Castle Mountain Mining Company Limited
Interim Unaudited Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2014 and 2013

The accompanying interim unaudited condensed consolidated financial statements of Castle Mountain Mining Company Limited for the three and nine months ended September 30, 2014 and 2013, have been prepared by management and approved by the Board of Directors. These statements have not been reviewed by the Company's external auditors.

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

All of the information in the accompanying unaudited interim consolidated financial statements of Castle Mountain Mining Company Limited is the responsibility of management. The unaudited interim consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. Where necessary, management has made judgments and estimates in preparing the consolidated financial statements, and such statements have been prepared within acceptable limits of materiality.

Management maintains appropriate systems of internal control given its size to give reasonable assurance that its assets are safeguarded, and the financial records are properly maintained.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility principally through the Audit Committee. The Audit Committee meets with management to review the consolidated financial statements to satisfy itself that management is properly discharging its responsibilities to the Directors, who approve the consolidated financial statements.

(signed) *"Gordon McCreary"*
Gordon McCreary
President and Chief Executive Officer

(signed) *"Brian Morales"*
Brian Morales
Chief Financial Officer

Toronto, Canada
November 28, 2014

CASTLE MOUNTAIN MINING COMPANY LIMITED
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	September 30, 2014	December 31, 2013
ASSETS			
Current assets		(unaudited)	
Cash and cash equivalents	7	$ 6,298,622	$ 4,760,690
Short-term investments	7	521,158	514,662
Amounts receivable		79,811	113,975
Prepaid expenses and other current assets		1,508	11,443
Total current assets		6,901,099	5,400,770
Reclamation bond	7	134,759	134,759
Equipment, net	4	61,869	29,961
Mineral interests	5	7,782,437	7,727,372
		$ 14,880,164	$ 13,292,862
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts and other payables	7	$ 558,901	$ 739,911
Total current liabilities		558,901	739,911
Long-term liability	6	4,528,879	3,835,741
Total liabilities		5,087,780	4,575,652
Shareholders' equity			
Share capital	8	$ 27,289,260	$ 22,650,010
Stock option reserve	9	2,334,159	1,917,973
Warrant reserve	8	1,602,924	846,407
Accumulated deficit		(21,433,959)	(16,697,180)
		9,792,384	8,717,210
		$ 14,880,164	$ 13,292,862

Commitments and contingent liabilities 13

See accompanying notes to the unaudited interim consolidated financial statements

Signed on behalf of the Board of Directors:

Fraser Buchan (*signed*)________, Director Gordon McCreary (*signed*)________, Director

CASTLE MOUNTAIN MINING COMPANY LIMITED
UNAUDITED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars, except share amounts)

	Note	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Costs and expenses					
Exploration expenditures	5	$ (1,522,522)	$ (462,184)	$ (2,457,955)	$ (2,749,402)
Reverse take over	3	-	-	-	(3,264,226)
Share-based payment expense		(196,184)	(57,278)	(559,079)	(391,840)
Salaries	10	(195,122)	(196,972)	(576,716)	(411,791)
Depreciation		(5,657)	(3,210)	(13,562)	(9,630)
Professional and consulting fees		(38,533)	(13,140)	(183,036)	(111,510)
Filing fees and regulatory costs		(25,685)	(3,392)	(55,781)	(65,321)
Travel		(44,510)	(33,287)	(66,787)	(77,292)
Technology and telecommunications		(3,326)	(6,913)	(34,193)	(33,063)
Office and sundry expenses		(18,422)	(15,649)	(47,414)	(26,852)
Other operating costs		(22,000)	(21,257)	(47,500)	(57,297)
		(2,071,961)	(813,282)	(4,042,023)	(7,198,224)
Other income (expense)					
Financial income		2,330	-	6,496	-
Finance expense - accretion	6	(244,133)	(205,583)	(693,138)	(555,767)
Bank fees, commissions and financial fees		(2,745)	(296)	(7,080)	(1,146)
Foreign exchange (loss) gain		-	178	(1,034)	(4,638)
		(244,548)	(205,701)	(694,756)	(561,551)
Loss before income taxes		(2,316,509)	(1,018,983)	(4,736,779)	(7,759,775)
Net loss and comprehensive loss		$ (2,316,509)	$ (1,018,983)	$ (4,736,779)	$ (7,759,775)
Net loss per share - basic and diluted	11	$ (0.03)	$ (0.02)	$ (0.07)	$ (0.24)
Weighted average number of common shares outstanding - basic and diluted	11	71,885,304	52,813,429	65,996,881	32,392,393

See accompanying notes to the unaudited interim consolidated financial statements

CASTLE MOUNTAIN MINING COMPANY LIMITED

UNAUDITED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)

		Common shares					
	Note	Number of Shares	Dollars	Share-based payments reserve	Warrant reserve	Deficit	Total
December 31, 2012		50,790,068	$ 15,768,411	$ 1,250,079	$ 809,407	$ (8,067,147)	$ 9,760,750
Common shares cancelled		(2,500,000)	(776,156)	-	-	776,156	-
Additional capital contributed			110,957	-	-	-	110,957
Reverse take over	3	4,249,100	2,791,659	209,062	-	-	3,000,721
Units issued in respect of private placement		1,000,000	313,000	-	37,000	-	350,000
Exercise of options		37,500	7,500	-	-	-	7,500
Share-based compensation expense	9	-	-	391,840	-	-	391,840
Net loss		-	-	-	-	(7,759,775)	(7,759,775)
September 30, 2013		53,576,668	$ 18,215,371	$ 1,850,981	$ 846,407	$ (15,050,766)	$ 5,861,993
Share-based compensation expense		-	-	101,835	-	-	101,835
Exercise of options		37,500	42,343	(34,843)	-	-	7,500
Shares issued in respect of financing		9,091,000	5,000,050	-	-	-	5,000,050
Cost of issuance		-	(607,754)	-	-	-	(607,754)
Net loss		-	-	-	-	(1,646,414)	(1,646,414)
December 31, 2013		62,705,168	$ 22,650,010	$ 1,917,973	$ 846,407	$ (16,697,180)	$ 8,717,210
Units issued	8	8,855,000	5,755,750	-		-	5,755,750
Cost of issuance	8	-	(1,334,081)	-	756,517	-	(577,564)
Share-based compensation expense		-	-	559,079	-	-	559,079
Exercise of options	9	331,250	217,581	(142,893)	-	-	74,688
Net loss		-	-	-	-	(4,736,779)	(4,736,779)
September 30, 2014		71,891,418	$ 27,289,260	$ 2,334,159	$ 1,602,924	$ (21,433,959)	$ 9,792,384

See accompanying notes to the unaudited interim consolidated financial statements

CASTLE MOUNTAIN MINING COMPANY LIMITED
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Note	Nine months ended September 30, 2014	2013
Cash flow from operating activities			
Net loss		$ (4,736,779)	$ (7,759,775)
Non-cash items:			
Reverse take over	3	-	3,000,721
Share-based payment expense	9	559,079	391,840
Depreciation		13,562	9,630
Foreign exchange loss (gain)		1,034	4,638
Finance expense - accretion		693,138	555,767
Adjustments to reconcile net income (loss) to net cash used in operating activities			
Changes in non-cash operating assets and liabilities			
Amounts receivable		34,164	(13,978)
Prepaid expenses and other current assets		9,935	1,101
Accounts and other payables		(187,506)	(1,302,270)
Net cash used in operating activities		(3,613,373)	(5,112,326)
Cash flow from investing activities			
Cash acquired on reverse take over	3	-	71,122
Purchases of equipment	4	(45,470)	-
Increase in mineral interests	5	(55,065)	-
Reclamation bond		-	(134,052)
Net cash used in investing activities		(100,535)	(62,930)
Cash flow from financing activities			
Issuances of units and common shares, net of transaction costs	8	5,178,186	-
Exercise of options		74,688	-
Private placement		-	350,000
Additional capital contributed (shares redeemed)	8	-	110,957
Net cash provided by financing activities		5,252,874	460,957
Effect of exchange rate changes on cash not held in Canadian dollars		(1,034)	(4,630)
Decrease in Cash and Cash Equivalents		1,537,932	(4,718,929)
Cash and Cash Equivalents, beginning of period		4,760,690	6,147,771
Cash and Cash Equivalents, end of period		$ 6,298,622	$ 1,428,842

See accompanying notes to the unaudited interim consolidated financial statements

NOTE 1 — NATURE OF OPERATIONS

Castle Mountain Mining Company Limited ("Castle Mountain" or the "Company") was incorporated under the Business Corporations Act (Ontario) on December 16, 2009 and commenced activities as a capital pool company on January 29, 2010 under the name of Foxpoint Capital Corp. On April 25, 2013, the Company completed its Qualifying Transaction (the "Transaction") by way of amalgamation, with a subsidiary of the Company and Telegraph Gold Inc. ("Telegraph"). At the time of the Transaction the Company changed its name from Foxpoint Capital Corp. The registered head office is 200-83 Yonge Street, Toronto, Ontario, Canada.

Subject to certain obligations, the Company has 100% of the right, title and beneficial interest in and to the Castle Mountain Venture, a California general partnership, which owns the Castle Mountain property in San Bernardino County, California. The Castle Mountain heap leach gold mine produced over one million ounces of gold from 1992 to 2001, when mining was suspended due to low gold prices.

The Castle Mountain Venture land holdings (7,458 acres total) include patented claims (1,298 acres), and unpatented claims (6,160 acres).

Castle Mountain Mining Company Limited, through its wholly owned subsidiaries including Castle Mountain Venture, is focused on the exploration and, if warranted, development of deposits in San Bernardino County, California. The principal gold mineralization identified to date within the Project are below and surrounding the historically mined pits on the property including the Oro Belle-Hart Tunnel, Jumbo, and Lesley Anne-Jumbo South Pits, as well as in the South Domes area.

These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which presumes that it will be able to realize its assets and discharge its liabilities in the normal course of business as they come due. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and consolidated statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

Statement of Compliance

These unaudited interim condensed consolidated financial statements are unaudited and have been prepared in accordance with IAS 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2013 and 2012.

The accounting policies applied in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those applied and disclosed in the Company's consolidated financial statements for the year ended December 31, 2013.

The preparation of the unaudited interim condensed consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions about uncertain future events that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

The Company's interim results are not necessarily indicative of results for a full year.

The unaudited interim condensed consolidated financial statements of the Company for the three and nine months ended September 30, 2014 and 2013 have been prepared by management and approved and authorized for issue by the Board of Directors on November 28, 2014.

NOTE 2 —ACCOUNTING CHANGES

The accounting policies applied in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those applied and disclosed in the Company's consolidated financial statements for the year ended December 31, 2013.

Use of Estimates: The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The assets and liabilities which require management to make significant judgments, estimates and assumptions in determining carrying values include reserves and resources, deferred taxes, share-based payment expense, decommissioning and long-term liability.

CHANGE IN ACCOUNTING POLICY

Mineral interests

On January 1, 2012, the Company changed its accounting policy with respect to exploration and evaluation expenditures.

The Company's previous policy was to capitalize all exploration and evaluation costs. Management has made the voluntary change in accounting policy as part of the completion of the reverse take over (see note 3), as management has determined that the expensing of exploration and evaluation expenditures better represents the nature of these costs.

Exploration and evaluation costs of $977,212 that were capitalized and previously disclosed during the three months ended March 31, 2013 have now been expensed in the statement of loss and comprehensive loss in accordance with the change in accounting policy. Exploration and evaluation costs that were recorded as an investing activity in the statement of cash flows for the three months ended March 31, 2013 are now recorded as cash flows used in operating activities.

NOTE 3 —REVERSE TAKE OVER

On April 25, 2013, the Company completed its Qualifying Transaction by way of amalgamation, with a subsidiary of the Company and Telegraph. As the former Telegraph shareholders ended up owning the majority of the Company upon completion of the Transaction, the transaction was deemed to be a reverse takeover.

The share capital of the Company and Telegraph is as follows:

	Castle Mountain	Telegraph	Adjustments related to the RTO	Combined
Common Shares	4,249,100	48,290,068	-	52,539,168
Dollars	$ 670,839	$ 14,992,255	$ 2,120,820	$ 17,783,914
Options	450,000	3,750,000	-	4,200,000
Share-based payments reserve	$ 33,803	$ 1,250,079	$ 175,259	$ 1,459,141
Warrants	-	3,660,034	-	3,660,034
Warrants reserve	$ -	$ 809,407	$ -	$ 809,407

In accordance with IFRS 3, Business Combination, the substance of the transaction is a reverse takeover of a nonoperating company. The transaction does not constitute a business combination as the Company does not meet the definition of a business under the standard. As a result, the transaction is accounted for as an acquisition of a stock exchange listing with Telegraph being identified as the acquirer and the equity consideration being measured at fair value.

The cost of the transaction for the year ended December 31, 2013, was calculated as follows:

Cost of listing	
4,249,100 common shares acquired	$ 2,791,659
450,000 options acquired	209,062
Cash acquired	(71,122)
Other net liabilities assumed	268,433
Transaction costs	66,194
Total	$ 3,264,226

Transactions costs incurred prior to January 1, 2013, have been expensed in the statement of loss and comprehensive loss.

NOTE 4 - EQUIPMENT, NET

Cost	Computer and communication equipment	Vehicle	Total
Balance at December 31, 2012	$ 5,262	$ 39,207	$ 44,469
Additions	-	-	-
Balance at December 31, 2013	$ 5,262	$ 39,207	$ 44,469
Additions	-	45,470	45,470
Balance at September 30, 2014	$ 5,262	$ 84,677	$ 89,939

Accumulated depreciation	Computer and communication equipment	Vehicle	Total
Balance at December 31, 2012	$ (197)	$ (1,470)	$ (1,667)
Amortization	(1,521)	(11,320)	(12,841)
Balance at December 31, 2013	$ (1,718)	$ (12,790)	$ (14,508)
Amortization	(797)	(12,765)	(13,562)
Balance at September 30, 2014	$ (2,515)	$ (25,555)	$ (28,070)
Balance at December 31, 2013	$ 3,544	$ 26,417	$ 29,961
Balance at September 30, 2014	$ 2,747	$ 59,122	$ 61,869

NOTE 5 – MINERAL INTERESTS

Acquisition costs	Castle Mountain	Telegraph Claims	Total
Balance at December 31, 2012	$ 7,727,372	$ -	$ 7,727,372
Acquisitions	-	-	-
Balance at December 31, 2013	$ 7,727,372	$ -	$ 7,727,372
Acquisitions	55,065	-	55,065
Balance at September 30, 2014	$ 7,782,437	$ -	$ 7,782,437

Exploration and evaluation costs	Castle Mountain	Telegraph Claims	Total
Year ended December 31, 2013	$ 3,662,929	$ (211,245)	$ 3,451,684
Three months ended September 30, 2014	$ 1,522,522	$ -	$ 1,522,522
Three months ended September 30, 2013	$ 462,184	$ -	$ 462,184
Nine months ended September 30, 2014	$ 2,457,955	$ -	$ 2,457,955
Nine months ended September 30, 2013	$ 2,960,647	$ (211,245)	$ 2,749,402

During the nine months ended September 30, 2014, the Company acquired 19 unpatented mining claims encompassing 2951 acres, in San Bernardino County California (the "claims"), for US$50,000. The claims are located directly north-east to the Company's existing land holdings, and were previously leased by the Company.

During the nine months ended September 30, 2013, the Company recorded a recovery of $211,245 on the Telegraph Claims as a result of a settlement with a contractor.

NOTE 6 – LONG-TERM LIABILITY

The Company has a long-term liability. The discounted long-term liability was estimated to be $4,528,879 as at September 30, 2014 (December 31, 2013 - $3,835,741) assuming payments will be made in 2015 and 2018. Accretion costs are expensed in the statement of loss and comprehensive loss.

The total undiscounted amount of cash flows required to settle the long-term liability is $8,000,000 as at September 30, 2014, (December 31, 2013 – $8,000,000). A discount rate of 25% was used to calculate the fair value of the long-term liability. Determination of the undiscounted liability and the timing of these obligations were based on internal estimates using the information currently available.

The Company does have at its option, the ability to settle the liability in the form of shares. The maximum number of shares that can be granted in connection with the payments noted above is 16,115,601

NOTE 7 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

The Company has exposure to liquidity risk and foreign currency risk. The Company's risk management objective is to preserve and redeploy the existing treasury as appropriate, ultimately to protect shareholder value. Risk management strategies, as discussed below, are designed and implemented to ensure the Company's risks and the related exposure are consistent with the business objectives and risk tolerance.

Liquidity Risk: Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity by ensuring that there is sufficient capital to meet short and long-term business requirements, after taking into account cash requirements from operations and the Company's holdings of cash, cash equivalents, and short-term investments. The Company also strives to maintain sufficient financial liquidity at all times in order to participate in investment opportunities as they arise, as well as to withstand sudden adverse changes in economic circumstances.

The Company's primary source of additional liquidity is financing transactions. The Company's primary use of cash to September 30, 2014 was exploration and evaluation expenses as well as general and administrative expenses.

Additionally, the Company has certain payments related to its agreement with Sprott, which can be settled at the Company's option in cash or shares.

Management forecasts cash flows for its current and subsequent fiscal years to predict future financing requirements. Future requirements may be met through a combination of credit and access to capital markets. The Company's cash requirements are dependent on the level of operating activity, a large portion of which is discretionary. Should management decide to increase its operating activity more funds than what is currently in place would be required. It is not possible to predict whether financing efforts will be successful or sufficient in the future. At September 30, 2014 the Company had $6,819,780, (December 31, 2013 - $5,275,352) in cash and cash equivalents and short-term investments.

Currency risk: The Company's expenditures are incurred in Canadian and US dollars. The results of the Company's operations are subject to currency transaction risk. The Company mitigates foreign exchange risk through forecasting its foreign currency denominated expenditures and maintaining an appropriate balance of cash in each currency to meet the expenditures. As the Company's reporting currency is the Canadian dollar, fluctuations in US dollar will affect the results of the Company.

Credit risk: Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. As at September 30, 2014, the Company's credit risk is primarily attributable to cash and short-term investments. At September 30, 2014, the Company's cash was held with reputable Canadian chartered banks.

Interest rate risk: Interest rate risk is the risk borne by an interest-bearing asset or liability as a result of fluctuations in interest rates. Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's most significant interest rate risk arises from its investments in short-term investments. As at September 30, 2014, the Company had $521,158 (December 31, 2013 - $514,662) in a guaranteed investment certificate.

Fair Values: The Company's cash and cash equivalents, short-term investments, amounts receivable and accounts and other payables all had fair values which approximate their carrying values, are expected to be realized within the next financial year and are considered Level 1 in the fair value hierarchy.

The following financial instruments which are re-measured to fair value at September 30, 2014, are determined based on the observable market prices for foreign exchange rates and interest rates.

- Cash and cash equivalents; and
- Short-term investments

Additionally, the Company has determined that there has been no change to the discount rate for its long-term liability. As a result, the carrying amount is equal to its fair value.

Reclamation bond: The Company has posted a reclamation bond with the County of San Bernardino, to cover any potential future reclamation.

NOTE 8– SHARE CAPITAL, CAPITAL MANAGEMENT AND WARRANTS

At September 30, 2014, the Company's share capital consists of an unlimited number of common shares, which do not have a par value.

On June 27, 2014, the Company completed a public offering (the "Offering") of 8,855,000 units (the "Units"), at a price of $0.65 per Unit for gross proceeds to the Company of $5,755,750.

Each Unit consists of one common share (a "Common Share") and one half of one Common Share purchase warrant (a "Warrant") of the Company. Each Warrant expires twenty four (24) months from the date of issuance and will entitle the holder thereof to purchase one Common Share (a "Warrant Share") at a price of $1.00 per Warrant Share. A breakdown of the net proceeds from the Offering is noted in the table below.

8,855,000 units issued	$	5,755,750
Fair value of warrants		(756,517)
Transaction costs		(577,564)
Total	$	4,421,669

The 4,427,500 Warrants were assigned a fair value of $756,517 using the Black-Scholes pricing model. The following assumptions were used: Risk free interest rate - 1.11%; expected volatility - 70%; based on comparable companies, expected dividend yield - nil; expected life - 2 years.

During the three and nine months ended September 30, 2014, the Company issued 56,250 and 331,250 shares, respectively, as a result of the exercise of options.

During the nine months ended September 30, 2013, founders of Telegraph returned an aggregate of 2,500,000 common shares of the Company for no consideration. An adjustment of $776,156 was made to paid up capital. Additionally, as part of the Transaction, certain Telegraph shareholders contributed an additional $110,957 in the capital of the Company.

On September 5, 2013, the Company completed a non-brokered private placement with Mr. Robert Buchan, pursuant to which he subscribed to 1,000,000 units of the Company for a total of $350,000. Each unit was issued at a price of $0.35 and was comprised of one common share of the Company and one half of one warrant.

On June 2, 2014, the Company's shareholders approved the adoption of a shareholder rights plan agreement (the "Rights Plan"), entered into with Equity Financial Trust Company, as rights agent, effective December 3, 2013.

The Rights Plan was adopted to provide adequate time for the Board and the Company's shareholders to assess any unsolicited take-over bid (a "Bid") which might be received, to provide the Board with sufficient time to explore and develop alternatives for maximizing shareholder value and to provide the Company's shareholders with an equal opportunity to participate in the Bid and protect them from unfair or coercive tactics. The Rights Plan was not adopted as a result of any pending or suspected unsolicited Bid to acquire control of the Company.

The Rights Plan is intended to encourage any Bid to satisfy certain minimum standards designed to promote fairness. If a Bid fails to satisfy these minimum standards, the Rights Plan provides that holders of the Company's common shares, other than the bidder, will be able to purchase additional common shares at a substantial discount to the market price.

Capital management

The Company includes equity, comprised of issued common shares, options and warrants and deficit, in the definition of capital. The Company's primary objectives when managing capital are to safeguard the Company's ability to fund the exploration and development of its gold properties in the USA.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size and stage of the Company is reasonable. The Company is not subject to other externally imposed capital requirements. There has been no change in the capital management approach for the period ended September 30, 2014.

Common share purchase warrants

During the nine months ended September 30, 2014, 3,660,034 warrants expired.

	Warrants		
	Expiry	Warrants	Warrant reserve
At December 31, 2012	May. - 2014	3,660,034	$809,407
Issued in respect of private placement	March 2015	500,000	37,000
At December 31, 2013		4,160,034	$846,407
Warrants expired		(3,660,034)	-
Issued in respect of Offering	June 2016	4,427,500	756,517
		4,927,500	$1,602,924

NOTE 9– SHARE-BASED PAYMENTS

Under the Company's stock option plan, the directors of the Company can grant options to acquire common shares of the Company to directors, employees and others who provide ongoing services to the Company. The options are non-assignable and non-transferable and may be granted for a term not exceeding five years. Unless stipulated differently at the time of grant, the options vest when granted.

The following table reflects the continuity of stock options:

	Number of Stock Options	Weighted Average Exercise Price
Balance, December 31, 2012	3,750,000	$ 0.57
Options acquired on reverse take over	450,000	$ 0.20
Options exercised	(75,000)	$ 0.20
Options issued	1,020,000	$ 0.35
Balance, December 31, 2013	5,145,000	$ 0.50
Options granted	1,870,000	$ 0.67
Options expired	(150,000)	$ 0.25
Options exercised	(331,250)	$ 0.23
Balance, September 30, 2014	6,533,750	$ 0.57

On January 17, 2014, the Company issued a total of 800,000 options to directors, an officer, and consultants at an exercise price of $0.60 for a period of 5 years and vesting over a one year period. The grant date fair value of $295,200 was assigned to the stock options as estimated using the Black-Scholes valuation model with the following assumptions, expected dividend yield of 0%, a volatility of 75% based on comparable companies, a risk-free rate of return of 1.69% and an expected maturity of 5 years.

On February 24, 2014, the Company issued a total of 200,000 options to consultants at an exercise price of $0.89 for a period of 5 years and vesting over a one year period. The grant date fair value of $111,600 was assigned to the stock options as estimated using the Black-Scholes valuation model with the following assumptions, expected dividend yield of 0%, a volatility of 77% based on comparable companies, a risk-free rate of return of 1.70% and an expected maturity of 5 years.

On August 6, 2014, the Company issued a total of 870,000 options to officers and consultants at an exercise price of $0.68 for a period of 5 years and vesting over a one year period. The grant date fair value of $361,589 was assigned to the stock options as estimated using the Black-Scholes valuation model with the following assumptions, expected dividend yield of 0%, a volatility of 75% based on comparable companies, a risk free rate of return of 1.30% and an expected maturity of 5 years.

During the three months ended September 30, 2014, 56,250 options with an exercise price of $0.35 were exercised. Additionally, during the nine months ended September 30, 2014, a total of 275,000 options with an exercise price of $0.20 were exercised. A total of 37,500 options with an exercise price of $0.20 were exercised during the three and nine months ended September 30, 2013. During the three months ended September 30, 2014 a total of 50,000 options with an exercise price of $0.35 expired and during the nine months ended September 30, 2014, an additional 100,000 options with an exercise price of $0.20 expired.

The following table reflects the stock options outstanding at September 30, 2014.

	Fair Value	Contractual Life (years)	Exercisable Options	Number of Options	Weighted Average Exercise Price ($)	Remaining Expiry Date
$	632,910	2.01	1,700,000	1,700,000	0.50	October 1, 2016
	93,225	2.41	250,000	250,000	0.50	February 27, 2017
	372,253	3.05	750,000	750,000	0.50	October 19, 2017
	254,738	3.09	550,000	550,000	0.75	October 31, 2017
	231,515	3.16	500,000	500,000	0.75	November 28, 2017
	245,820	3.88	913,750	913,750	0.35	August 15, 2018
	295,200	4.31	200,000	800,000	0.60	January 20, 2019
	111,600	4.41	50,000	200,000	0.89	February 24, 2019
	361,589	4.85	-	870,000	0.68	August 6, 2019
$	2,598,850	3.32	4,913,750	6,533,750	0.57	

NOTE 10– RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

For the three months ended September 30, 2014 and 2013 the Company paid $271,726 and $230,731, respectively, in salaries and consulting fees to Officers of the Company.

For the nine months ended September 30, 2014, the Company paid $719,283 and $475,071, respectively, in salaries and consulting fees to Officers of the Company.

A total of $183,895 and $50,158 in share-based payment expense was recognized in respect of options granted to Officers and Directors of the Company for the three months ended September 30, 2014 and 2013, respectively.

A total of $519,083 and $379,985 in share-based payment expense was recognized in respect of options granted to Officers and Directors of the Company for the nine months ended September 30, 2014 and 2013, respectively.

The Company has reimbursed a consultant and former Director of the Company for rent and other office costs incurred on the Company's behalf. For the three months ended September 30, 2014, and 2013, the total rent reimbursement was $20,300 and $9,000, respectively. A total of $45,800 and $27,000 was reimbursed for the nine months ended September 30, 2014 and 2013, respectively.

NOTE 11 – LOSS PER SHARE

The following table details the weighted average number of outstanding common shares for the purposes of computing basic and diluted loss per common share for the three and nine months ended September 30, 2014 and 2013.

	For the three months ended September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Weighted average shares outstanding - basic	71,885,304	52,813,429	65,996,881	32,392,393
Dilutive effect of share options and warrants	-	-	-	-
Weighted average shares outstanding - diluted	71,885,304	52,813,429	65,996,881	32,392,393
Net loss	$ (2,316,509)	$ (1,018,983)	$ (4,736,779)	$ (7,759,775)
Net loss per share - basic	$ (0.03)	$ (0.02)	$ (0.07)	$ (0.24)
Net loss per share - diluted	$ (0.03)	$ (0.02)	$ (0.07)	$ (0.24)

As a result of the losses incurred, there is no dilutive effect of options and warrants.

NOTE 12 – SEGMENTED INFORMATION

The Company operates in a single reportable operating segment, the acquisition, exploration for precious and base metals and other minerals. All of the Company's fixed assets and interest in exploration properties and exploration and evaluation expenditures are located in the USA.

	As at September 30,	As at December 31,
Total assets	2014	2013
USA	$ 7,969,128	$ 7,892,092
Corporate	6,911,036	5,400,770
Total	$ 14,880,164	$ 13,292,862

	Three months ended September 30,		Nine months ended September 30,	
Net loss	2014	2013	2014	2013
USA	$ (1,752,312)	$ (495,471)	$ (3,144,655)	$ (2,826,694)
Corporate	(564,197)	(523,512)	(1,592,124)	(4,933,081)
Total	$ (2,316,509)	$ (1,018,983)	$ (4,736,779)	$ (7,759,775)

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Compliance with laws and regulations

The Company's exploration and evaluation activities are subject to various federal, provincial and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Site preparation and drift rehabilitation

The Company had an agreement with J.S. Redpath Ltd. ("Redpath") to perform site preparation and drift rehabilitation on the Telegraph Site (the "Redpath Agreement"). Under the agreement, the Company would reimburse Redpath for all of the costs associated with the work, which includes a fixed fee of 11%, plus an overhead fee of 9.5% of actual costs as well as a general insurance fee of 1.5% of the invoiced expenditures applied after considering all costs including fees.

Due to the decision to stop exploration activities on the Telegraph Claims, the Company and Redpath entered into a settlement agreement dated effective February 22, 2013. The agreement set out the parties rights, responsibilities and obligations following the termination of the Redpath Agreement. The Company recognized a recovery of exploration costs of $211,245 during the nine months ended September 30, 2013.

Management Contracts

The Company has entered into a management contract with the CEO whereby upon the occurrence of a change of control, the Company is required to pay 24 months salary and a bonus equal to that of all bonuses received over the past 12 months. Additionally, the Company has entered into contracts with other officers whereby upon the occurrence of a change of a control and a triggering event the Company is required to pay up to a maximum of 18 months salary and a bonus equal to the bonus paid in the prior year. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements. The total owed to officers of the Company in the event of a change of control and triggering event would be approximately $2.0 million. The Company has also entered into management contracts whereby the Company is committed to pay annual salaries or fees in the amount of $1,165,000.