Excelsior MINING CORP

CONDENSED CONSOLIDATED INTERIM

FINANCIAL STATEMENTS

(Unaudited)

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014

(Expressed in Canadian Dollars)

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

		September 30, 2014		December 31, 2013
Current assets				
Cash and cash equivalents	**$**	**5,404,485**	$	1,640,877
Funds held in trust (Note 5)		**7,160,543**		-
Prepaid expenses		**307,295**		87,506
Receivables		**71,107**		36,287
		12,943,430		1,764,670
Equipment (Note 3)		**121,976**		127,716
	$	**13,065,406**	$	1,892,386
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**695,931**	$	295,107
Amount accrued and due to related parties (Note 6)		**531,322**		76,784
		1,227,253		371,891
Equity				
Capital stock (Note 5)		**25,122,952**		14,881,678
Other equity reserves (Note 5)		**5,388,832**		4,581,335
Deficit		**(18,702,079)**		(17,952,677)
Accumulated other comprehensive income		**28,448**		10,159
		11,838,153		1,520,495
	$	**13,065,406**	$	1,892,386

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 11)
Subsequent events (Note 12)

Approved on November 26, 2014 on behalf of the Board of Directors:

"Colin Kinley"	Director	*"Jay Sujir"*	Director
Colin Kinley		Jay Sujir	

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

EXCELSIOR MINING CORP.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME/ (LOSS)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30
(Expressed in Canadian Dollars)
(Unaudited)
As at

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	**2014**	2013
Exploration and evaluation (Note 4)	**$ 1,069,248**	$ 346,106	**$ 1,563,660**	$ 707,401
Share-based compensation (Note 5)	**632,741**	97,294	**749,934**	349,480
Wages and salaries	**132,964**	117,812	**371,882**	371,472
Management fees	**126,898**	80,450	**352,585**	237,940
Investor relations	**71,328**	23,214	**183,303**	86,058
Office and administration	**53,668**	38,327	**135,332**	94,607
Rent	**49,346**	36,921	**138,770**	95,129
Professional fees	**44,684**	15,944	**81,969**	49,484
Director fees	**30,714**	32,865	**92,141**	92,865
Travel and entertainment	**24,639**	17,348	**118,428**	57,828
Regulatory fees	**20,480**	19,467	**80,561**	52,032
Depreciation (Note 3)	**8,822**	9,750	**31,099**	33,965
Consulting fees	**8,207**	-	**8,207**	26,500
Insurance	**7,943**	7,978	**24,051**	23,418
	(2,281,682)	(843,476)	**(3,931,922)**	(2,278,179)
Finance income	**72**	1,559	**3,651**	10,509
Gain/(Loss) on foreign exchange	**205,595**	(5,851)	**178,869**	(6,814)
Debt Settlement	**-**	-	**-**	134,800
Gain on Royalty (Note 4)	**3,000,000**	1,479,038	**3,000,000**	1,479,038
	3,205,667	1,474,746	**3,182,520**	1,617,533
Net (loss)/income for the period	**$ 923,985**	$ 631,270	**$ (749,402)**	$ (660,646)
Cumulative translation adjustment	**2,441**	(18,291)	**18,289**	4,838
Comprehensive (loss)/income for the period	**$ 926,426**	$ 612,979	**$ (731,113)**	$ (655,808)
Earnings/ (Loss) per common share:				
Basic and diluted	**$ 0.01**	$ 0.01	**$ (0.01)**	$ (0.01)
Weighted average number of common shares outstanding:				
Basic and diluted	**87,599,079**	57,086,136	**70,840,260**	54,293,593

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

EXCELSIOR MINING CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30
(Expressed in Canadian Dollars)
(Unaudited)
As at

		2014		2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	**$**	**(749,402)**	$	(660,646)
Items not affecting cash:				
Depreciation		**31,099**		33,965
Share-based compensation		**749,934**		349,480
Debt Settlement		**-**		(134,800)
Gain on royalty		**(3,000,000)**		(1,479,038)
Non-cash working capital item changes:				
Receivables		**(34,820)**		154,880
Due to related parties		**454,538**		(17,284)
Prepaid expenses		**(219,789)**		79,202
Accounts payable and accrued liabilities		**155,424**		140,631
Net cash used in operating activities		**(2,613,016)**		(1,533,610)
CASH FLOWS FROM INVESTING ACTIVITIES				
Royalty option payment received		**3,000,000**		2,000,000
Acquisition of exploration and evaluation assets		**-**		(156,615)
Purchase of equipment		**(19,111)**		(2,024)
Net cash provided by investing activities		**2,980,889**		1,841,361
CASH FLOWS FROM FINANCING ACTIVITIES				
Exercise of stock options		**60,000**		-
Proceeds from private placement, net of cost		**10,484,236**		994,250
Net cash provided by financing activities		**10,544,236**		994,250
Effect of foreign exchange on cash and cash equivalents		**12,042**		(9,252)
Net change in cash and cash equivalents and funds held in trust during the period		**10,924,151**		1,292,749
Cash and cash equivalents and funds held in trust, beginning of the period		**1,640,877**		1,364,122
Cash and cash equivalents and funds held in trust, end of the period	**$**	**12,565,028**	$	2,656,871
Cash and cash equivalents and funds held in trust consist of:				
Cash	**$**	**3,104,478**	$	1,152,915
Funds held in trust		**7,160,543**		-
Liquid short term investments		**2,300,007**		1,503,956
	$	**12,565,028**	$	2,656,871
Cash (paid) received for interest	**$**	**3,651**	$	22,323
Cash (paid) received for income taxes	**$**	**-**	$	-

Supplemental disclosure with respect to cash flows (Note 7)

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

EXCELSIOR MINING CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013
(Expressed in Canadian Dollars)
(Unaudited)
As at

	Capital Stock						
	Number of Shares			Other Equity		Accumulated Other	
	Voting shares	Non-Voting	Amount	Reserves (Note 5)	Deficit	Comprehensive Income (Loss)	Total
Balance, December 31, 2012	52,874,179	7,007,876	$ 13,887,428	$ 4,089,228	$ (16,108,720)	$ (6,065)	$ 1,861,871
Private Placement	6,250,000	-	1,000,000	-	-	-	1,000,000
Share issue costs- cash	-	-	(5,750)	-	-	-	(5,750)
Share-based compensation	-	-	-	349,480	-	-	349,480
Loss for the period	-	-	-	-	(660,646)	-	(660,646)
Translation adjustment	-	-	-	-	-	4,838	4,838
Balance, September 30, 2013	**59,124,179**	**7,007,876**	**$ 14,881,678**	**$ 4,438,708**	**$ (16,769,366)**	**$ (1,227)**	**$ 2,599,793**

	Capital Stock						
	Number of Shares			Other Equity		Accumulated Other	
	Voting shares	Non-Voting	Amount	Reserves (Note 5)	Deficit	Comprehensive Income (Loss)	Total
Balance, December 31, 2013	59,124,179	7,007,876	$ 14,881,678	$ 4,581,335	$ (17,952,677)	$ 10,159	$ 1,520,495
Non-voting share conversion	7,007,876	(7,007,876)	-	-	-	-	-
Stock option exercises	200,000	-	71,545	(11,545)	-	-	60,000
Public offering	36,580,000	-	10,968,742	-	-	-	10,968,742
Share issue cost- agent warrants	-	-	(69,108)	69,108	-	-	-
Share issue costs –cash	-	-	(729,905)	-	-	-	(729,905)
Share-based compensation	-	-	-	749,934	-	-	749,934
Loss for the period	-	-	-	-	(749,402)	-	(749,402)
Translation adjustment	-	-	-	-	-	18,289	18,289
Balance, September 30, 2014	**102,912,055**	**-**	**$ 25,122,952**	**$ 5,388,832**	**$ (18,702,079)**	**$ 28,448**	**$ 11,838,153**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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

These condensed consolidated interim 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 September 30, 2014, the Company had a working capital of $11,716,177 (December 31, 2013 - $1,392,779) and an accumulated deficit of $18,702,079 (December 31, 2013 - $17,952,677). The Company intends to finance its future requirements through a combination of debt and/or equity issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. These uncertainties may cause significant doubt on the Company's ability to continue as a going concern.

The condensed consolidated interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

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

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

<u>Statement of compliance</u>

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. They have also been prepared in accordance with interpretations issue by the International Financial Reporting Interpretations Committee ("IFRIC"). The condensed consolidated interim financial statements do not include all the information required for full annual financial statements.

These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2013.

<u>Basis of measurement</u>

The condensed consolidated interim 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 condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

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

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

Principles of consolidation

These condensed consolidated interim financial statements include the financial statements of the Company and the entity controlled by the Company (see below). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

Details of the Company's subsidiary are as follows:

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

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

Critical accounting estimates and judgments

The preparation of the condensed consolidated interim 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.

Critical Judgments

The preparation of the condensed consolidated interim financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in Note 1, 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 for each entity within the Company.

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 condensed consolidated interim financial statements include:

Share-based Payments

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

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

Critical accounting estimates and judgments (cont'd…)

Key Sources of Estimation Uncertainty (cont'd…)

Deferred Tax Assets & Liabilities

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

Useful Life of Equipment

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

Recoverability of Exploration & Evaluation Assets

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

New accounting pronouncements

The following new accounting standard issued by the IASB has been applied in preparation of these condensed consolidated interim financial statements with effect from January 1, 2014. The adoption of this standard did not have a material impact on these condensed consolidated interim financial statements.

Amendments to IAS 32, *Financial Instruments: Presentation*, are effective for annual periods beginning on or after January 1, 2014. This provides for amendments relating to offsetting financial assets and financial liabilities.

Future accounting pronouncements

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

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

(Expressed in Canadian Dollars)

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

Future accounting pronouncements (cont'd…)

Amendments to IAS 36, *Impairment of Assets* ("IAS 36") will address the disclosures required regarding the recoverable amount of impaired assets or cash generating units (CGU) for periods in which an impairment loss has been recognized or reversed. This amendment will be effective for annual financial periods beginning on or after July 1, 2014.

3. EQUIPMENT

	COMPUTER AND OFFICE EQUIPMENT	COMPUTER SOFTWARE	EXPLORATION EQUIPMENT	FURNITURE	TOTAL
COST					
Balance at December 31, 2012	$ 12,884	$ 132,228	$ 73,933	$ 14,628	$ 233,673
Additions	2,024	-	4,508	-	6,532
Balance at December 31, 2013	14,908	132,228	78,441	14,628	240,205
Additions	7,603	11,508	-	-	19,111
Balance at September 30, 2014	$ 22,511	$ 143,736	$ 78,441	$ 14,628	$ 259,316
ACCUMULATED DEPRECIATION					
Balance at December 31, 2012	$ 6,063	$ 48,446	$ 20,049	$ 2,540	$ 77,098
Depreciation for the year	2,169	28,860	10,511	1,395	42,935
Balance at December 31, 2013	8,232	77,306	30,560	3,935	120,033
Depreciation for the period	2,901	19,686	7,018	1,494	31,099
Balance at September 30, 2014	$ 11,133	$ 96,992	$ 37,578	$ 5,429	$ 151,132
EFFECTS OF FOREIGN CURRENCY TRANSLATION					
For the year ended December 31, 2013	$ 290	$ 4,878	$ 2,370	$ 6	$ 7,544
For the period ended September 30, 2014	$ 685	$ 7,698	$ 4,870	$ 539	$ 13,792
NET BOOK VALUE					
At December 31, 2013	$ 6,966	$ 59,800	$ 50,251	$ 10,699	$ 127,716
At September 30, 2014	$ 12,063	$ 54,442	$ 45,733	$ 9,738	$ 121,976

4. EXPLORATION AND EVALUATION ASSETS AND EXPENSES

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

<u>Gunnison Project</u>

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

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

A further US$300,000 is payable to certain land holders of the North Star Deposit with US$150,000 of the US$300,000 due on exercise of the option on the Gunnison Project and the remaining US$150,000 due on or before December 31, 2016.

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

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

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

Callinan had the right to require the Company to repurchase all or part of the Initial GRR for $2,000,000 pro-rated for the portion of the Initial GRR purchased by the Company and payable in common shares of the Company priced at $0.25 per common share at any time so long as such issuance does not result in Callinan owning more than 19.9% of the issued and outstanding common shares of the Company after such issuance. On July 29, 2014 this right expired as Callinan chose to exercise the first royalty option under the Callinan Agreement.

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

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

(Expressed in Canadian Dollars)

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

Gunnison Project (cont'd…)

Development Milestones

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

Construction Option

The construction option gives Callinan the right to buy a 1% GRR for $10,000,000 following completion of the feasibility study, receipt of all required permits and the Company securing a firm commitment for 50% of the required capital required for mine construction. One quarter (0.25%) of the construction option will vest with each $3,000,000 paid by Callinan to the Company pursuant to the initial investment or upon the exercise of any of the royalty options. Should all the royalty options be exercised, Callinan would acquire a 3% GRR on the Gunnison Project for total proceeds of $21,000,000.

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.

Exploration and evaluation assets		**Gunnison Property**
Balance at December 31, 2012	**$**	**338,077**
Addition to acquisition costs		156,615
Effect of foreign currency translation		26,270
Royalty payment (received) [1]		(520,962)
Balance at December 31, 2013 and September 30, 2014	**$**	**-**

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

A breakdown of exploration and evaluation expenses is as follows:

	For the nine month periods ended September 30,			
Exploration and evaluation expenses		**2014**		**2013**
Administration	$	184,802	$	48,518
Camp maintenance		52,703		56,619
Drilling		193,060		122,255
Feasibility		16,154		-
Geochemistry		41,861		-
Geology		225,420		117,386
Geophysics		23,309		-
Hydrology		96,519		80,985
Metallurgy		620,426		73,525
Pre-feasibility		99,147		188,814
Resource estimate		10,259		19,299
	$	1,563,660	$	707,401

5. CAPITAL STOCK AND OTHER EQUITY RESERVES

Share issuances

The Company issued the following common shares during the nine month period ended September 30, 2014:

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

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

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

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

- On June 27, 2014 the Company completed a public offering by issuing 16,000,000 units (the “Units”) priced at $0.25 per Unit for gross proceeds of $4,000,000. Each Unit consists of one common share of the Company and one-half common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one common share of the Company at a price of $0.45 for a period of 24 months following the closing of this financing. The Company paid share issue costs in the amount of $585,097 related to this share issuance. The Company also issued 960,000 non-transferable agent warrants. Each agent warrant is exercisable into one common share of the Company for a period of 24 months from closing at an exercise price of $0.45. An amount of $69,108 representing the fair value of these warrants on granting was recorded as share issuance costs.

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

- On September 5, 2014 the Company completed the first tranche of a US$10,000,000 financing and strategic partnership agreement with an affiliate of Greenstone Resources L.P (“Greenstone”), whereby Greenstone purchased 20,580,000 common shares, equal to approximately 19.9% of the issued and outstanding common shares of the Company, for gross proceeds of US $6,393,342. As of September 30, 2014 these funds were held in a trust account subject to TSX-V approval which was received subsequent to period end (See Note 12). The Company incurred $144,808 of share issuance costs in conjunction with this financing. The second and final tranche was completed subsequent to period end (See Note 12)

Escrow Shares

Pursuant to TSX-V policies, Nil (September 30, 2013 - 4,166,373) common shares and Nil (September 30, 2013 - 2,803,150) non- voting common shares were held in escrow as at September 30, 2014. These shares were held in escrow pursuant to the terms of the escrow agreement dated October 14, 2010.

(Expressed in Canadian Dollars)

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

Warrants

The following is a summary of warrants outstanding as at September 30, 2014:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2012	**9,155,431**	**$0.90**
Expired	(7,311,265)	$1.00
Outstanding, December 31, 2013	**1,844,166**	**$0.50**
Expired	(1,844,166)	$0.50
Issued	8,960,000	$0.45
Outstanding, September 30,2014	**8,960,000**	**$0.45**

As at September 30, 2014, the Company had the following warrants outstanding:

Outstanding	Exercise Price	Remaining life (years)	Expiry Date
8,000,000	$0.45	1.74	June 27, 2016
960,000[1]	$0.45	1.74	June 27, 2016
8,960,000			

[1] Agents warrants

The following weighted average assumptions were used for the Black-Scholes valuation of agent warrants granted during the nine month periods ended September 30, 2014 and 2013:

	September 30, 2014	September 30, 2013
Risk-free interest rate	1.61%	-
Expected life of warrants	2 years	-
Annualized volatility	86%	-
Dividend rate	0%	-

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

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.

(Expressed in Canadian Dollars)

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

Stock options (cont'd…)

The following is a summary of stock options outstanding as at September 30, 2014:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2012	**10,955,334**	**$0.45**
Forfeited	(182,000)	$0.52
Expired	(117,334)	$0.30
Outstanding, December 31, 2013	**10,656,000**	**$0.29**
Forfeited	(335,000)	$0.30
Exercised	(200,000)	$0.30
Issued	900,000	$0.26
Outstanding, September 31, 2014	**11,021,000**	**$0.28**

At September 30, 2014, the following stock options were outstanding and exercisable:

Outstanding	Exercisable	Exercise Price	Remaining life (years)	Expiry Date
2,800,000(1)	2,800,000	US$0.25	0.22	December 31, 2018
58,667(1)	58,667	$0.30	0.62	December 31, 2018
2,971,000(1),(2)	2,971,000	$0.30	1.04	December 31, 2018
200,000(2)	200,000	$0.30	1.34	February 1, 2016
100,000(2)	100,000	$0.30	1.57	April 25, 2016
100,000(2)	100,000	$0.30	1.84	August 2, 2016
100,000(2)	100,000	$0.30	1.94	September 6, 2016
1,241,333(2)	1,241,333	$0.30	2.38	February 15, 2017
2,550,000	2,550,000	$0.30	2.97	September 18, 2017
600,000	0	$0.25	4.85	August 6, 2019
300,000	0	$0.265	5.00	September 30, 2019
11,021,000	10,121,000			

(1)On August 6, 2014, the Company announced that 5,829,667 stock options expiry date was being extended to December 31, 2018. As a result, additional compensation expense was incurred and recorded. The TSX-V approved the extension on September 9, 2014.

(2)During the year ended December 31, 2013, 5,147,333 stock options ranging in price from $0.50 to $0.73 were re-priced at $0.30 per share. Where stock options are re-priced, new fair values were calculated based on the new exercise price and this new fair value is used in determining compensation expense over the remaining vesting periods of the options. Due to re-pricing the options, an additional $60,452 was recorded as share-based compensation during the year ended December 31, 2013. The re-pricing of options was subject to disinterested shareholder approval, in accordance with the rules and policies of the TSX-V which was received on September 30, 2014.

The weighted average exercise price of options outstanding and exercisable is $0.28 and $0.29 respectively.

(Expressed in Canadian Dollars)

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

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 period ended September 30, 2014, the Company recognized share-based compensation of $749,934 (September 30, 2013 - $349,480). There were 900,000 stock options granted during the nine months ended September 30, 2014.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the nine month periods ended September 30, 2014 and 2013:

	September 30, 2014	September 30, 2013
Risk-free interest rate	1.61%	-
Expected life of options	5 years	-
Annualized volatility	86%	-
Dividend rate	0%	-

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

Other equity reserves

		Options and agent warrants		Finance warrants		Total
Balance, December 31, 2012	$	2,453,254	$	1,635,974	$	4,089,228
Share-based compensation		349,480		-		349,480
Royalty Option		-		-		-
Balance, September 30, 2013	$	2,802,734	$	1,635,974	$	4,438,708
Balance, December 31, 2013	$	2,945,361	$	1,635,974	$	4,581,335
Share-based compensation		749,934		-		749,934
Issuance of Warrants		69,108		-		69,108
Fair value of stock options exercised		(11,545)		-		(11,545)
Balance, September 30, 2014	**$**	**3,752,858**	**$**	**1,635,974**	**$**	**5,388,832**

(Expressed in Canadian Dollars)

6. RELATED PARTY TRANSACTIONS

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

Key management personnel

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

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

	Nine Month Periods Ended September 30,			
		2014		2013
Share-based compensation	$	727,094	$	310,687
Short-term benefits*		393,814		327,940
	$	**1,120,908**	**$**	**638,627**

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

Other related parties

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

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

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

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

	Nine Month Periods Ended September 30,			
		2014		2013
King & Bay	$	568,353	$	467,874
Kinley Exploration LLC	$	Nil	$	37,226
Cassels Brock & Blackwell LLP	$	397,731	$	3,839

(Expressed in Canadian Dollars)

6. RELATED PARTY TRANSACTIONS (Cont'd…)

Amounts due to related parties at September 30, 2014 included the following:

- King & Bay - $77,591 (December 31, 2013 - $39,558)
- SCT Holdings Management LLC, a company controlled by the Chief Executive Officer - $56,00 (December 31,2013 - Nil)
- Kinley Exploration LLC, a company controlled by a director - $Nil (December 31, 2013 - $37,226)
- Cassels Brock & Blackwell LLP, a law firm which a former Director is a partner in - $ 397,731, (December 31, 2013 – Nil)
- Included in accounts payable and accrued liabilities, is $110,019 due to various related parties for expense reimbursements.

7. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The following were the significant non-cash transaction affecting cash flows from investing and financing activities during the nine month period ended September 30, 2014:

- 200,000 stock options with an exercise price of $0.30 per option were exercised. An amount of $11,545, representing the fair value of the options on granting was reclassified from other equity reserves to capital stock on exercise.
- The Company issued 960,000 agent warrants in connection with its financing as described in Note 5 with a fair value of $69,108
- Included in accounts payable and accrued liabilities as at September 30, 2014 are share issue costs of $245,399.

There were no significant non-cash transactions affecting cash flows from investing, and financing activities during the nine month period ended September 30, 2013.

8. SEGMENTED INFORMATION

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

Geographical information is as follows:

		As at September 30, 2014		As at December 31, 2013
Equipment				
United States	$	119,351	$	126,821
Canada		2,625		895
	$	121,976	$	127,716

9. FINANCIAL INSTRUMENTS

The fair value of the Company's receivables, accounts payable and accrued liabilities, and due to related parties approximate carrying value which is the amount recorded on the consolidated statement of financial position due to their short term maturity or ability of prompt liquidation. Cash and cash equivalents and funds held in trust, under the fair value hierarchy are based on level one quoted prices in active markets for identical assets and liabilities.

As at September 30, 2014, the Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

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

The Company's cash and cash equivalents are held at large North American financial institutions some of which are interest bearing accounts. The Company has no investments in asset-backed commercial paper.

The Company's receivables consist mainly of input tax credits receivable due from the Government of Canada, and as a result the Company doesn't believe it is subject to significant credit risk.

Liquidity Risk

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

The Company manages liquidity risk through its capital management as outlined in Note 10. As at September 30, 2014, the Company has cash and cash equivalents balance of $12,565,028 to settle current liabilities of $1,227,253. The Company believes it has sufficient cash and cash equivalents and funds held in trust to settle current liabilities and to support further advancement of the Gunnison Project and working capital requirements in the next 12 months.

Market Risk

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

(a) Interest Rate Risk

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

Interest rate risk on cash and cash equivalents is minimal because these investments generally have a fixed yield rate. As of September 30, 2014, the Company did not have any interest bearing debt.

(b) Price risk

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

9. FINANCIAL INSTRUMENTS (Cont'd…)

(c) Currency risk

Currency exchange risk is the risk that the future cash flows of financial instruments will fluctuate as a result of changes in foreign exchange rates. The majority of the Company's operations are conducted in U.S. dollars; the Company's recent financing and any future equity raised is expected to be predominantly in Canadian dollars. Consequently, the Company is impacted by changes in the exchange rate between the Canadian and United States dollars. As of September 30, 2014 a 10% change in the Canadian dollar versus the U.S. dollar exchange rate would affect net loss by $888,855.

10. CAPITAL DISCLOSURES

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 period.

11. COMMITMENTS AND CONTINGENCIES

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

Fiscal Year End		Office Lease Payments
2014	$	23,948
2015		15,965
Total	**$**	**39,913**

No contingent liabilities have been accrued as of September 30, 2014, nor are any known disputes pending against the Company that could significantly impact the Company's condensed consolidated interim financial statements.

12. SUBSEQUENT EVENTS

The following reportable events occurred subsequent to the period ended September 30, 2014:

- On October 8, 2014 funds held in trust from the closing of the first tranche of the Greenstone financing (See Note 5) were released to the Company upon TSX-V approval.

- On October 20, 2014 the Company granted 500,000 stock options at $0.26 per share.

- On October 20, 2014, the Company completed the second tranche of the US$10,000,000 equity financing and strategic partnership with Greenstone. In conjunction with this closing, Greenstone purchased 11,889,507 common shares of the Company for gross proceeds of US$3,606,658. Greenstone now holds 32.4 million common shares or approximately 28.2% of the Company's issued and outstanding common shares. The common shares issued in this second closing are subject to a four month hold period expiring on February 21, 2015