



**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2015

(Unaudited)

(Expressed in US Dollars)

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

	September 30, 2015	December 31, 2014
		(Note 2)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,751,313	\$ 10,006,114
Prepaid expenses	88,797	77,945
Deposit (Note 3)	100,000	-
Receivables	44,844	80,284
	<u>1,984,954</u>	<u>10,164,343</u>
Equipment	122,625	125,935
Exploration and evaluation assets (Note 3)	296,799	296,799
Reclamation bonds (Note 3)	-	125,000
	<u>\$ 2,404,378</u>	<u>\$ 10,712,077</u>
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 731,339	\$ 1,868,061
Amounts due to related parties (Note 5)	82,033	211,595
	<u>813,372</u>	<u>2,079,656</u>
Equity		
Capital stock (Note 4)	26,954,827	26,768,226
Other equity reserves (Note 4)	5,231,719	5,200,317
Deficit	(29,766,544)	(22,507,126)
Accumulated other comprehensive loss	(828,996)	(828,996)
	<u>1,591,006</u>	<u>8,632,421</u>
	<u>\$ 2,404,378</u>	<u>\$ 10,712,077</u>

Nature of operations and liquidity risk (Note 1)
Commitments (Note 8)
Subsequent events (Note 9)

Approved on November 25, 2015 behalf of the Board of Directors:

"Colin Kinley" Director
Colin Kinley

"Jay Sujir" Director
Jay Sujir

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

EXCELSIOR MINING CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited)
(Expressed in US Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Consulting fees	\$ -	\$ 7,534	\$ -	\$ 7,534
Depreciation	8,163	8,099	29,590	28,399
Directors and officers fees (Note 5)	206,529	183,244	625,099	519,737
Exploration and evaluation (Note 3)	785,211	981,570	4,906,955	1,431,902
Finance income	(1,201)	(66)	(16,111)	(3,314)
Foreign exchange loss (gain)	18,528	(188,736)	142,920	(164,471)
Gain on sale of royalty (Note 3)	-	(2,754,000)	-	(2,754,000)
Investor relations	56,907	94,009	322,383	279,695
Office and administration	115,723	124,860	365,875	383,098
Professional fees	202,339	72,794	637,927	163,716
Regulatory fees	34,117	41,619	131,060	96,613
Share-based compensation (Note 4)	15,826	580,856	113,720	687,677
Income (loss) for the period	\$ (1,442,142)	\$ 848,217	\$ (7,259,418)	\$ (676,586)
Cumulative translation adjustment	-	(363,786)	-	(392,503)
Comprehensive Income (loss) for the period	\$ (1,442,142)	\$ 484,431	\$ (7,259,418)	\$ (1,069,089)
Earnings (loss) per common share:				
Basic and diluted	\$ (0.01)	\$ 0.01	\$ (0.06)	\$ (0.01)
Weighted average number of common shares outstanding:				
Basic and diluted	115,301,714	87,599,079	114,970,731	70,840,260

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

EXCELSIOR MINING CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30,
(Unaudited)
(Expressed in US Dollars)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (7,259,418)	\$ (676,586)
Items not affecting cash:		
Depreciation	29,590	28,399
Gain on sale of royalty	-	(2,754,000)
Share-based compensation	113,720	687,677
Unrealized loss on foreign exchange	142,920	-
Non-cash working capital item changes:		
Receivables	35,440	(29,325)
Amounts due to related parties	(129,562)	401,853
Prepaid expenses	(10,852)	(191,896)
Accounts payable and accrued liabilities	(840,517)	124,505
Net cash used in operating activities	(7,918,679)	(2,409,373)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of exploration and evaluation assets	(246,205)	-
Deposit	(100,000)	-
Purchase of equipment	(26,280)	(17,462)
Refund of reclamation bonds, net of purchases	75,000	-
Royalty option payment received	-	2,754,000
Net cash provided by (used in) investing activities	(297,485)	2,736,538
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from stock option exercises	104,283	54,709
Issuance of common shares, net of costs	-	9,678,078
Net cash provided by financing activities	104,283	9,732,787
Net change in cash and cash equivalents	(8,111,881)	10,059,952
Effect of foreign exchange on cash and cash equivalents	(142,920)	(392,187)
Cash and cash equivalents, beginning of the period	10,006,114	1,542,753
Cash and cash equivalents, end of the period	\$ 1,751,313	\$ 11,210,518
Cash and cash equivalents consist of:		
Cash	\$ 451,316	\$ 2,769,816
Funds held in trust	-	6,388,636
Liquid short term investments	1,299,997	2,052,066
	\$ 1,751,313	\$ 11,210,518
Cash received for interest	\$ 14,666	\$ 3,336

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

EXCELSIOR MINING CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2015 AND 2014

(Unaudited)

(Expressed in US Dollars)

	Capital Stock									
	Number of Common Shares				Other Equity Reserves (Note 4)		Deficit		Accumulated Other Comprehensive Income (Loss)	Total
	Voting	Non-Voting	Amount							
Balance, December 31, 2013 (Note 2)	59,124,179	7,007,876	\$ 13,991,753	\$	4,307,371	\$	(16,879,106)	\$	9,551	\$ 1,429,569
Non-voting share conversion	7,007,876	(7,007,876)	-		-		-		-	-
Stock option exercises	200,000	-	65,233		(10,524)		-		-	54,709
Public offering	36,580,000	-	10,140,142		-		-		-	10,140,142
Share issue costs – agent warrants	-	-	(64,733)		64,733		-		-	-
Share issue costs – cash	-	-	(462,065)		(218,945)		-		-	(681,010)
Share-based compensation	-	-	-		687,677		-		-	687,677
Loss for the period	-	-	-		-		(676,586)		-	(676,586)
Translation adjustment	-	-	-		-		-		(392,503)	(392,503)
Balance, September 30, 2014	102,912,055	-	\$ 23,670,330	\$	4,830,312	\$	(17,555,692)	\$	(382,952)	\$ 10,562,998
Balance, December 31, 2014 (Note 2)	114,801,562	-	\$ 26,768,226	\$	5,200,317	\$	(22,507,126)	\$	(828,996)	\$ 8,632,421
Stock option exercises	521,000	-	186,601		(82,318)		-		-	104,283
Share-based compensation	-	-	-		113,720		-		-	113,720
Loss for the period	-	-	-		-		(7,259,418)		-	(7,259,418)
Balance, September 30, 2015	115,322,562	-	\$ 26,954,827	\$	5,231,719	\$	(29,766,544)	\$	(828,996)	\$ 1,591,006

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

EXCELSIOR MINING CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Unaudited)
(Expressed in US Dollars)

1. NATURE OF OPERATIONS AND LIQUIDITY RISK

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

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, 2015, the Company had working capital of \$1,171,582 (December 31, 2014 - \$8,084,687) and an accumulated deficit of \$29,766,544 (December 31, 2014 - \$22,507,126). The Company intends to continue financing its future requirements through a combination of equity, debt and/or other arrangements. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms.

Currently, the Company has sufficient funds to meet its estimated annual corporate costs. However, the Company does not currently have sufficient funds to complete all the engineering work associated with the completion of the feasibility study or all of the permitting work associated with the filing and receipt of all permits. As at September 30, 2015, the Company did not have any pre-arranged sources of financing except for certain remaining royalty options (refer to the Callinan Agreement further described in Note 3). The royalty options are options only and there is no certainty that they will be exercised. In addition, even if they are exercised, the Company will require additional financing to complete the feasibility study and to perform the work necessary in order to receive final permits. Should the Company not receive any proceeds from the exercising of the royalty options or be unsuccessful in raising additional funds, then certain discretionary expenditures may be deferred and measures to reduce operating costs will be taken in order to preserve working capital. On October 8, 2015, the Company announced that it had entered into a definitive Asset Purchase Agreement through a wholly-owned subsidiary to acquire all of the assets of Nord Resources Corporation as they relate to the Johnson Camp Copper Mine. The Company also announced that it had entered into a binding term sheet for a concurrent financing of \$12 million and that it intends to conduct a non-brokered private placement of common shares for gross proceeds of up to an additional \$3 million (Please refer to Note 9 regarding the proposed acquisition and financings).

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

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as applicable to interim financial reports including International Accounting Standard 34, *Interim Financial Reporting*. Therefore, these condensed consolidated interim financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2014, which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board (“IASB”) and included in Part 1 of the Handbook of the Chartered Professional Accountants of Canada.

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

Foreign Currency Translation

Functional Currency

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

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

Change in Presentation Currency

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

Transactions and Balances

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

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

Critical Judgments

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

3. EXPLORATION AND EVALUATION ASSETS AND EXPENSES

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

Gunnison Project

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

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

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

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

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

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

- Purchased 6,250,000 common shares of the Company at a price of CAD\$0.16 per common share for aggregate consideration of CAD\$1,000,000 (cash received and common shares issued on July 31, 2013); and
- Concurrently paid CAD\$2,000,000 to the Company in exchange for 0.5% GRR (the "Initial GRR").

Callinan had the right to require the Company to repurchase all or part of the Initial GRR for CAD\$2,000,000 pro-rated for the portion of the Initial GRR purchased by the Company and payable in common shares of the Company priced at CAD\$0.25 per common share. This right expired on the exercise of the first royalty option under the Callinan Agreement, discussed further below.

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

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

EXCELSIOR MINING CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Unaudited)
(Expressed in US Dollars)

3. 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 CAD\$3,000,000 each, for a total of CAD\$6,000,000. As at September 30, 2015, the Company had achieved the milestone related to the completion of hydrology and metallurgy models to a feasibility study level, however, Callinan did not subsequently exercise its option to acquire the additional 0.5% GRR (Please refer to Note 9).

Construction Option

The construction option gives Callinan the right to buy a 1% GRR for CAD\$10,000,000 following completion of the feasibility study, receipt of all required permits and the Company securing a firm commitment for 50% of the required capital required for mine construction. One half (0.50%) of the construction option has vested and an additional quarter (0.25%) of the construction option will vest with each CAD\$3,000,000 paid by Callinan to the Company pursuant to the exercise of any of the two remaining royalty options leading up to the construction option.

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

As of September 30, 2015, Callinan had acquired a 1% GRR on the Gunnison Project and held the remaining options to acquire up to an additional 2.0% GRR based on the remaining development milestones (1.0% GRR) and construction milestone (1.0% GRR). With Callinan subsequently declining to exercise the 0.5% GRR relating to the completion of the hydrology and metallurgy models to a feasibility study level, the remaining options have been reduced to 0.5% GRR for the remaining development milestone and 0.75% GRR for the construction milestone (Please refer to Note 9).

Exploration and Evaluation Assets	Gunnison Property	
Balance at December 31, 2013	\$	-
Addition to acquisition costs		296,799
Balance at December 31, 2014 and September 30, 2015	\$	296,799

Exploration and Evaluation Expenses	For the Nine Month Periods Ended September 30,	
	2015	2014
Feasibility study	\$ 2,542,877	\$ 820,858
Pre-feasibility study	-	450,332
Sustainability	2,364,078	160,712
Total	\$ 4,906,955	\$ 1,431,902

Reclamation Bonds

As at September 30, 2015, the Company had no outstanding reclamation bonds for the Gunnison property (December 31, 2014 – \$125,000) registered with the Bureau of Land Management in Arizona and with the Arizona State Land Department.

EXCELSIOR MINING CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Unaudited)
(Expressed in US Dollars)

3. EXPLORATION AND EVALUATION ASSETS AND EXPENSES (cont'd...)

Johnson Camp Mine

On August 31, 2015, the Company entered into a letter of intent to acquire all of the assets of Nord Resources Corporation ("Nord") as they relate to the Johnson Camp Mine (the "Johnson Camp Mine LOI"). The Johnson Camp Mine is located immediately adjacent to the Company's Gunnison Copper Project.

The balance of deposit as of September 30, 2015 in the amount of \$100,000 (December 31, 2014 - \$Nil) relates to an exclusivity deposit paid by the Company pursuant to the Johnson Camp Mine LOI. The deposit is non-refundable to the Company and shall be applied to the final purchase price.

Subsequent to the nine month period ended September 30, 2015, the Company entered into a definitive asset purchase agreement to acquire all of the assets of Nord (Please refer to Note 9).

4. CAPITAL STOCK AND OTHER EQUITY RESERVES

Share Issuances

The following common shares were issued during the nine month period ended September 30, 2015:

- On July 3, 2015, the Company issued 450,000 common shares in connection with the exercising of stock options with an exercise price of CAD\$0.25 for proceeds of \$89,494. These options had a carrying value of \$71,057 which was reclassified from other equity reserves to capital stock.
- On July 8, 2015, the Company issued 71,000 common shares in connection with the exercising of stock options with an exercise price of CAD\$0.265 for proceeds of \$14,789. These options had a carrying value of \$11,261 which was reclassified from other equity reserves to capital stock.

Warrants

The following is a summary of warrant activity for the nine month period ended September 30, 2015 and the year ended December 31, 2014:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2013	1,844,166	CAD\$0.50
Expired	(1,844,166)	CAD\$0.50
Issued	8,960,000	CAD\$0.45
Outstanding, December 31, 2014 and September 30, 2015	8,960,000	CAD\$0.45

As at September 30, 2015, the Company had the following warrants outstanding:

Outstanding	Exercise Price	Remaining life (years)	Expiry Date
8,960,000	CAD\$0.45	0.74	June 27, 2016

During the nine month period ended September 30, 2015, the Company did not issue any warrants.

EXCELSIOR MINING CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Unaudited)
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4. CAPITAL STOCK AND OTHER EQUITY RESERVES (cont'd...)

Stock Options

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

The following is a summary of stock option activity for the nine month period ended September 30, 2015 and the year ended December 31, 2014:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2013	10,656,000	\$0.22
Exercised	(200,000)	\$0.22
Forfeited	(335,000)	\$0.22
Issued	1,650,000	\$0.19
Outstanding, December 31, 2014	11,771,000	\$0.21
Exercised	(521,000)	\$0.19
Forfeited	(464,000)	\$0.20
Issued	200,000	\$0.22
Outstanding, September 30, 2015	10,986,000	\$0.23
Exercisable, September 30, 2015	10,223,500	\$0.23

As at September 30, 2015, the following stock options were outstanding and exercisable:

Outstanding	Exercisable	Exercise Price	Remaining life (years)	Expiry Date
200,000	-	CAD \$0.30	4.89	August 19, 2020
250,000	62,500	CAD \$0.25	4.17	December 1, 2019
500,000	125,000	CAD \$0.26	4.06	October 20, 2019
2,800,000	2,800,000	\$0.25	3.25	December 31, 2018
58,667	58,667	CAD\$0.30	3.25	December 31, 2018
2,886,000	2,886,000	CAD\$0.30	3.25	December 31, 2018
2,550,000	2,550,000	CAD \$0.30	1.97	September 18, 2017
1,241,333	1,241,333	CAD \$0.30	1.38	February 15, 2017
100,000	100,000	CAD \$0.30	0.93	September 6, 2016
100,000	100,000	CAD \$0.30	0.84	August 2, 2016
100,000	100,000	CAD \$0.30	0.57	April 25, 2016
200,000	200,000	CAD \$0.30	0.34	February 1, 2016
10,986,000	10,223,500			

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Unaudited)
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4. 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 nine month period ended September 30, 2015, the Company recognized share-based compensation of \$113,720 (September 30, 2014 - \$687,677).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the nine month periods ended September 30, 2015 and 2014:

	September 30, 2015	September 30, 2014
Risk-free interest rate	0.44%	1.61%
Expected life of options	3.5 years	5 years
Annualized volatility	133.3%	86%
Dividend rate	0%	0%

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

5. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying condensed consolidated interim 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 Executive Vice Presidents.

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

	Nine Month Periods Ended September 30,	
	2015	2014
Share-based compensation	\$ 40,687	\$ 664,346
Short-term benefits*	623,412	488,065
	\$ 664,099	\$ 1,152,411

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

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Unaudited)
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5. RELATED PARTY TRANSACTIONS (cont'd...)

Other Related Parties

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

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

	Nine Month Periods Ended September 30,	
	2015	2014
King & Bay	\$ 496,819	\$ 390,472

As at September 30, 2015, amounts accrued and due to related parties include the following:

- King & Bay - \$48,700 (December 31, 2014 - \$173,090)
- Michael Haworth, a director of the Company - \$Nil (December 31, 2014 - \$5,172)
- SCT Holdings Management LLC, a company controlled by the CEO - \$33,333 (December 31, 2014 - \$33,333)

6. 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		As at	
	September 30, 2015		December 31, 2014	
Equipment				
United States	\$	109,338	\$	118,508
Canada		13,287		7,427
	\$	122,625	\$	125,935
Reclamation Bonds				
United States	\$	-	\$	125,000
Exploration and evaluation assets				
United States	\$	296,799	\$	296,799

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7. FINANCIAL INSTRUMENTS

As at September 30, 2015, the Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

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

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

Liquidity Risk

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

As at September 30, 2015, the Company has cash and cash equivalents balance of \$1,751,313 to settle current liabilities of \$813,372. The Company believes it has sufficient cash and cash equivalents to settle current liabilities and to support further advancement of the Gunnison Project and working capital requirements for the next 12 months. See also Notes 1 and 9.

Market Risk

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

(a) Interest Rate Risk

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

Interest rate risk on cash and cash equivalents is minimal because these investments generally have a fixed yield rate. As of September 30, 2015, the Company did not have any interest bearing debt.

(b) Price risk

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

(c) Currency risk

Currency exchange risk is the risk that the future cash flows of financial instruments will fluctuate as a result of changes in foreign exchange rates. The majority of the Company's operations are conducted in U.S. dollars; the Company's recent financing was in U.S. dollars but any future equity raised may be in either U.S. dollars or Canadian dollars. As of September 30, 2015, less than 10% of cash and cash equivalents are held in Canadian dollar bank accounts. A 10% change in the Canadian dollar versus the U.S. dollar exchange rate would affect the loss of the Company by approximately \$4,000.

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8. COMMITMENTS

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

Fiscal Year End	Office Lease Payments
2015	\$ 21,404
2016	87,304
2017	89,557
2018	22,530
Total	\$ 220,795

9. SUBSEQUENT EVENTS

The following reportable events occurred subsequent to the nine month period ended September 30, 2015:

- On October 8, 2015, the Company entered into a definitive Asset Purchase Agreement (the “Purchase Agreement”) to acquire all of the assets of Nord Resources Corporation (“Nord”), as they relate to the Johnson Camp Copper Mine (the “Johnson Camp Transaction”) (Note 3). Under the terms of the Purchase Agreement, the Company has agreed to acquire, through the court-appointed receiver (the “Receiver”), the Johnson Camp Mine including all fee title property, all patented and unpatented mining claims, all improvements, equipment, certificates of deposit, reports and records. Subject to satisfying the closing conditions described further below, all assets will be transferred to the Company free and clear of all liens, and all back-taxes are to be paid by the Receiver from the proceeds of sale. The Company has agreed to acquire Nord’s Johnson Camp assets for total consideration of \$8.4 million under the following terms:
 - \$5.2 million due on or prior to closing;
 - \$1 million due on or before December 31, 2016; and
 - \$2.2 million due on or before December 31, 2017.

The closing of the Johnson Camp Transaction is subject to several conditions including the receipt of a final and non-appealable order from the Superior Court of Arizona (received), receipt of all consents required for the transaction, all non-permitted liens on the assets being discharged (subject to court approval) and the receipt of all regulatory approvals, including the approval of the TSX Venture Exchange.

Pursuant to the Purchase Agreement, the Company paid an additional deposit of \$300,000. The deposit is non-refundable and half shall be applied to the final purchase price.

The Company also entered into a subscription agreement for a concurrent financing of \$12 million with an affiliate of Greenstone Resources L.P. (“Greenstone”). The financing consists of a private placement of common shares (the “Private Placement”) for gross proceeds of \$4 million and the sale of 2% gross revenue royalty on the Gunnison Project (the “Royalty Financing”) for gross proceeds of \$8 million. \$2.5 million of the \$4.0 million Private Placement and the entire \$8 million Royalty Financing are conditional upon the closing of the Johnson Camp Transaction. Pursuant to the Private Placement, Greenstone will purchase 23,081,362 common shares of the Company at a price of CAD\$0.23 per common share. Settlement will occur in United States dollars for total gross proceeds of \$4 million. The exchange rate was determined using the average of the noon CAD\$/US\$ exchange rate of CAD\$1.00 being equal to US\$0.7533, as reported by the Bank of Canada for the 10 days prior to the execution of the term sheet. Greenstone has agreed that it will not, for a period of one year, dispose of the common shares it acquires pursuant to the Private Placement. Each of the Private Placement and Royalty Financing constitutes a related party transaction and required shareholder approval, which was obtained on November 17, 2015.

9. SUBSEQUENT EVENTS (cont'd...)

Concurrent with the Private Placement and Royalty Financing, the Company will conduct a non-brokered private placement of common shares at a price of CAD\$0.23 per common share, for gross proceeds of up to \$3 million (the "Additional Private Placement"). The Additional Private Placement will also be settled in United States dollars using the Exchange Rate for the purposes of conversion. As a result, up to 17,311,022 common shares will be issued in the Additional Private Placement.

The Private Placement, Royalty Financing and Additional Private Placement are subject to a number of conditions, including, without limitation, receipt of all regulatory approvals, including the approval of the TSX Venture Exchange and applicable securities regulatory authorities.

- The Company was notified by Callinan that it was not exercising its option to acquire the 0.5% GRR relating to the completion of hydrology and metallurgy models to a feasibility study level as stipulated in the Callinan Agreement.
- On October 27, 2015, 50,000 stock options were cancelled with an exercise price of CAD\$0.30.