CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(Expressed in US Dollars)

April 21, 2017

Independent Auditor's Report

To the Shareholders of Excelsior Mining Corp.

We have audited the accompanying consolidated financial statements of Excelsior Mining Corp., which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015 and the consolidated statements of loss and comprehensive loss, cash flows, and changes in equity for the years then ended, and the related notes, which comprise significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Excelsior Mining Corp. as at December 31, 2016 and December 31, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) “PricewaterhouseCoopers LLP”

Chartered Professional Accountants

EXCELSIOR MINING CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31
(Expressed in US Dollars)

	Note		2016		2015
ASSETS					
Current assets					
Cash and cash equivalents		**$**	**11,622,701**	$	6,306,680
Prepaid expenses			**84,867**		113,355
Receivables			**75,940**		767,105
			11,783,508		7,187,140
Property, plant and equipment	**3**		**13,124,045**		12,256,073
Long term deposits	**5**		**222,790**		222,790
		$	**25,130,343**	$	19,666,003
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable and accrued liabilities		**$**	**610,130**	$	850,196
Amounts due to related parties	**8**		**42,900**		108,795
Deferred consideration	**3**		**2,200,000**		1,000,000
			2,853,030		1,958,991
Long term deferred consideration	**3**		**-**		2,200,000
Asset retirement obligation	**6**		**4,300,834**		3,299,052
			7,153,864		7,458,043
Equity					
Capital stock	**7**		**40,889,361**		30,924,103
Other equity reserves	**7**		**5,337,733**		5,244,344
Deficit			**(27,421,619)**		(23,131,491)
Accumulated other comprehensive loss			**(828,996)**		(828,996)
			17,976,479		12,207,960
		$	**25,130,343**	$	19,666,003

Commitments	**13**
Subsequent Events	**14**

Approved on April 21, 2017 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 consolidated financial statements.

EXCELSIOR MINING CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in US Dollars)

	Note		2016		2015
Plant and equipment holding and maintenance cost		**$**	**3,288,352**	$	87,471
Exploration and evaluation	**4**		**2,647,835**		5,558,761
Office and administration			**816,159**		542,996
Director and officers fees	**8**		**767,663**		828,749
Professional fees			**298,977**		352,222
Investor relations			**324,304**		375,997
Regulatory fees			**101,656**		172,528
Depreciation			**98,159**		46,061
Share-based compensation	**7**		**94,137**		126,345
Gain on sale of royalty	**4**		**(3,976,531)**		(7,703,201)
Loss before other items		**$**	**(4,460,711)**	$	(387,929)
Other items					
Financing (costs)/income			**(265,703)**		(113,333)
Foreign exchange (loss)/gain			**(3,298)**		(145,611)
Gain on disposal of assets			**302,003**		-
Other (expenses)/income			**137,581**		22,508
Loss and comprehensive loss for the year		**$**	**(4,290,128)**		(624,365)
Loss per common share:					
Basic and diluted		**$**	**(0.03)**	$	(0.01)
Weighted average number of common shares outstanding:					
Basic and diluted			**141,472,091**		116,470,535

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

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

		2016		2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the year	**$**	**(4,290,128)**	$	(624,365)
Items not affecting cash:				
Gain on sale of royalty		**(3,976,531)**		(7,703,201)
Depreciation		**98,159**		46,061
Financing Costs		**82,828**		-
Share-based compensation		**94,137**		126,345
Unrealized loss (gain) on foreign exchange		**3,298**		145,611
Loss on asset disposal		**5,251**		-
Non-cash working capital item changes:				
Receivables		**691,165**		(345)
Amounts due to related parties		**(65,895)**		(102,800)
Prepaid expenses		**28,488**		(35,410)
Accounts payable and accrued liabilities		**(240,066)**		(1,056,752)
Net cash used in operating activities		**(7,569,294)**		(9,204,856)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of exploration and evaluation assets		**-**		(246,205)
Purchase of equipment		**(52,428)**		(57,528)
Deposit		**-**		(147,790)
Royalty option payment received		**4,000,000**		8,000,000
Royalty issuance costs		**(23,469)**		-
Johnson Camp Mine acquisition		**(1,000,000)**		(5,966,537)
Net cash provided by investing activities		**2,924,103**		1,581,940
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of common shares		**10,000,000**		4,000,000
Share issuance costs		**(58,673)**		(30,724)
Proceeds from stock option exercises		**23,184**		104,283
Interest payment		**-**		(4,466)
Net cash provided by financing activities		**9,964,511**		4,069,093
Net change in cash and cash equivalents		**5,319,319**		(3,553,823)
Effect of foreign exchange on cash and cash equivalents		**(3,298)**		(145,611)
Cash and cash equivalents, beginning of the year		**6,306,680**		10,006,114
Cash and cash equivalents, end of the year	**$**	**11,622,701**	$	6,306,680
Cash and cash equivalents consist of:				
Cash	**$**	**11,622,701**	$	6,306,680
Interest paid		**96,000**		-

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

EXCELSIOR MINING CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in US Dollars)

	Capital Stock											
	Number of Common Shares											
	Voting	**Non-Voting**		**Amount**		**Other Equity Reserves (Note 4)**		**Deficit**		**Accumulated Other Comprehensive Income (Loss)**		**Total**
Balance, December 31, 2014	**114,801,562**	**-**	**$**	**26,768,226**	**$**	**5,200,317**	**$**	**(22,507,126)**	**$**	**(828,996)**	**$**	**8,632,421**
Stock option exercises	521,000	-		186,601		(82,318)		-		-		104,283
Private Placement	23,081,362	-		4,000,000		-						4,000,000
Share Issue cost - cash				(30,724)								(30,724)
Share-based compensation	-	-				126,345						126,345
Loss for the year	-	-		-		-		(624,365)		-		(624,365)
Balance, December 31, 2015	**138,403,924**	**-**	**$**	**30,924,103**	**$**	**5,244,344**	**$**	**(23,131,491)**	**$**	**(828,996)**	**$**	**12,207,960**
Balance, December 31, 2015	**138,403,924**	**-**	**$**	**30,924,103**	**$**	**5,244,344**	**$**	**(23,131,491)**	**$**	**(828,996)**	**$**	**12,207,960**
Stock option exercises	100,000	-		23,932		(748)		-		-		23,184
Private Placement	28,860,028	-		10,000,000				-		-		10,000,000
Share Issue cost - cash	-	-		(58,674)				-		-		(58,674)
Share-based compensation	-	-		-		94,137		-		-		94,137
Loss for the year	-	-		-		-		(4,290,128)		-		(4,290,128)
Balance, December 31, 2016	**167,363,952**	**-**	**$**	**40,889,361**	**$**	**5,337,733**	**$**	**(27,421,619)**	**$**	**(828,996)**	**$**	**17,976,479**

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

1. NATURE OF OPERATIONS

Excelsior Mining Corp. (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on June 9, 2005 and was classified as a Tier 1 issuer on the TSX Venture Exchange. On February 2, 2017, the Company commenced trading on the Toronto Stock Exchange and de-listed from the TSX Venture Exchange and continues to trade under the symbol "MIN". The address of the Company's registered office is #1240 - 1140 West Pender Street, Vancouver, BC, Canada V6E 4G1.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at December 31, 2016, the Company had a working capital balance of $8,930,478. Working capital includes a $2,200,000 reduction for the scheduled deferred purchase payment of $2,200,000 relating to the Johnson Camp Mine which is due by December 31, 2017.

The Company is currently proceeding with all feasibility study and permitting activities relating to the Gunnison Project as scheduled and continues to fund the care and maintenance and holding costs of the Johnson Camp Mine. On November 23, 2016 the Company closed the private placement and royalty financing discussed in note 4 of these financial statements and received gross proceeds of $14.0 million. With this funding the Company has sufficient funds to meet all of the estimated corporate costs, costs associated with advancement of the Gunnison Project through the completion of the feasibility study and permitting and Johnson Camp Mine care and maintenance expenditures for at least the next twelve months.

The Company has been successful in obtaining significant equity and royalty financings over the last few years and intends to continue financing its future requirements through a combination of equity, debt and/or other arrangements. However, there is no assurance that the Company will be able to obtain such financings in the future or obtain them on favorable terms.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

a. Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

b. Basis of Measurement

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

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

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

c. Principles of Consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries. A subsidiary is an entity over which the Company has control. The Company controls an entity when the Company is exposed to, or has the rights to, variable returns from the Company's involvement with the entity and has the ability to affect those returns through the Company's power over the entity.

The results of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date the control ceases. All intercompany transactions and balances have been eliminated.

Details of Company's subsidiaries are as follows:

Name	Place of Incorporation	Interest %	Principal activity
Excelsior Mining Arizona, Inc. ("Excelsior Arizona")	Arizona, United States	100%	Exploration and evaluation of mineral property interests
Excelsior Mining JCM, Inc. ("Excelsior JCM")	Arizona, United States	100%	Owner of copper production facilities

d. Critical Accounting Estimates and Judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, shareholders' equity, and the disclosure of contingent assets and liabilities, as at the date of the financial statements, and expenses for the periods reported.

Critical Judgments

The preparation of the consolidated financial statements requires management to make judgments regarding the going concern status of the Company and whether going concern disclosure is necessary.

Key Sources of Estimation Uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant.

Significant estimates made by management affecting the consolidated financial statements include:

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 and Property, Plant and Equipment

The Company is in the process of exploring and evaluating its exploration and evaluation assets. The recoverability of the amounts shown for property, plant and equipment 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 (cont'd…)

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

Asset Retirement Obligation

The Company's provision for reclamation and closure cost obligations represent management's best estimate of the present value of the future cash outflows required to settle the liability. The provision reflects estimates of future costs directly attributable to remediating the liability, inflation, assumptions of risks associated with the future cash outflows, and the applicable risk-free interest rates for discounting future cash outflows. Changes in the factors above can result in a change to the provision recognized by the Company. To the extent the carrying value of the related mining property is not increased above its recoverable amount, changes to reclamation and closure cost obligations are recorded with a corresponding change to the carrying amount of related mining properties.

e. Cash and cash equivalents

The Company considers all highly liquid short-term investments with an initial maturity of three months or less to be cash and cash equivalents.

f. Financial Instruments

All financial instruments are initially recognized at fair value on the statement of financial position. The Company has classified each financial instrument into one of the following categories: (1) financial assets or liabilities at fair value through profit or loss ("FVTPL"), (2) loans and receivables, (3) financial assets available-for-sale, and (4) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in the statement of operations. Financial assets "available-for-sale" are subsequently measured at fair value with changes in fair value recognized in other comprehensive income (loss), net of tax.

"Loans and receivables", and "other financial liabilities" are subsequently measured at amortized cost using the effective interest rate method.

The Company's financial assets and liabilities are recorded and measured as follows:

Asset or Liability	Category	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Receivables	Loans and receivables	Amortized cost
Long term deposits	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Amounts accrued and due to related parties	Other liabilities	Amortized cost
Deferred considerations	Other liabilities	Amortized cost

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

g. Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. The equipment below is depreciated over its useful lives using the following annual rates and methods:

Computer and office equipment	30%	Declining balance
Computer software	45%	Declining balance
Exploration equipment	20%	Declining balance
Furniture	20%	Declining balance

Equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the statement of operations and comprehensive loss. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

h. Exploration and Evaluation Assets

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

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

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

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

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

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

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

i. Income Taxes

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.

Income tax on profit or loss for the year comprises current and deferred tax. Current tax is the expected tax paid or payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax paid or payable in respect of previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the year that includes the date of enactment or substantive enactment of change. Deferred tax assets and liabilities are presented separately except where there is a right of set-off within fiscal jurisdictions.

j. Foreign Currency Translation

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

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

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.

k. Loss Per Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding for the year.

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

l. Share-Based Payment Transactions

The Company grants stock options to buy common shares of the Company to directors, officers, employees, and service providers. The Company recognizes share-based compensation expense based on the estimated fair value of the options. A fair value measurement for each grant is determined using the Black-Scholes option-pricing model. The fair value of the options is recognized over the vesting period of the options granted as share-based compensation expense. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent years. The other equity reserve account is subsequently reduced if the options are exercised and the amount initially recorded is then credited to capital stock.

When equity instruments are issued to non-employees, the entity instrument is measured at the fair value of the service received, unless this cannot be specifically identified, in which case they are measured at the fair value of the share-based payment.

The Company recognizes the fair value of all warrants issued, recording the amount as an expense in the period, an addition to a related asset, or a cost of issue of shares, as appropriate. Warrants are measured at the time of issue using the Black-Scholes option-pricing model to determine their fair value. Warrants that are equity instruments are not remeasured subsequent to grant unless the terms and conditions of the warrants are substantially amended.

m. Impairment of Long-lived Assets

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

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amounts that would have been determined, net of depreciation, if no impairment loss had been recognized.

n. Asset Retirement Obligations ("ARO")

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

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

o. New Accounting Pronouncements

The Company has not adopted or applied any new or recently issued accounting pronouncements during the preparation of the consolidated financial statements for the year ended December 31, 2016. The Company continues to evaluate the impacts of the recently issued, but not yet effective, accounting pronouncements discussed below:

IFRS 9, Financial Instruments (2014)

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

- Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a "fair value through other comprehensive income" category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- Impairment. The 2014 version of IFRS 9 introduces an "expected credit loss" model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.

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

IFRS 15, Revenue from Contracts with Customers

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

IFRS 16, Leases

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

(Expressed in US Dollars)

3. PROPERTY, PLANT AND EQUIPMENT

Details are as follows:

		Plant	Asset Retirement Costs	Land	Vehicles & Mobile Equipment	Computer, Software & Other Equipment	Total
Cost							
At January 1, 2015	$	-	-	-	-	288,491	288,491
Additions		-	-	-	-	57,528	57,528
JCM Acquisition		11,898,931	-	93,798	125,943	-	12,118,672
At December 31, 2015		11,898,931	-	93,798	125,943	346,019	12,464,691
Accumulated Depreciation							
At January 1, 2015	$	-	-	-	-	(162,557)	(162,557)
Depreciation		-	-	-	-	(46,061)	(46,061)
At December 31, 2015		-	-	-	-	(208,618)	(208,618)
Net carrying amount	**$**	**11,898,931**	**-**	**93,798**	**125,943**	**137,401**	**12,256,073**
Cost							
At January 1, 2016	$	11,898,931	-	93,798	125,943	346,019	12,464,691
Additions		42,461	-	-	-	9,967	52,428
ARO Change in Estimate		-	918,954	-	-	-	918,954
Disposals		-	-	-	(10,503)	-	(10,503)
At December 31, 2016		11,941,392	918,954	93,798	115,440	355,986	13,425,570
Accumulated Depreciation							
At January 1, 2016	$	-	-	-	-	(208,618)	(208,618)
Depreciation		-	-	-	(62,972)	(35,187)	(98,159)
Disposals		-	-	-	5,252	-	5,252
At December 31, 2016		-	-	-	(57,720)	(243,805)	(301,525)
Net carrying amount	**$**	**11,941,392**	**918,954**	**93,798**	**57,720**	**112,181**	**13,124,045**

Johnson Camp Mine ("JCM")

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

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

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

(Expressed in US Dollars)

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

As at December 31, 2015, the Company had made the Initial Payment as well as other payments to the Receiver pursuant to the payment terms set forth in the Purchase Agreement. As at December 31, 2016, the company had made the First Instalment Payment. The Final Instalment remains outstanding and is evidenced in the form of a secured interest bearing promissory note (the "JCM Note"). The JCM Note bears interest at 3% per annum, with interest on the unpaid principal balance payable quarterly on January 1, April 1, July 1 and September 1 of each year until the instalments have been paid in full.

The Company determined the fair value of its short term and long term deferred consideration using the effective interest rate method and applying a 3% discount rate.

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

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

4. EXPLORATION AND EVALUATION ASSETS AND EXPENSES

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

Option Agreements

The Company, through its wholly owned subsidiary, Excelsior Arizona, entered into a series of option agreements to purchase the Gunnison Project, located in Cochise County, Arizona. Under the amended and restated option agreement, Excelsior Arizona acquired 100% of the Gunnison Project by making payments totaling $350,000 between December 2012 and December 2014.

A further related payment of $246,205 to certain land holders of the Gunnison Project was paid in February 2015.

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

Share Purchase and Royalty Agreement

On July 19, 2013, the Company entered into a Share Purchase and Royalty Option Agreement (the "Callinan Agreement") with Callinan Royalties Corporation ("Callinan"), now a wholly-owned subsidiary of Altius Minerals Corporation. 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.

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

- Purchased 6,250,000 common shares of the Company at a price of CAD$0.16 per common share for aggregate consideration of CAD$1,000,000 (cash received and common shares issued on July 31, 2013); and

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

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

Development Milestones

1% of the additional GRR was staged and based upon the Company meeting specific development milestones leading up to the construction of a mining facility, including completion of hydrology and metallurgy models to a feasibility study level, and successful administrative review of the key permits (Aquifer Protection Permit and the Underground Injection Control and Aquifer Exemption Permit). Upon the completion of each milestone, Callinan had the option to purchase an additional 0.5% GRR for CAD$3,000,000 each, for a total of CAD$6,000,000. By the second quarter of 2016, the Company had achieved both development milestones, however Callinan did not exercise its option to acquire the associated additional GRR. As a result, there are no royalty options associated with the development milestones that are remaining.

Construction Option

The construction option gives Callinan the right to buy up to a 1% GRR for CAD$10,000,000 following completion of the feasibility study, receipt of all required permits and the Company securing a firm commitment for 50% of the required capital required for mine construction. One half (0.5%) of the construction option has vested, while one half (0.5%) of the construction option can no longer vest as a result of Callinan not exercising its options to acquire additional GRR based on the two aforementioned development milestones. Therefore, the construction option has been reduced to 0.5% GRR for CAD$5,000,000. The exercise price of the construction option may be adjusted if the final design capacity of the plant is lower than 80 million pounds of copper per year.

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

Greenstone Financing

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

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

On September 29, 2016 the company entered into a subscription agreement for a financing, with an affiliate of Greenstone, for total gross proceeds of $14.0 million. The financing consisted of a private placement of common shares (the "Private Placement") at CDN$0.45 per share for gross proceeds of $10.0 million and the sale of a 1% gross revenue royalty on the Gunnison Copper Project (the "Royalty Financing") for gross proceeds of $4.0 million. Settlement occurred in United States dollars and the exact number, 28,860,028, of common shares issued was determined based on a CDN$/US$ exchange rate of CDN$1.00 being equal to $0.77.

The Private Placement and Royalty Financing closed on November 23, 2016 and the Company received gross proceeds of $14.0 million from Greenstone.

As a result of the Private Placement and Royalty Financing the company recorded an increase to Capital Stock of $9,941,326 and a gain on the sale of royalty for $3,976,531.

Exploration and Evaluation Assets		**2016**		**2015**
Gunnison Property				
Beginning balance	**$**	**-**	**$**	**296,799**
Adjustment due to sale of royalty		-		(296,799)
Ending balance	**$**	**-**	**$**	**-**

Exploration and Evaluation Expenses		**2016**		**2015**
Feasibility study	$	1,189,074	$	2,455,142
Pre-feasibility study		287,432		402,420
Sustainability		1,171,329		2,701,199
Total	**$**	**2,647,835**	**$**	**5,558,761**

5. LONG TERM DEPOSITS

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

(Expressed in US Dollars)

6. ASSET RETIREMENT OBLIGATION

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

Phase one involves reclamation activities expected to take place on or about the year 2028. The estimated undiscounted phase one reclamation obligation is $2,352,000. A risk-free discount rate of 2.45% and an inflation rate of 2.07% have been used to calculate the estimated obligation at December 31,2016.

Phase two involves reclamation and closure activities to occur over a five year period commencing on or about the year 2045. The estimated undiscounted phase two reclamation obligation is $2,731,848. A risk-free discount rate of 3.06% and an inflation rate of 2.07% have been used to calculate the estimated obligation at December 31,2016.

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

		As at December 31, 2016		As at December 31, 2015
Opening balance	**$**	**3,299,052**	**$**	**-**
Change in estimate		918,954		-
Accretion expense		82,828		-
Additions		-		3,299,052
Ending balance	**$**	**4,300,834**	**$**	**3,299,052**

7. CAPITAL STOCK AND OTHER EQUITY RESERVES

Common Shares

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

The following common shares were issued during the twelve month period ended December 31, 2016:

- On May 13, 2016, the Company issued 100,000 common shares in connection with the exercising of stock options with an exercise price of CAD$0.30 for proceeds of CAD$30,000. These options had a carrying value of $748 which was reclassified from other equity reserves to capital stock.

- On November 23, 2016, the Company closed a Private Placement of equity financing with Greenstone. Greenstone purchased 28,860,028 common shares of the Company, for gross proceeds of $10,000,000.

Warrants

The following is a summary of warrant activity for the years ended December 31, 2016 and December 31, 2015:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2014 and 2015	**8,960,000**	**CAD$0.45**
Expired	(8,960,000)	CAD$0.45
Outstanding, December 31, 2016	**-**	**-**

(Expressed in US Dollars)

7. CAPITAL STOCK AND OTHER EQUITY RESERVES (Cont'd…)

As at December 31, 2016, the Company had no outstanding warrants.

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 year ended December 31, 2016 and December 31, 2015:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2014	**11,771,000**	**$0.21**
Exercised	(521,000)	$0.18
Forfeited	(514,000)	$0.19
Granted	4,800,000	$0.17
Outstanding, December 31, 2015	**15,536,000**	**$0.21**
Exercised	(100,000)	$0.22
Forfeited	(250,000)	$0.22
Granted	690,000	$0.36
Outstanding, December 31, 2016	**15,876,000**	**$0.22**
Exercisable, December 31, 2016	**10,586,000**	**$0.22**

(Expressed in US Dollars)

7. CAPITAL STOCK AND OTHER EQUITY RESERVES (Cont'd…)

Stock Options (cont'd…)

As at December 31, 2016, the following stock options were outstanding and exercisable:

Outstanding	Exercisable	Exercise Price	Remaining life (years)	Expiry Date
58,667	58,667	CAD $0.30	2.50	December 31, 2018
2,800,000	2,800,000	US $0.25	2.50	December 31, 2018
2,636,000	2,636,000	CAD $0.30	2.50	December 31, 2018
200,000	200,000	CAD $0.30	2.50	December 31, 2018
100,000	100,000	CAD $0.30	2.50	December 31, 2018
100,000	100,000	CAD $0.30	2.50	December 31, 2018
1,241,333	1,241,333	CAD $0.30	2.50	December 31, 2018
2,500,000	2,500,000	CAD $0.30	2.50	December 31, 2018
500,000	500,000	CAD $0.26	3.31	October 20, 2019
250,000	250,000	CAD $0.25	3.42	December 01, 2019
200,000	100,000	CAD $0.30	4.14	August 19, 2020
4,500,000	-	CAD $0.23	4.47	December 16, 2020
100,000	50,000	CAD $0.23	4.47	December 16, 2020
200,000	50,000	CAD $0.36	4.83	April 27, 2021
140,000	-	CAD $0.42	4.76	October 3, 2021
150,000	-	CAD $0.52	4.89	November 10, 2021
200,000	-	CAD $0.63	5.06	December 9, 2021
15,876,000	10,586,000			

Share-based Compensation

The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares, forfeiture rate, and expected life of the options. During the year ended December 31, 2016, the Company recognized share-based compensation of $94,137 (December 31, 2015 - $126,345).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the year ended December 31, 2016 and December 31, 2015:

	December 31, 2016	December 31, 2015
Risk-free interest rate	0.85%	0.64%
Expected life of options	4.6 years	3.5 years
Annualized volatility	120.9 %	132.1%
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.

(Expressed in US Dollars)

8. 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 Chief Executive Officer, Chief Financial Officer, and Executive Vice Presidents.

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

	Years Ended December 31, 2016	2015
Share-based compensation	$ 35,038	$ 70,731
Short-term benefits*	789,429	827,709
	$ 824,467	**$ 898,440**

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

Other Related Parties

King & Bay West Management Corp, ("King & Bay") is an entity owned by Mark Morabito, the Chairman of the Company, which employs or retains certain officers and personnel of the Company. King & Bay provides administrative, management, regulatory, accounting, tax, legal, corporate development and corporate communications services to the Company. These services are provided to the Company on an as-needed basis and are billed based on the cost or value of the services provided to the Company. The amount set out in the table below represents amounts paid to King & Bay for the services of King & Bay personnel and for overhead and third party costs incurred by King & Bay on behalf of the Company. The fees for such services were made on terms equivalent to those that King & Bay charges to arm's length parties.

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

	Years Ended December 31, 2016	2015
King & Bay	$ 437,846	$ 628,760

As at December 31, 2016, amounts accrued and due to related parties include the following:

- King & Bay - $26,907 (December 31, 2015 - $53,166)
- Roland Goodgame, Executive Vice President - $10,782 (December 31, 2015 - $9,488)
- SCT Holdings Management LLC, a company controlled by the CEO - $5,211 (December 31, 2015 - $46,141)

(Expressed in US Dollars)

9. SEGMENTED INFORMATION

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

Geographical information is as follows:

		As at December 31, 2016		As at December 31, 2015
Property, Plant and Equipment				
United States	$	13,112,229	$	12,243,830
Canada		11,816		12,243
	$	13,124,045	$	12,256,073

10. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and evaluation of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

In the management of capital, the Company considers components of equity.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to
acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

11. FINANCIAL INSTRUMENTS

The Company classifies the fair value of financial instruments according to the following hierarchy based on the reliability of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

11. FINANCIAL INSTRUMENTS (Cont'd…)

The carrying value of all the Company's financial instruments approximates their fair value.

As at December 31, 2016, 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's receivables consist mainly of input tax credits receivable from the Government of Canada.

Liquidity Risk

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

As at December 31, 2016, the Company has cash and cash equivalents balance of $11,622,701 to settle current liabilities of $2,853,030.

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.

The JCM Note has a fixed interest rate of 3% per annum and therefore the Company is not subject to any related interest rate risk.

(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.

(Expressed in US Dollars)

12. INCOME TAXES

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

		December 31, 2016		December 31, 2015
Loss for the year	$	(4,290,128)	$	(624,365)
Combined federal and state income tax rates		38.58%		38.90%
Income tax recovery based on the above rate	$	(1,654,917)	$	(242,878)
Increase due to:				
Difference in long term state tax rate		16,517		4,433
Non-deductible costs		2,871		4,401
Income tax benefits not recognized		1,635,530		234,044
Income tax expense (recovery)	$	-	$	-

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

		December 31, 2016		December 31, 2015
Non-capital losses	$	4,425,537	$	3,320,740
Capital Assets		(1,618,541)		(1,296,351)
Exploration and evaluation assets		3,821,048		4,144,639
Asset retirement obligation		1,642,273		1,259,743
Other		359,823		320,770
Net deferred tax assets	$	8,630,140	$	7,749,541

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

		December 31, 2016		December 31, 2015	Expiry Date
Non-capital losses	$	11,589,727	$	8,696,452	2031 to 2036
Capital Assets		(4,238,684)		(3,394,922)	Unlimited
Exploration and evaluation assets		10,006,672		10,854,101	2037 to Unlimited
Asset retirement obligation		4,300,834		3,299,052	Unlimited
Other		942,316		840,043	Unlimited
Net deferred tax assets	$	22,600,865	$	20,294,726	

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

13. COMMITMENTS

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

Fiscal Year End		Office Lease Payments
2017	$	89,557
2018		22,530
Total	**$**	**112,087**

14. SUBSEQUENT EVENTS

The following reportable events occurred subsequent to the year ended December 31, 2016:

A. On January 16, 2017, 140,000 stock options were cancelled with an exercise price of CAD$0.42.

B. On January 31, 2017, 200,000 stock options were granted with an exercise price of CAD$0.77.

C. On February 14, 2017, 100,000 stock options were exercised for total proceeds of CAD$30,000.