

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(Expressed in US Dollars)

April 26, 2016

Independent Auditor's Report

To the Shareholders of Excelsior Mining Corp.

We have audited the accompanying consolidated financial statements of Excelsior Mining Corp. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2015 and the consolidated statements of loss and comprehensive loss, cash flows, and changes in equity for the year then ended, and the related notes, which comprise 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 as issued by the International Accounting Standards Board, 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.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 auditor's 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 is sufficient and appropriate to provide a basis for our audit opinion.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other matter
Without modifying our opinion, we draw attention to Note 2 to the financial statements, which explains that comparative information as at December 31, 2014 and January 1, 2014 and for the year ended December 31, 2014 has been restated due to a change in presentation currency to reflect the Company's results as if they had been historically reported in United States dollars. The financial statements of the Company for the year ended December 31, 2014 (prior to the restatement of the comparative information) were audited by another auditor who expressed an unmodified opinion on those financial statements on April 23, 2015.

As part of our audit of the financial statements of the Company for the year ended December 31, 2015, we also audited the adjustments described in Note 2 that were applied to restate the financial statements for the year ended December 31, 2014. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the financial statements of the Company for the year ended December 31, 2014 other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the financial statements for the year ended December 31, 2014 taken as a whole.

signed "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

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

	Note	December 31, 2015	December 31, 2014	January 1, 2014 (Note 2j)
ASSETS				
Current assets				
Cash and cash equivalents		**$ 6,306,680**	$ 10,006,114	$ 1,542,753
Prepaid expenses		**113,355**	77,945	82,273
Receivables		**767,105**	80,284	34,117
		7,187,140	10,164,343	1,659,143
Property, plant and equipment	3	**12,256,073**	125,935	120,079
Exploration and evaluation assets	4	**-**	296,799	-
Long term deposits	4	**222,790**	125,000	-
		$ 19,666,003	$ 10,712,077	$ 1,779,222
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		**$ 850,196**	$ 1,868,061	$ 277,461
Amounts due to related parties	7	**108,795**	211,595	72,192
Deferred consideration	3	**1,000,000**	-	-
		1,958,991	2,079,656	349,653
Long term deferred consideration	3	**2,200,000**	-	-
Asset retirement obligation	5	**3,299,052**	-	-
		7,458,043	2,079,656	349,653
Equity				
Capital stock	6	**30,924,103**	26,768,226	13,991,754
Other equity reserves	6	**5,244,344**	5,200,317	4,307,371
Deficit		**(23,131,491)**	(22,507,126)	(16,879,107)
Accumulated other comprehensive loss		**(828,996)**	(828,996)	9,551
		12,207,960	8,632,421	1,429,569
		$ 19,666,003	$ 10,712,077	$ 1,779,222

Nature of operations and liquidity risk	1
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Approved on April 26, 2015 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 LOSS AND COMPREHENSIVE LOSS
(Expressed in US Dollars)

	Note		2015		2014
Exploration and evaluation	4	**$**	**5,558,761**	$	5,749,931
Directors and officers fees	7		**828,749**		708,853
Office and administration			**542,996**		536,344
Investor relations			**375,997**		412,133
Professional fees			**352,222**		378,238
Regulatory fees			**172,528**		169,321
Share-based compensation	6		**126,345**		807,749
Financing cost			**113,333**		-
Plant and equipment holding and maintenance cost			**87,471**		-
Depreciation			**46,061**		44,012
Consulting fees			**-**		7,603
Gain on sale of royalty	4		**(7,703,201)**		(2,754,000)
Loss before other items			**(501,262)**		(6,060,184)
Other items					
Foreign exchange (loss)/gain			**(145,611)**		417,955
Other income			**22,508**		14,209
Loss for the year		**$**	**(624,365)**	$	(5,628,020)
Cumulative translation adjustment			**-**		(756,289)
Comprehensive loss for the year		**$**	**(624,365)**	$	(6,384,309)
Loss per common share:					
Basic and diluted		**$**	**(0.01)**	$	(0.08)
Weighted average number of common shares outstanding:					
Basic and diluted			**116,470,535**		81,666,315

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

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

		2015		2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the year	**$**	**(624,365)**	$	(5,628,020)
Items not affecting cash:				
Depreciation		**46,061**		44,012
Gain on sale of royalty		**(7,703,201)**		(2,754,000)
Share-based compensation		**126,345**		807,749
Unrealized loss on foreign exchange		**145,611**		-
Non-cash working capital item changes:				
Receivables		**(345)**		(46,167)
Amounts due to related parties		**(102,800)**		139,403
Prepaid expenses		**(35,410)**		4,328
Accounts payable and accrued liabilities		**(1,056,752)**		1,344,397
Net cash used in operating activities		**(9,204,856)**		(6,088,298)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of exploration and evaluation assets		**(246,205)**		(50,594)
Purchase of equipment		**(57,528)**		(51,187)
Deposit payment, net of refund		**(147,790)**		(125,000)
Royalty option payment received		**8,000,000**		2,754,000
Johnson Camp Mine acquisition		**(5,966,537)**		-
Net cash provided by investing activities		**1,581,940**		2,527,219
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of common shares		**4,000,000**		13,746,800
Share issuance costs		**(30,724)**		(939,839)
Proceeds from stock option exercises		**104,283**		54,709
Interest payment		**(4,466)**		-
Net cash provided by financing activities		**4,069,093**		12,861,670
Net change in cash and cash equivalents		**(3,553,823)**		9,300,591
Effect of foreign exchange on cash and cash equivalents		**(145,611)**		(837,230)
Cash and cash equivalents, beginning of the year		**10,006,114**		1,542,753
Cash and cash equivalents, end of the year	**$**	**6,306,680**	$	10,006,114
Cash and cash equivalents consist of:				
Cash	**$**	**6,306,680**	$	628,612
Liquid short term investments		**-**		9,377,502
	$	**6,306,680**	$	10,006,114
Cash received for interest	**$**	**19,089**	$	11,005

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

EXCELSIOR MINING CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in US Dollars)

	Capital Stock					
	Number of Common Shares					
	Voting	Non-Voting	Amount	Other Equity Reserves (Note 4)	Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2013 (Note 2)	**59,124,179**	**7,007,876**	**$ 13,991,753**	**$ 4,307,371**	**$ (16,879,106)**	**$ 9,551**	**$ 1,429,569**
Non-voting share conversion	7,007,876	(7,007,876)	-	-	-	-	-
Stock option exercises	200,000	-	65,233	(10,524)	-	-	54,709
Public offering	48,469,507	-	13,746,800	-	-	-	13,746,800
Share issue costs – agent warrants	-	-	(95,721)	95,721	-	-	-
Share issue costs – cash	-	-	(939,839)	-	-	-	(939,839)
Share-based compensation	-	-	-	807,749	-	-	807,749
Loss for the year	-	-	-	-	(5,628,020)	-	(5,628,020)
Translation adjustment	-	-	-	-	-	(838,547)	(838,547)
Balance, December 31, 2014	**114,801,562**	**-**	**$ 26,768,226**	**$ 5,200,317**	**$ (22,507,126)**	**$ (828,996)**	**$ 8,632,421**
Stock option exercises	521,000	-	186,601	(82,318)	-	-	104,283
Private placement	23,081,362	-	4,000,000	-	-	-	4,000,000
Share issue costs – cash	-	-	(30,724)	-	-		(30,724)
Share-based compensation	-	-	-	126,345	-	-	126,345
Loss for the year	-	-	-	-	(624,365)	-	(624,365)
Balance, December 31, 2015	**138,403,924**	**-**	**$ 30,924,103**	**$ 5,244,344**	**$ (23,131,491)**	**$ (828,996)**	**$ 12,207,960**

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

1. NATURE OF OPERATIONS AND LIQUIDITY RISK

Excelsior Mining Corp. (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on June 9, 2005 and is classified as a Tier 1 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.

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.

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, 2015, the Company had working capital of $5,228,149 (December 31, 2014 - $8,084,687) and an accumulated deficit of $23,131,491 (December 31, 2014 - $22,507,126). 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.

Currently, the Company has sufficient funds to meet its estimated annual corporate costs. However, the Company does not currently have sufficient funds to complete all the engineering work associated with the completion of the Gunnison Project feasibility study, all of the permitting work associated with the receipt of all permits, and the funding of the care and maintenance, holding costs and deferred purchase payments relating to the Johnson Camp Mine. As at December 31, 2015, the Company did not have any pre-arranged sources of financing except for certain remaining royalty option payments that may or may not be received (refer to the Callinan Agreement further described in Note 4). The royalty payments are optional and at the sole discretion of the optionee and there is no certainty that they will be received. Should the Company not receive any proceeds from the exercising of the royalty options or be unsuccessful in raising additional funds, then certain discretionary expenditures may be deferred and measures to reduce operating costs will be taken in order to preserve working capital.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

a. 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").

b. 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.

All financial information in these consolidated financial statements is presented in United States dollars ("USD" or "US dollars"), unless otherwise stated. References to CAD are to Canadian dollars ("CAD").

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

c. Principles of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries. A subsidiary is an entity 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 subsidiaries are included in the consolidated financial statements from the date that control commences until the date the control ceases. All intercompany transactions and balances have been eliminated.

Details of Company's subsidiaries 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
Excelsior Mining JCM, Inc. ("Excelsior JCM")	Arizona, United States	100%	Owner of copper production facilities

d. Critical Accounting Estimates and Judgements

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 periods reported. Actual results could differ from those estimates and such differences could be significant.

Critical Judgments

The preparation of the consolidated financial statements requires management to make judgments regarding the going concern status 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 United States dollar for the Company, Excelsior Arizona, and Excelsior JCM.

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…)

d. Critical Accounting Estimates and Judgements (cont'd…)

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.

e. 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.

f. 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:

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	Loans and receivables	Amortized cost

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

g. 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.

h. Exploration and Evaluation Assets

Costs related to the exploration and evaluation of mineral properties are recognized in profit or loss as incurred. Costs related to the acquisition of exploration and evaluation assets are capitalized. Exploration and evaluation assets are assessed for impairment indicators at the end of each reporting period.

Any option payments or proceeds from the sale of royalty interests received by the Company are credited to the capitalized cost of the related exploration and evaluation asset. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the period received.

Once the technical feasibility and commercial viability of the extraction of mineral reserves or resources from a particular mineral property has been determined, expenditures are reclassified to mineral property development costs within mineral properties, plant and equipment and are carried at cost until the properties to which the expenditures related are sold, abandoned or determined by management to be impaired in value.

The establishment of technical feasibility and commercial viability of a mineral property is assessed based on a combination of factors, including:

- The extent to which mineral reserves or mineral resources as defined in National Instrument 43-101 ("NI 43-101") have been identified through a feasibility study or similar document;
- The results of optimization studies and further technical evaluation carried out to mitigate project risks identified in the feasibility study;
- The status of environmental permits; and
- The status of mining leases or permits.

Exploration and evaluation assets are tested for impairment immediately prior to reclassification to mineral property development costs.

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

i. 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.

j. Foreign Currency Translation

Items included in the financial statements of the Company and its wholly-owned subsidiaries, Excelsior Arizona, and Excelsior JCM, are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The functional currency of the Company and its subsidiaries is the USD. Effective January 1, 2015, the functional currency of the Company was changed from the Canadian dollar to the US dollar as a result of a change in underlying transactions, events and conditions, including raising financing in US dollars. The change in functional currency was applied prospectively from January 1, 2015 onwards.

Change in Presentation Currency

Prior to January 1, 2015, the Company reported its annual and quarterly statements of financial position and the related statements of loss, comprehensive loss, and cash flows in CAD. Effective January 1, 2015, the Company changed its reporting currency to the United States dollar to better reflect the Company's business activities and to facilitate comparability to similar mining companies in the sector. As a result and in accordance with International Accounting Standard ("IAS") 21, *The Effects of Changes in Foreign Exchange Rates*, the consolidated financial statements for all periods presented have been translated into US dollars. The consolidated statements of loss and comprehensive loss and the consolidated statements of cash flows for each period have been translated into the presentation currency using the average exchange rate prevailing during each period. All assets and liabilities have been translated using the exchange rate prevailing at the statement of financial position dates. Equity transactions have been translated at the exchange rate in effect on the date of the specific transaction. All resulting exchange differences arising from the translation are included as a separate component of other comprehensive income or loss. All comparative financial information has been restated to reflect the Company's results as if they had been historically reported in US dollars.

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statement of loss and comprehensive loss.

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

k. 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.

l. 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, an addition to a related asset, or a cost of issue of shares, as appropriate. 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.

m. 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.

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

n. 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 pre-tax 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.

o. Asset Retirement Obligations ("ARO")

The Company recognizes an estimate of the liability associated with an ARO in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related assets. The capitalized amount is amortized over the estimated life of the assets. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted costs. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded.

p. New Accounting Pronouncements

The Company has not adopted or applied any new or recently issued accounting pronouncements during the preparation of the consolidated financial statements for the year ended December 31, 2015 other than changing the presentation currency from Canadian dollars to United States dollars. The Company continues to evaluate the impacts of the recently issued, but not yet effective, accounting pronouncements discussed below:

IFRS 9, Financial Instruments (2014)

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

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

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

p. New Accounting Pronouncements (cont'd…)

IFRS 9 applies to financial statements for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good and service. The standard replaces *IAS 18, Revenue,* and *IAS 11, Construction Contracts,* and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted.

IFRS 16, Leases

On January 13, 2016 the IASB issued IFRS 16, according to which, all leases will be on the balance sheet of lessees, except those that meet the limited exception criteria. Respectively, rent expense is to be removed and replaced by the recording of depreciation and finance expenses. The standard is effective for annual periods beginning on or after January 1, 2019. The Company is assessing IFRS 16's impact on its financial statements.

3. PROPERTY, PLANT AND EQUIPMENT

Johnson Camp Mine

On October 8, 2015, the Company entered into a definitive Asset Purchase Agreement (the "Purchase Agreement") to acquire all of the assets of Nord Resources Corporation ("Nord"), as they relate to the Johnson Camp Mine (the "Johnson Camp Transaction"). Under the terms of the Purchase Agreement, the Company agreed to acquire, through the court-appointed receiver (the "Receiver"), the Johnson Camp Mine including all fee title property, all patented and unpatented mining claims, all improvements, equipment, certificates of deposit, reports and records. The Company agreed to acquire the assets and certain liabilities of Nord's Johnson Camp for total consideration of $8.4 million under the following terms:

- $5.2 million due on or prior to closing ("Initial Payment");
- $1.0 million due on or before December 31, 2016 ("First Instalment"); and
- $2.2 million due on or before December 31, 2017 ("Final Instalment").

The closing date of the transaction was December 14, 2015.

As at December 31, 2015, the Company had made the Initial Payment as well as other payments to the Receiver pursuant to the payment terms set forth in the Purchase Agreement. The First Instalment and Final Instalment remained outstanding and are evidenced in the form of a secured interest bearing promissory note (the "JCM Note"). The JCM Note bears interest at 3% per annum, with interest on the unpaid principal balance payable quarterly on January 1, April 1, July 1 and September 1 of each year until the instalments have been paid in full.

The Company determined the fair value of its short term and long term deferred consideration using the effective interest rate method with the following assumptions: discounting factor of 3% per annum, and discounting period of 12.5 months and 24.5 months, respectively. As such, the following liabilities were recorded in the Company's financial statements to account for the outstanding payments:

- Current portion of deferred consideration (First Instalment) - $1,000,000
- Long term portion of deferred consideration (Final Instalment") - $2,200,000

3. PROPERTY, PLANT AND EQUIPMENT (cont'd…)

The purchase price has been allocated to the assets acquired and liabilities assumed based on their relative fair values on the closing date. The purchase price allocation is a result of management's best estimates and assumptions after taking into account all relevant information available. The purchase price has been determined and allocated as follows:

Purchase price:		
Cash payment	$	5,301,920
Short term deferred payment		1,000,000
Long term deferred payment		2,200,000
Transaction costs		791,629
Total purchase price	$	9,293,549
Purchase price allocation:		
Accounts receivable	$	686,476
Property, plant and equipment		12,118,672
Accounts payable		(212,547)
Asset retirement obligation		(3,299,052)
Net assets acquired	$	9,293,549

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 Company's mineral property interests are located in the United States of America.

Option Agreements

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 and restated option agreement, Excelsior Arizona had the exclusive right to acquire 100% of the Gunnison Project for $350,000 to be paid as follows:

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

A further payment of $246,205 to certain land holders of the Gunnison Project became payable on the exercise of the option on the Gunnison Property. The acquisition costs were accrued as of December 31, 2014 and paid in February 2015.

The Company has fulfilled the above mentioned series of payments which gives it 100% ownership of the Gunnison Project.

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

Share Purchase and Royalty Agreement

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

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 CAD$0.16 per common share for aggregate consideration of CAD$1,000,000 (cash received and common shares issued on July 31, 2013); and

- Concurrently paid CAD$2,000,000 to the Company in exchange for a 0.5% GRR (the "Initial GRR").

Callinan had the right to require the Company to repurchase all or part of the Initial GRR for CAD$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 CAD$0.25 per common share. This right expired on the exercise of the first royalty option under the Callinan Agreement, discussed further below.

On July 29, 2014, Callinan exercised its first royalty option under the Callinan Agreement. As a result Callinan paid the Company CAD$3,000,000 in return for an additional 0.5% GRR on the Gunnison Project. Combined with the initial GRR that Callinan acquired in July 2013, Callinan holds a 1.0% GRR on the Gunnison Project.

Callinan has the option to acquire additional GRR on the Gunnison Project based on development milestones and a construction option, as detailed below.

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 a 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 CAD$3,000,000 each, for a total of CAD$6,000,000. As at December 31, 2015, the Company had achieved the milestone related to the completion of hydrology and metallurgy models to a feasibility study level, however, Callinan did not subsequently exercise its option to acquire the additional 0.5% GRR.

Construction Option

The construction option gives Callinan the right to buy up to a 1% GRR for CAD$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 half (0.5%) of the construction option has vested. One quarter (0.25%) of the construction option can no longer vest as a result of Callinan not exercising its second option to acquire an additional 0.5% GRR. The remaining one quarter (0.25%) of the construction option will vest if Callinan exercises its remaining royalty option related to the successful administrative review of the key permits.

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. As of December 31, 2015, as a result of Callinan declining to exercise the 0.5% GRR relating to the completion of the hydrology and metallurgy models to a feasibility study level, the remaining options have been reduced to 0.5% GRR for CAD$3,000,000 for the remaining development milestone and 0.75% GRR for CAD$7,500,000 for the construction milestone.

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

Greenstone Financing

On October 21, 2015, the Company entered into a subscription agreement for a concurrent financing of $12 million with Greenstone Excelsior Holdings L.P. ("Greenstone"). The financing consisted of a private placement of common shares (the "2015 Private Placement") for gross proceeds of $4 million and the sale of a 2% gross revenue royalty on the Gunnison Project and the Johnson Camp Mine (the "2015 Royalty Financing") for gross proceeds of $8 million.

Because the proceeds from the sale of the royalty exceeded the carrying value of the Gunnison project, a gain on sale of royalty of $7,703,201 was recorded in the statement of loss and comprehensive loss.

Exploration and Evaluation Assets		**Gunnison Property**
Balance at December 31, 2013	**$**	**-**
Addition to acquisition costs		296,799
Balance at December 31, 2014	**$**	**296,799**
Adjustment due to sale of royalty		(296,799)
Balance at December 31, 2015	**$**	**-**

Exploration and Evaluation Expenses	**For the years ended December 31, 2015**	**2014**
Feasibility study	$ 2,455,142	$ 3,272,238
Pre-feasibility study	402,420	450,332
Sustainability	2,701,199	2,027,361
Total	**$ 5,558,761**	**$ 5,749,931**

LONG TERM DEPOSITS

During the year ended December 31, 2015 and as part of the completion of the Johnson Camp Transaction, the Company obtained $556,976 in surety bonds which were required by an Arizona State government agency and an Arizona based electric cooperative. The Company was required to fund $222,790 of the total surety bond amount with cash.

As at December 31, 2014, the Company had outstanding reclamation bonds for the Gunnison property of $125,000 registered with the Bureau of Land Management in Arizona and with the Arizona State Land Department. The bonds were terminated and funds were returned to the Company in 2015 in conjunction with the completion of the related exploration activities.

5. ASSET RETIREMENT OBLIGATION

As part of its acquisition of the Johnson Camp assets, the Company also obtained all of the associated environmental permits. Such permits require the completion of certain reclamation and closure obligations, which are expected to occur in two phases.

Phase one involves reclamation activities only on or about the year 2028. The estimated undiscounted phase one reclamation obligation is $2,352,000. At December 31, 2015, the present value of the future asset retirement obligation assumes a risk-free discount rate of 2.28% and an inflation rate of 0.70%, when considering prevailing rates in the United States of America at such time.

Phase two involves reclamation and closure activities to occur over a five year period commencing on or about the year 2045. The estimated undiscounted phase two reclamation obligation is $2,731,848. At December 31, 2015, the present value of the future asset retirement obligation assumes a risk-free discount rate of 3.00% and an inflation rate of 0.70%, when considering prevailing rates in the United States of America at such time.

As part of the completion of the Johnson Camp acquisition on December 14, 2015, the Company provided the Arizona Department of Environmental Quality with a surety bond of $432,476 as partial guarantee of the asset retirement obligation.

6. CAPITAL STOCK AND OTHER EQUITY RESERVES

Common Shares

The authorized share capital of the Company is comprised of an unlimited number of common shares with no par value.

The following common shares were issued during the year ended December 31, 2015:

- On July 3, 2015, the Company issued 450,000 common shares in connection with the exercising of stock options with an exercise price of CAD$0.25 for proceeds of $89,494. These options had a carrying value of $71,057 which was reclassified from other equity reserves to capital stock.

- On July 8, 2015, the Company issued 71,000 common shares in connection with the exercising of stock options with an exercise price of CAD$0.265 for proceeds of $14,789. These options had a carrying value of $11,261 which was reclassified from other equity reserves to capital stock.

- On December 1, 2015, the Company completed the first tranche of a $4,000,000 financing with Greenstone, whereby Greenstone purchased 8,655,510 common shares at a price of $0.1733 (CAD$0.23) for gross proceeds of $1,500,000.

- On December 15, 2015, the Company completed the second tranche of $4,000,000 equity financing with Greenstone. Greenstone purchased 14,425,852 common shares of the Company for gross proceeds of $2,500,000. The Company incurred $30,724 of share issuance costs in conjunction with this financing. As at December 31, 2015, Greenstone holds 55.55 million common shares or approximately 40.1% of the Company's issued and outstanding common shares.

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

Warrants

The following is a summary of warrants outstanding for the years ended December 31, 2014 and December 31, 2015:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2013	**1,844,166**	**CAD$0.50**
Expired	(1,844,166)	CAD$0.50
Issued	8,960,000	CAD$0.45
Outstanding, December 31, 2014 and 2015	**8,960,000**	**CAD$0.45**

During the year ended December 31, 2015, the Company did not issue any warrants.

As at December 31, 2015, the Company had the following warrants outstanding:

Outstanding	Exercise Price	Remaining life (years)	Expiry Date
8,960,000	CAD$0.45	0.49	June 27, 2016

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 option activity for the years ended December 31, 2014 and December 31, 2015:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2013	**10,656,000**	**$0.22**
Exercised	(200,000)	$0.22
Forfeited	(335,000)	$0.22
Granted	1,650,000	$0.19
Outstanding, December 31, 2014	**11,771,000**	**$0.21**
Exercised	(521,000)	$0.18
Forfeited	(514,000)	$0.19
Granted	4,800,000	$0.17
Outstanding, December 31, 2015	**15,536,000**	**$0.21**
Exercisable, December 31, 2015	**10,361,000**	**$0.21**

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

Outstanding	Exercisable	Exercise Price	Remaining life (years)	Expiry Date
4,500,000	-	CAD$0.23	4.96	December 16, 2020
100,000	-	CAD$0.23	4.96	December 16, 2020
200,000	-	CAD $0.30	4.64	August 19, 2020
250,000	125,000	CAD $0.25	3.92	December 1, 2019
500,000	250,000	CAD $0.26	3.81	October 20, 2019
2,800,000	2,800,000	$0.25	3.00	December 31, 2018
58,667	58,667	CAD$0.30	3.00	December 31, 2018
2,836,000	2,836,000	CAD$0.30	3.00	December 31, 2018
2,550,000	2,550,000	CAD $0.30	1.72	September 18, 2017
1,241,333	1,241,333	CAD $0.30	1.13	February 15, 2017
100,000	100,000	CAD $0.30	0.68	September 6, 2016
100,000	100,000	CAD $0.30	0.59	August 2, 2016
100,000	100,000	CAD $0.30	0.32	April 25, 2016
200,000	200,000	CAD $0.30	0.09	February 1, 2016
15,536,000	10,361,000			

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, 2015, the Company recognized share-based compensation of $126,345 (December 31, 2014 - $807,749).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the year ended December 31, 2015 and 2014:

	December 31, 2015	December 31, 2014
Risk-free interest rate	0.64%	1.13%
Expected life of options	3.5 years	2.0 years
Annualized volatility	132.1%	113.0%
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 option 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.

7. 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 Chairman, Chief Executive Officer, Chief Financial Officer, and Executive Vice Presidents.

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

	For the years ended December 31,	
	2015	**2014**
Share-based compensation	$ 70,731	$ 684,587
Short-term benefits*	827,709	655,026
	$ 898,440	**$ 1,339,613**

* 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 Chairman of the Company, which employs or retains certain officers and personnel of the Company. King & Bay provides administrative, management, regulatory, accounting, tax, legal, 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. The fees for such services were made on terms equivalent to those that King & Bay charges to arm's length parties.

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

	For the year ended December 31,	
	2015	**2014**
King & Bay	$ 628,760	$ 521,898

As at December 31, 2015, amounts accrued and due to related parties include the following:

- King & Bay - $53,165 (December 31, 2014 - $173,090)
- Michael Haworth, a director of the Company - $Nil (December 31, 2014 – $5,172)
- Roland Goodgame, executive vice president - $9,488 (December 31, 2014 - $Nil)
- SCT Holdings Management LLC, a company controlled by the CEO - $46,141 (December 31, 2014 - $33,333)

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There were no significant non-cash transactions affecting cash flows from investing and financing activities during the year ended December 31, 2015.

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

- The Company issued 960,000 agent warrants in connection with its financing with a fair value of $95,721.
- Share issuance costs of $10,059 included in accounts payable and accrued liabilities
- Exploration and evaluation assets of $246,206 included in accounts payable and accrued liabilities.
- Reclamation deposit of $50,000 included in accounts payable and accrued liabilities.

9. 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, 2015		As at December 31, 2014
Property, plant and equipment				
United States	$	12,243,830	$	118,508
Canada		12,243		7,427
	$	12,256,073	$	125,935
Exploration and evaluation assets				
United States	$	-	$	296,799
Long term deposits				
United States	$	222,790	$	125,000

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. FINANCIAL INSTRUMENTS

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, 2015.

As at December 31, 2015, 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 a receivable from an Arizona State government agency, a receivable from an Arizona based electric cooperative, both of which have investment grade credit ratings and paid the full amounts owing subsequent to year end, and 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.

As at December 31, 2015, the Company has cash and cash equivalents balance of $6,306,680 to settle current liabilities of $1,958,991. The Company believes it has sufficient cash and cash equivalents to settle current liabilities. In the next twelve months the Company may need additional funding to complete its feasibility study and permitting activities on the Gunnison Project, as well as to meet obligations associated with Johnson Camp and for working capital purposes. See also Note 1.

11. FINANCIAL INSTRUMENTS (cont'd…)

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 large North American financial 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.

Consideration for the completion of the Johnson Camp Transaction included $3,200,000 in total deferred cash payments. The payments remained outstanding as at December 31, 2015 and are evidenced in the form of a secured interest bearing promissory note (the JCM Note). The JCM Note bears interest at 3% per annum, with interest on the unpaid principal balance payable quarterly on January 1, April 1, July 1 and September 1 of each year until the instalments have been paid in full. The interest is fixed and therefore the Company is not subject to any related interest rate risk.

(b) 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 US dollars; the Company's recent financings were in US dollars but any future equity raised may be in either US dollars or Canadian dollars. As of December 31, 2015, less than 10% of cash and cash equivalents are held in Canadian dollar bank accounts. A 10% change in the Canadian dollar versus the US dollar exchange rate would affect the loss of the Company by approximately $6,000.

12. INCOME TAXES

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

		December 31, 2015		December 31, 2014
Loss for the year	$	(624,365)	$	(5,628,020)
Combined federal and state income tax rates		38.900%		39.225%
Income tax recovery based on the above rates	$	(256,610)	$	(2,207,591)
Increase due to:				
Difference in long term state tax rate		4,433		58,250
Non-deductible costs		4,401		3,271
Income tax benefits not recognized		234,044		2,146,070
Income tax expense (recovery)	$	-	$	-

The change in the combined federal and state income tax rates was due to legislative change in the state of Arizona.

12. INCOME TAXES (cont'd…)

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

	December 31, 2015	December 31, 2014
Non-capital losses	$ 3,320,740	$ 3,689,377
Capital assets	(1,296,351)	(32,136)
Exploration and evaluation assets	4,144,639	3,641,389
Asset retirement obligation	1,259,743	-
Other	320,770	216,924
Net deferred tax assets	$ 7,749,541	$ 7,515,554

Deductible (taxable) temporary differences for which deferred taxes have not been recognized:

	December 31, 2015	December 31, 2014	Expiry Date
Non-capital losses	$ 8,696,452	$ 9,661,849	2030 to 2034
Capital assets	(3,394,922)	(84,158)	Unlimited
Exploration and evaluation assets	10,854,101	9,536,176	2036 to unlimited
Asset retirement obligation	3,299,052	-	Unlimited
Other	840,043	568,087	Unlimited
	$ 20,294,726	$ 19,681,954	

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

13. COMMITMENTS

Office space

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

Fiscal Year End	Office Lease Payments
2016	$ 87,304
2017	89,557
2018	22,530
Total	**$ 199,391**

Insurance policy

As of December 31, 2015, the Company had obtained various annual insurance policies in relation to the Johnson Camp Mine for a total amount of $240,460. The corresponding payment was made in January 2016.

14. SUBSEQUENT EVENTS

The following reportable events occurred subsequent to the year ended December 31, 2015:

- On January 21, 2016, the TSX-V approved the extension of the expiry date of 3,891,333 stock options to December 31, 2018.