Tier 2 issuer status to Tier 1 issuer status by the TSX-V.
- On January 30, 2015, 35,000 stock options were cancelled with an exercise price of $0.30.
- On February 2, 2015 the Company made a payment of US$246,205 to certain land holders of the Gunnison Project which became due on the exercise of the option to acquire 100% ownership of the Gunnison Project. The US$246,205 consisted of a US$150,000 payment under the terms of a promissory note and a purchase price adjustment payment of US$96,205. The payments were obligations of the vendor of the Gunnison Project that were assumed by the Company on the exercise of the option to acquire the Gunnison Project and paid by the Company on February 2, 2015.
- On February 28, 2015, 50,000 stock options were cancelled with an exercise price of $0.30.