Elissa Resources Ltd.

(An Exploration Stage Company)
Condensed Consolidated Interim Financial Statements
June 30, 2014
(Expressed in Canadian Dollars)
(Unaudited, See Advisory to Reader)

Elissa Resources Ltd.

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Advisory to Reader

Under National Instrument 51-102, Part 4, subsection 4.3 (3)(a), if an auditor has not performed a review of interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by, and are the responsibility of, the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an auditor.

Elissa Resources Ltd.
(An Exploration Stage Company)
Condensed Consolidated Interim Balance Sheet
(Unaudited, See Advisory to Reader)
(Expressed in Canadian dollars)

	June 30, 2014	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	**$ 507,630**	$ 775,442
Prepaid expenses and deposits	**34,824**	53,871
Accounts receivable and accrued interest	**6,826**	13,422
	549,280	842,735
Reclamation deposits (note 2(g))	**21,082**	52,479
Equipment (note 4)	**30,514**	31,383
Resource properties (note 4)	**1,674,883**	1,725,854
	$ 2,275,759	$ 2,652,451
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**$ -**	$ 50,327
	-	50,327
SHAREHOLDERS' EQUITY		
Share capital (note 5)	**4,716,779**	4,709,279
Option Reserve (note 5(c))	**301,780**	312,609
Accumulated other comprehensive loss	**76,734**	70,513
Deficit	**(2,819,534)**	(2,490,277)
	2,275,759	2,602,124
	$ 2,275,759	$ 2,652,451

Approved by the Board:
" G. Arnold Armstrong "
Director

" Paul McKenzie "
Director
See notes to consolidated financial statements.

Elissa Resources Ltd.
(An Exploration Stage Company)
Condensed Consolidated Interim Statements of Comprehensive Loss and Deficit
(Unaudited, See Advisory to Reader)
(Expressed in Canadian dollars)

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	**2014**	2013
General and Administrative Expenses				
Amortization	**$ 1,694**	$ 2,030	**$ 3,389**	$ 3,923
Consulting fees	**13,459**	205	**13,550**	26,726
Professional fees	**20,105**	23,018	**36,917**	43,917
Management fees (Note 6)	**21,000**	21,000	**42,000**	42,000
Insurance	**9,856**	10,756	**23,939**	26,544
Advertising and promotion	**502**	1,462	**5,131**	6,266
Office and administration	**17,882**	21,067	**28,759**	43,740
Travel	**3,619**	2,009	**3,975**	13,710
Bank charges and interest	**226**	410	**576**	711
Salaries	**26,228**	32,429	**54,438**	67,808
Shareholder services and filing fees	**5,550**	2,767	**28,434**	28,397
Loss Before Other Items and Income Taxes	**120,121**	117,153	**241,108**	303,742
Other Items				
Mineral property written-off	**(101,609)**	-	**(101,609)**	-
Interest and other income	**685**	3,225	**2,719**	5,797
Net income (loss) before tax	**(221,045)**	(113,928)	**(339,998)**	(297,945)
Income tax (recovery)	**-**	-	**88**	-
Net income (loss)	**$ (221,045)**	$ (113,928)	**$ (340,086)**	$ (297,945)
Earnings (loss) per share	**$ (0.01)**	$ (0.01)	**$ (0.01)**	$ (0.01)
Weighted Average Number of Shares Outstanding	**32,105,517**	**31,805,517**	**31,989,495**	31,805,517
Other Comprehensive Income:				
Net Income (loss)	**$ (221,045)**	(113,928)	**$ (340,086)**	$ (297,945)
Exchange differences on translating foreign operations	**(63,753)**	71,032	**6,221**	112,628
Other comprehensive income (loss)	**63,753**	71,032	**6,221**	112,628
Comprehensive income (loss)	**$ (157,292)**	$ (42,896)	**$ (333,865)**	$ (185,317)

See notes to consolidated financial statements.

Elissa Resources Ltd.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited, See Advisory to Reader)

(Expressed in Canadian dollars)

The accompanying notes are an integral part of these financial statements

	Number of shares (Note 6)	Share capital (Note 6)	Share-Based Payments Reserve	Accumulated other comprehensive income (loss)	Retained Earnings (Deficit)	Total equity
December 31, 2012	31,805,517	$4,709,279	$347,209	$(52,652)	$(1,554,639)	$3,449,197
Net loss for the six months				112,628	(297,945)	(185,317)
June 30, 2013	31,805,517	4,709,279	347,209	59,976	(1,852,584)	3,263,880
Expiry of options			(34,600)		34,600	0
Net loss for the six months				10,537	(672,293)	(661,756)
December 31, 2013	31,805,517	4,709,279	312,609	70,513	(2,490,277)	2,602,124
Expiry of options			(10,829)		10,829	0
Shares issued for property purchase option	300,000	7,500				7,500
Net loss for the six months				6,221	(340,086)	(333,865)
June 30, 2014	32,105,517	$4,716,779	$301,780	$76,734	$(2,819,534)	$2,275,759

Elissa Resources Ltd.
(An Exploration Stage Company)
Condensed Consolidated Interim Statement of Cash Flows
(Unaudited, See Advisory to Reader)
(Expressed in Canadian dollars)

	Three Months Ended June 30		Three Months Ended June 30	
	2014	2013	**2014**	2013
Cash flows from operating activities				
Net income	**$ (221,045)**	$ (113,928)	**$ (340,086)**	$ (297,945)
Items not involving cash:				
Amortization	**1,694**	2,030	**3,389**	3,923
Share-based payments	**-**	-	**-**	-
Loss on disposal of resource property	**101,609**	-	**101,609**	-
	(117,742)	(111,898)	**(235,088)**	(294,022)
Changes in non-cash working capital				
Accounts receivable	**5,957**	(3,961)	**6,596**	33,001
Prepaid expenses	**16,725**	(43)	**19,047**	20,919
Accounts payable and accrued liabilities	**(15,000)**	(72,595)	**(50,327)**	(47,271)
Cash from operating activities	**(110,060)**	(184,416)	**(259,772)**	(287,373)
Cash flows from investing activities				
Purchase of furniture	**-**	(1,191)	**(2,500)**	(1,191)
Reclamation deposit	**33,464**	(1,785)	**31,397**	(2,836)
Expenditures on resource properties	**-**	-	**(43,455)**	(36,105)
	33,464	(2,976)	**(14,558)**	(40,132)
Cash flows from financing activities				
Issuance of common shares	**-**	-	**7,500**	-
	-	-	**7,500**	-
Foreign Exchange Effect on cash	**(35,857)**	(2,207)	**(982)**	4,655
Net increase (decrease) in cash	**(112,453)**	(189,599)	**(267,812)**	(322,850)
Cash - beginning of period	**620,083**	1,201,112	**775,442**	1,334,363
Cash - end of period	**$ 507,630**	$ 1,011,513	**$ 507,630**	$ 1,011,513
Supplemental Cash Flow Information				
Resource property expenditures included in accounts payable and accrued liabilities	**$ -**	$ -	**$ -**	$ 3,239

See notes to consolidated financial statements.

1. Nature of Operations

Elissa Resources Ltd. (the "Company" or "Elissa") is an exploration stage company. The Company was incorporated under the Company Act (British Columbia) on October 11, 2007 under the name Elissa Energy Inc. On February 5, 2010, the Company changed its name to Elissa Resources Ltd. The principal business activity of the Company is the acquisition, exploration and development of mineral properties in Canada and the United States.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non compliance with regulatory requirements.

At June 30, 2014, the Company had working capital of $549,280 (December 31, 2013 - $792,408) and an accumulated deficit of $(2,819,534) (December 31, 2013 - $2,490,277). Management of the Company believes that it has sufficient funds to pay its ongoing administrative expenses and meet its liabilities for the ensuing year as they fall due, to fund cash payments for administration, ongoing commitments and current planned exploration programs.

2. Significant accounting policies

(a) Basis of presentation:
These condensed consolidated interim financial statements were prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. They do not include all the information required for full annual financial statements.

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

2. Significant accounting policies (continued)

(b) Cash equivalents

Cash equivalents consist of cashable guaranteed investment certificates ("GIC") that are readily convertible into known amounts of cash.

(c) Equipment

Equipment is recorded at cost less accumulated depreciation, with depreciation calculated on a declining-balance basis at an annual rate of 20%.
Additions during the year are depreciated at one-half the annual rate.

(d) Basis of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Red Hill Energy (US) Inc. and 0875514 B.C. Ltd. All material inter-company transactions and balances have been eliminated.

(e) Use of judgments and estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant estimates and assumptions are used in assessing the asset carrying values and determination of impairment charges of non-current assets and available-for-sale investments, determination of mineral reserves, and valuation of share-based payments. Actual results may differ from those estimates.

(f) Resource properties

Costs directly related to the exploration and evaluation of resource properties are capitalized once the legal rights to explore the resource properties are acquired or obtained. When the technical and commercial viability of a mineral resource has been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and depreciated using the units of production method on commencement of commercial production.

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount.

2. Significant accounting policies (continued)

(f) Resource properties (continued)

From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, are recorded as mineral property costs or recoveries when the payments are made or received. After costs are recovered, the balance of the payments received are recorded as a gain on option or disposition of mineral property.

(g) Provision for closure and reclamation

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

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

The Company has deposited $21,082 (US$19,758) with the Bureau of Land Management, Nevada, for the estimated reclamation cost of exploration permitted to date.

(h) Impairment of non-current assets

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

2. Significant accounting policies (continued)

(h) Impairment of non-current assets (continued)

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

(i) Income taxes

The Company uses the balance sheet method of accounting for income taxes. Under the balance sheet method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry-forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is possible that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(j) Share-based payments

The Company has a stock option plan that is described in note 5(c). Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from share-based payments reserve. For those options that expire or are forfeited after vesting, the recorded value is transferred to deficit.

2. Significant accounting policies (continued):

(k) Currency translation

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with the indicators as per International Accounting Standards ("IAS") IAS 21 Foreign Exchange and should be measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is the Canadian dollar, the US subsidiary's functional currency is the US dollar. The consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency.

Under IFRS, the results and financial position of all the Company's entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component of equity.

(l) Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the earnings (loss) available to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss available to common shareholders equals the reported loss. Diluted earnings (loss) per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings (loss) per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted loss per share is the same as basic loss per share as the effects of including all outstanding options and warrants would be anti-dilutive.

(m) Unit offerings

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are priced, and any excess is allocated to warrants.

2. Significant accounting policies (continued)

(n) Financial instruments

(i) Financial assets

The Company classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded through income. Cash and cash equivalents are included in this category of financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost less any impairment. Loans and receivables comprise of accrued interest.

Available-for-sale ("AFS") financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income and classified as a component of equity. AFS assets include investments in equities of other entities.

Management assesses the carrying value of AFS financial assets at least annually and any impairment charges are also recognized in profit or loss. When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are included in profit and loss.

2. Significant accounting policies (continued):

(n) Financial instruments (continued)
(ii) Financial liabilities
The Company classifies its financial liabilities in the following categories:

Borrowings and other financial liabilities

Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the income statement over the period to maturity using the effective interest method.

Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include trade accounts payable, obligation to issue shares and due to related parties.

(iii) Fair value hierarchy
Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs in making the measurements. The levels of the fair value hierarchy are defined as follows.
Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 – Inputs for the asset or liability that are not based on observable market data.

3. Capital Management

The Company considers its capital structure to consist of share capital, stock options and warrants. 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 development 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.

3. Capital Management (continued):

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. 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.

There were no changes in the Company's approach to capital management during the period ended June 30, 2014. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

4. Property, plant and equipment

	2014 June 30	2013 December 31
Furniture and equipment, net of accumulated amortization of $25,854 (2013 - $22,470)	**$ 30,514**	$ 31,383
Exploration and evaluation	**1,674,883**	1,725,854
	$ 1,705,397	$ 1,757,237

(a) Thor Rare Earth Elements Property
On December 15, 2009, the 100% owned subsidiary Red Hill Energy (US) Inc. agreed to acquire the Thor Rare Earth Elements Property located in south western Nevada, USA. In consideration for a 100% interest in the property, Red Hill paid $15,000 and 350,000 common shares of the Red Hill, valued at $140,000.

(b) South Standby Property
In 2013, the Company staked mineral exploration property in South Dakota, USA. On February 24, 2014, the Company entered into an exclusive option purchase agreement to acquire mineral claims in the same area of interest as the claims staked in the prior year.

4. Property, plant and equipment (continued)

(b) The terms of the option to acquire 100% undivided interest in the property are aggregate cash payments of US$170,000 and issuing an aggregate of 800,000 common shares of the Company during the four year option period as follows:
Upon execution of the agreement, 300,000 shares issued and a cash payment of US$30,000. (Paid and Issued)
On first anniversary a cash payment of US$35,000.
On second anniversary a cash payment of US$45,000.
On third anniversary a cash payment of $60,000.
On fourth anniversary, 500,000 shares issued.
Upon the exercise of the option, the company issues a 2.5% NSR Royalty to the owner. The company has the right to purchase 2% of the NSR Royalty at a price of US$1,000,000 per 1%.

During the period ended June 30, 2014, the Company decided not to pursue the South Standby project claims and the project was written off.

5. Share capital

(a) Authorized: Unlimited common shares without par value
(b) Share issuances:

On March 11, 2014, the Company issued 300,000 shares at a value of $7,500 as per the terms of the option purchase agreement (Note 4(b)).

(c) Share purchase options:

Number	Exercise price	Expiry
1,575,000	0.10	October 7, 2015
525,000	0.27	April 19, 2016
325,000	0.21	January 6, 2017
100,000	0.21	February 1, 2017
2,525,000		

On October 7, 2010, the Company granted 1,895,000 stock purchase options to directors, employees and consultants. The options are for a term of five years and have an exercise price of $0.10 per share.

5. Share capital (continued)

(c) Share purchase options (continued)

On April 19, 2011, the Company granted incentive stock options to certain of its directors, officers and consultants entitling them to purchase up to 750,000 common shares of the capital stock in the Company at a price of $0.27 per share for a term of five years. Included in the 750,000 options, 150,000 stock options are vesting 25% every three months for a period of 18 months.

On September 1, 2011, the Company granted incentive stock options to an employee entitling the purchase of up to 50,000 common shares of the Company at a price of $0.36 per share for a term of five years. The stock option is vesting 12.5% every three months for a period of 24 months. During the period ended June 30, 2014, the options were cancelled.

On January 6, 2012, the Company granted 335,000 stock options priced at $0.21 per share to directors, employees and consultants. During the period ended June 30, 2014, 10,000 of the options were cancelled.

On February 1, 2012, the Company granted 100,000 stock options priced at $0.21 per share to a director of the Company.

(d) Warrants outstanding:

As of June 30, 2014, the Company had the following warrants outstanding:

	Number of Warrants		Exercise
Expiry Date	**2014**	2013	Price
March 4, 2016	**12,264,750**	12,264,750	**$ 0.30**

6. Related party transactions:

During the period the Company was charged the following expenses by related parties:

	2014	2013
S. Paul Simpson Law Corp., a law firm of which an officer of the Company is an employee:		
Legal fees	$5,213	$6,747

During the period ended June 30, 2014, the Company paid management fees of $42,000 (June 30, 2013 - $42,000) accounting fees of $24,000 (June 30, 2013 - $24,000) and rent of $5,055 (June 30, 2013 - $30,330) to a company controlled by a director and officer of the Company.

The above transactions are in the normal course of operations and are measured at the exchange amount.

7. Segmented Information

The Company has one operating segment, which is the exploration and development of exploration properties. Geographic segmentation of the Company's assets are as follows: Canada - $536,011 (June 30, 2013 - $1,162,065) and US - $1,739,748 (June 30, 2013 - $2,101,815).

The majority of the Company's operating expenses are incurred in Canada, with a small portion in the US. Exploration expenditures were incurred in the US on the Thor REE project.