



**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

**FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2023**

(Unaudited)

(Expressed in thousands of United States Dollars)

EXCELSIOR MINING CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited - Expressed in thousands of United States dollars)

As at

	<u>Note</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>
ASSETS			
Current Assets			
Cash and cash equivalents		\$ 2,923	\$ 5,604
Marketable Securities	3	28	22
Receivables		669	86
Prepaid expenses		992	476
Inventory	4	<u>1,246</u>	<u>1,741</u>
		5,858	7,929
LT Receivables	3	-	62
Property, plant and equipment	5	107,532	107,459
Restricted cash	6	<u>3,311</u>	<u>3,311</u>
Total Assets		<u>\$ 116,701</u>	<u>\$ 118,761</u>
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	7	\$ 1,295	\$ 1,258
Amounts due to related parties	15	118	124
Lease liabilities		96	97
Insurance liabilities	8	785	181
Restricted share units		313	146
Derivative liabilities	9	260	391
Debt	11	<u>2,000</u>	<u>15,405</u>
		4,867	17,602
Lease liabilities		254	302
Debentures	12	2,570	-
Debt	11	13,435	-
Derivative liabilities	9	101,067	100,911
Asset retirement obligation	10	<u>8,549</u>	<u>8,245</u>
Total liabilities		130,742	127,060
Equity			
Capital Stock	13	108,495	108,045
Other equity reserves	13	13,217	12,453
Deficit		(134,924)	(127,968)
Accumulated other comprehensive loss		<u>(829)</u>	<u>(829)</u>
Total Equity		<u>(14,041)</u>	<u>(8,299)</u>
Total Liabilities and equity		<u>\$ 116,701</u>	<u>\$ 118,761</u>

See note 1 - Nature of Operations and Going Concern

Approved on August 10, 2023 on behalf of the Board of Directors:

/signed/

Steven Axcell

Chair of the Audit Committee

/signed/

Fred DuVal

Director

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

EXCELSIOR MINING CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF (INCOME) LOSS AND COMPREHENSIVE (INCOME) LOSS

(Unaudited - Expressed in thousands of United States dollars)

	Note	Three months ended		Six months ended	
		2023	2022	2023	2022
Revenue					
Revenue		\$ (829)	\$ (1,365)	\$ (1,925)	\$ (2,585)
Cost of sales	14	2,147	3,090	4,704	6,953
Loss from mine operations		\$ 1,318	\$ 1,725	\$ 2,779	\$ 4,368
Operating Expenses					
Evaluation and permitting		\$ 34	\$ 1,002	\$ 149	\$ 2,096
Office and administration		155	149	307	304
Professional fees		208	200	368	336
Directors and officers fees		365	531	889	1,067
Investor relations		67	33	159	128
Share-based compensation	13	208	155	307	321
Regulatory fees		30	19	55	51
Depreciation		49	50	97	74
Total Operating Expenses		\$ 1,116	\$ 2,139	\$ 2,331	\$ 4,377
Other Items					
Loss (gain) on derivative at fair value	9	(21,496)	(48,531)	13	(63,177)
Financing expense		893	184	1,715	330
Interest income		(29)	(3)	(48)	(3)
Unrealized loss (gain) on foreign exchange		(3)	1	(9)	(2)
Loss on debt modification		-	-	426	-
Other (income) loss		(117)	(123)	(251)	(246)
Total Other Items		\$ (20,752)	\$ (48,472)	\$ 1,846	\$ (63,098)
(Income) loss and comprehensive (income) loss for the period		\$ (18,318)	\$ (44,608)	\$ 6,956	\$ (54,353)
(Earnings) loss per common share:					
Basic and Diluted		\$ (0.07)	\$ (0.16)	\$ 0.03	\$ (0.20)
Weighted average number of common shares outstanding:					
Basic and Diluted	13	277,204,365	274,835,944	276,707,127	274,835,944

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

EXCELSIOR MINING CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in thousands of United States dollars)

		Six months ended June 30,	
	Note	2023	2022
CASH FLOWS RELATED TO OPERATING ACTIVITIES			
(Loss) income for the period		\$ (6,956)	\$ 54,353
Items not affecting cash:			
Loss (gain) on derivative at fair value	9	13	(63,177)
Depreciation		145	161
Accretion of asset retirement obligation		86	277
Share-based compensation	13	319	339
Financing expense		219	26
Nebari Extension Bonus	11	450	-
Gain on Marketable Securities		(6)	-
Unrealized loss (gain) on foreign exchange		(9)	(2)
Non-cash working capital item changes:			
Receivables		(510)	134
Prepaid expenses		(516)	118
Inventory		495	2
Accounts payable and accrued liabilities		(11)	(201)
Amounts due to related parties		(6)	1
Insurance liabilities	8	604	102
Net cash used by operating activities		(5,683)	(7,867)
CASH FLOWS RELATED TO INVESTING ACTIVITIES			
Gunnison project construction		-	8
Mineral properties		-	(1,082)
Net cash used by investing activities		-	(1,074)
CASH FLOWS RELATED TO FINANCING ACTIVITIES			
Proceeds from debentures (less issue costs)	12	2,993	-
Net cash (used) provided by financing activities		2,993	-
Net change in cash and cash equivalents		(2,690)	(8,941)
Effect of foreign exchange on cash and cash equivalents		9	2
Cash and cash equivalents, beginning of year		5,604	20,854
Cash and cash equivalents, end of period		\$ 2,923	\$ 11,915
Cash and cash equivalents consist of:			
Cash			
Supplemental cash flow disclosures:			
Interest paid		1,371	1,100

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 SIX-MONTH PERIOD ENDED JUNE 30, 2023 AND 2022
(Unaudited - Expressed in thousands of United States dollars)

	<u>Capital Stock</u>		<u>Other Equity Reserves</u>	<u>Deficit</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total</u>
	<u>Number of Common shares</u>	<u>Amount</u>				
Balance, December 31, 2021	274,835,944	\$ 108,045	\$ 12,195	\$ (162,847)	\$ (829)	\$ (43,436)
Share-based compensation	-	-	175	-	-	175
Income for the period	-	-	-	54,353	-	54,353
Balance, June 30, 2022	<u>274,835,944</u>	<u>\$ 108,045</u>	<u>\$ 12,370</u>	<u>\$ (108,494)</u>	<u>\$ (829)</u>	<u>\$ 11,092</u>
Balance, December 31, 2022	274,835,944	\$ 108,045	\$ 12,453	\$ (127,968)	\$ (829)	\$ (8,299)
Stock issuance (see note 13)	2,368,421	450	-	-	-	450
Debentures	-	-	612	-	-	612
Share-based compensation	-	-	152	-	-	152
Loss for the period	-	-	-	(6,956)	-	(6,956)
Balance, June 30, 2023	<u>277,204,365</u>	<u>\$ 108,495</u>	<u>\$ 13,217</u>	<u>\$ (134,924)</u>	<u>\$ (829)</u>	<u>\$ (14,041)</u>

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
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023
(Unaudited - Expressed in thousands of United States dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Excelsior Mining Corp. (“Excelsior” or the “Company”) was incorporated under the laws of the Province of British Columbia, Canada on June 9, 2005 and trades on the Toronto Stock Exchange under the symbol “MIN”. The address of the Company’s registered office is Suite 2400, 1055 West Georgia Street, Vancouver, BC, Canada V6E 3P3.

The Company is developing the Gunnison Project in Southeastern Arizona and has engaged in an economic assessment for the restart of mining from the existing Johnson Camp Mine (JCM) pits which includes the future construction of a new heap leach pad to generate cash flow to continue to support the ramp up to production of the Gunnison project. The Company is moving ahead with the work to advance this strategy.

The condensed consolidated interim financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

During the six months ended June 30, 2023 the Company incurred a net loss of \$7.0 million that included a non-cash loss on derivatives of \$13.2 thousand and used cash for operating activities of \$5.7 million. As at June 30, 2023 the Company had working capital of \$1.0 million, including a cash balance of \$2.9 million.

In support of the Company’s plan for JCM sulfide leaching and Gunnison wellfield stimulation trials, on January 30, 2023 the Company and its lender, Nebari Natural Resources Credit Fund I LLP (“Nebari”), executed an amendment to the loan agreement which extends the due date of the \$15 million loan advanced by Nebari to March 31, 2025; however, on January 31, 2024, the Company must start paying back the principal on the first \$5.0 million tranche at \$0.3 million /month. The amendment also lowers the required \$5.0 million minimum cash balance for the Company to a \$2.5 million minimum cash balance.

The Company’s cash flow projections indicate that the minimum balance requirement is likely to be breached within the next 12 months unless additional financing is obtained. The amendment to the loan agreement allows a 60 day cure period in the event of a breach of this condition.

Pursuant to the Copper Purchase and Sale Agreement with Triple Flag (the “Stream Agreement”), the Company is required to maintain a leverage ratio of 3.5:1. The leverage ratio is calculated as the ratio of indebtedness of the Company to net income (adjusted for certain items). On February 22, 2023 the Company and Triple Flag executed an amendment to the Stream Agreement which suspends the applicability of the leverage ratio until March 31, 2025 (the “Leverage Ratio Grace Period”) to accommodate the extension of the Nebari loan.

During the period ended June 30, 2023, the Company executed agreements for \$3.0 million of unsecured convertible debentures (see Note 12).

Although the Company has taken steps to extend the maturity of the Nebari loan and to eliminate or mitigate the risk of certain covenant breaches, unless the Company raises financing it will breach the \$2.5 million minimum cash covenant under the Nebari loan. As a result, there remain conditions that represent a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

The Company has been successful in obtaining significant equity and other financings since inception and intends to continue financing its future requirements through future mining of the existing JCM pits and through a combination of equity, debt or other arrangements. However, there can be no assurance that the Company will be able to obtain the necessary financing. The condensed consolidated interim financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and liquidate its liabilities and commitments in other than the normal course of business. These adjustments could be material.

EXCELSIOR MINING CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023
(Unaudited - Expressed in thousands of United States dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. 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, 2022.

The accounting policies applied in the preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2022, except as noted below.

All dollar figures are expressed in thousands of United States dollars unless otherwise indicated. Canadian dollars are expressed as “CAD\$”.

b. Recent accounting pronouncements

The Company adopted the IASB published amendments to IAS 1 - Presentation of Financial Statements - Classification of debt with covenants as current or non-current at January 1, 2023. As part of its amendments, the IASB has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least 12-months after the reporting period. The amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognized as either equity or a liability separately from the liability component under IAS 32 - Financial Instruments Presentation.

Generally, if a liability has any conversion options that involve a transfer of the company’s own equity instruments, these would affect its classification as current or non-current. The IASB has now clarified that when classifying liabilities as current or non-current, a company can ignore only those conversion options that are recognized as equity. The Company has concluded that the adoption of the amendments had no significant impact on its interim condensed consolidated financial statements.

The Company adopted the IASB published amendments to IAS 12 - Income Taxes at January 1, 2023. The amendments require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The proposed amendments typically apply to transactions such as leases for the lessee and decommissioning and restoration obligations related to assets in operation. On May 23, 2023, the IASB issued International Tax Reform-Pillar Two Model Rules - Amendments to IAS 12. The Amendments introduce:

- A mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity’s exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The Company has applied the mandatory exception and concluded that the adoption of the amendments had no significant impact on its interim condensed consolidated financial statements.

c. Significant estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and judgments. These estimates, judgments 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. A summary of the Company’s critical estimates and judgments is provided in

EXCELSIOR MINING CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023
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Note 2, Basis of Presentation, of the audited consolidated financial statements for the year ended December 31, 2022 and 2021.

3. MARKETABLE SECURITIES

On August 24, 2022, the Company entered into a Purchase and Sale Agreement with Intrepid Metals Corp. and Intrepid Metals (USA) Corp. (“Purchasers”) for the sale of an exploration property and its related property data, located in Cochise County south of the Gunnison and JCM sites. The exploration property was non-core and not contiguous to Gunnison or JCM. The property had a nil carrying value and the gain on the sale was recorded in other (income) loss. In consideration for the sale the Purchasers will pay an aggregate of \$70 and issue 750,000 Purchaser shares as follows:

- Pay \$30 in cash and issue 250,000 Purchaser shares at the closing date, (received).
- Issue 250,000 Purchaser shares on or prior to the date that is 12-months from the Closing Date.
- Issue 250,000 Purchaser shares on or prior to the date that is 18-months from the Closing Date.
- Pay \$40 in cash on or prior to the date that is 18-months from the Closing Date.

4. INVENTORY

The Company records inventory at the lower of cost and net realizable value (NRV). The average COMEX price for Grade A copper cathode for the reporting month is used to determine the NRV of copper cathode in inventory. The copper cathode held as finished goods at month end is shipped and sold the following month. At the end of June 2023, the Company recorded a write-down of \$431 (2022- \$1,113) to adjust the copper inventory value to NRV.

The summary for inventory for the six months ended June 30, 2023 and the year ended December 31, 2022 are summarized below.

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Materials & Supplies	\$ 1,020	\$ 1,073
Copper in Solution	163	372
Finished goods	63	296
Inventory	\$ 1,246	\$ 1,741

The amount of inventories recognized in cost of sales during the second quarter of 2023 were \$431 (2022-\$659).

EXCELSIOR MINING CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023
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5. PROPERTY, PLANT AND EQUIPMENT

	Land & Mineral Properties	Plant	Vehicles & Mobile Equipment	Office Equipment & Capitalized Leases	Construction in Progress	Total
Cost						
At January 1, 2022	30,440	12,242	584	1,009	81,477	125,752
Additions	1,187	-	-	-	(8)	1,179
Change in Asset Retirement Obligation Estimate	(17,318)	-	-	-	-	(17,318)
At December 31, 2022	<u>14,309</u>	<u>12,242</u>	<u>584</u>	<u>1,009</u>	<u>81,469</u>	<u>109,613</u>
Accumulated Depreciation						
At January 1, 2022	(824)	(80)	(399)	(530)	-	(1,833)
Depreciation	-	(124)	(82)	(115)	-	(321)
At December 31, 2022	<u>(824)</u>	<u>(204)</u>	<u>(481)</u>	<u>(645)</u>	<u>-</u>	<u>(2,154)</u>
Net carrying amount	<u>13,485</u>	<u>12,038</u>	<u>103</u>	<u>364</u>	<u>81,469</u>	<u>107,459</u>
Cost						
At January 1, 2023	14,309	12,242	584	1,009	81,469	109,613
Change in Asset Retirement Obligation Estimate	218	-	-	-	-	218
At June 30, 2023	<u>14,527</u>	<u>12,242</u>	<u>584</u>	<u>1,009</u>	<u>81,469</u>	<u>109,831</u>
Accumulated Depreciation						
At January 1, 2023	(824)	(204)	(481)	(645)	-	(2,154)
Depreciation	-	(51)	(41)	(53)	-	(145)
At June 30, 2023	<u>(824)</u>	<u>(255)</u>	<u>(522)</u>	<u>(698)</u>	<u>-</u>	<u>(2,299)</u>
Net carrying amount	<u>13,703</u>	<u>11,987</u>	<u>62</u>	<u>311</u>	<u>81,469</u>	<u>107,532</u>

EXCELSIOR MINING CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023
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6. RESTRICTED CASH

As of June 30, 2023, the Company has restricted cash deposits of \$3,311 (June 30, 2022 - \$3,311) as collateral to secure the issuance of bonds.

Restricted cash of \$3,082 deposited in 2018 included \$444 for a reclamation bond as part of the Mined Land Reclamation Plan for the JCM and \$2,638 for the Class III Underground Injection Control Area Permit, required by the United States Environmental Protection Agency. In addition, \$222 was deposited prior to 2018 as collateral to secure the issuance of surety bonds.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Trade payables	\$ 545	\$ 446
Accrued liabilities	563	602
Employee-related accruals	187	210
	<u>\$ 1,295</u>	<u>1,258</u>

Trade payables include the Company’s obligations to suppliers of goods or services acquired on trade credit for goods received or services provided that have been invoiced but not yet paid. Accrued liabilities and employee-related accruals include estimated amounts for goods or services received but not yet invoiced by the supplier, as well as obligations that increase throughout the year and are settled at points in time, such as property taxes and employee bonuses.

8. INSURANCE FINANCING

In June of 2022, the Company entered into a Commercial Premium Finance Agreement to finance \$483 to pay for insurance premiums. The agreement bears interest at a rate of 5.5% per annum, payable monthly with a term of eleven months. As of June 30, 2023, the Company had paid the full amount of the agreement (\$483).

In January of 2023, the Company entered into two Commercial Premium Finance Agreements (“Agreements”) to finance \$341 and CAD\$231 to pay for insurance premiums. The Agreements bear interest at a rate of 8.25% and 11.64%, respectively per annum, payable monthly with a term of eleven and eight months, respectively. As of June 30, 2023, the Company had paid \$183 and CAD\$171, respectively, of the principal.

9. DERIVATIVE LIABILITIES

On October 30, 2018 the Company entered into an agreement for a \$75,000 project financing package (collectively, the “Financing”) with Triple Flag Mining Finance Bermuda Ltd. (“Triple Flag”) for the purposes of developing the Gunnison Project. The closing of the Financing occurred on November 30, 2018. The Company determined that the stream obligation is a derivative liability, and as such, the stream obligation is recorded at fair value through profit or loss (“FVTPL”) at each statement of financial position date.

The fair value of the stream obligation was valued using a Monte Carlo simulation model. The significant assumptions developed by management used in the Monte Carlo simulation model include: the copper forward price curve, the long-term copper price volatility of 24.04% (December 31, 2022 – 25.85%), a discount rate which factors in the Company’s credit spread of 7.96% (December 31, 2022 – 8.55%), the life of mine production schedule and expectations including expansion plans and characterization of the stream for tax purposes.

The Monte Carlo simulation model was prepared by an independent valuation specialist and the life of mine production schedule and expectations including expansion plans are based on the information compiled by qualified persons.

On November 30, 2018, pursuant to the Project Financing, the Company issued 3.5 million share purchase warrants at an exercise price of CAD\$1.50 per share and exercisable into 3.5 million common shares of the Company until

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November 30, 2023. Effective January 11, 2022 the exercise price was adjusted to CAD\$0.54 per share. The Company determined that the share purchase warrants are derivative liabilities.

On February 22, 2021 the Company issued an additional 33.35 million share purchase warrants as part of a bought deal Unit offering. The Units consisted of 1 (one) share of the Company’s common stock and 1 (one) share purchase warrant. The warrants have been accounted for as derivative liabilities as they are denominated in a currency other than the functional currency of the Company. The warrants have expired August 22, 2022.

Share purchase warrants – Triple Flag

As of June 30, 2023, the Company recorded the fair value of the share purchase warrants issued based on a Black-Scholes-Merton option-pricing model with the following assumptions:

- Underlying Share Price – CAD\$ 0.27 (December 31, 2022 – CAD\$ 0.16)
- Maturity Date – November 30, 2023
- Strike Price – CAD\$ 0.54
- Volatility – 72.52% (December 31, 2022 – 69.9%)
- USD/CAD Exchange Rate - \$0.7552 (December 31, 2022 - \$0.7378)

The following is a summary of the Triple Flag derivative activity through the six months ended June 30, 2023:

	<u>Stream</u>	<u>Warrants</u>	<u>Total</u>
Fair value at December 31, 2021	\$ 150,908	\$ 450	\$ 151,358
Loss (gain) during the year	(49,614)	(442)	(50,056)
Fair value at December 31, 2022	\$ 101,294	\$ 8	\$ 101,302
Loss (gain) during the period	17	8	25
Fair value at June 30, 2023	\$ 101,311	\$ 16	\$ 101,327

Also included in the derivatives activity is the gain on revaluation of shares receivable \$12 (2022-\$nil).

10. ASSET RETIREMENT OBLIGATION

The Company’s asset retirement obligation (“ARO”) represents management’s best estimate of the present value of costs that are expected to be incurred for mine closure and reclamation and rehabilitation costs for the JCM and the Gunnison Project. Based on the current projected mine life of the Gunnison Project, these costs and activities are not expected to begin until approximately 30 years after the start of operation on the Gunnison Project. During the second quarter of 2023, the Company reviewed the closure requirements under existing permits and the assumptions used in the present value calculation and adjusted the obligation to \$8,549 as of June 30, 2023. The update resulted in a net increase of \$304, which includes accretion for the six-months ended June 30, 2023 of \$86 and a change due to rates of \$218.

As of June 30, 2023, the estimated undiscounted JCM reclamation obligation is \$12,119 (2022 - \$12,119) and the estimated undiscounted Gunnison Project reclamation obligation is \$2,903 (2022 - \$2,903). In addition to the undiscounted cost estimates, the primary assumptions that affect the present value calculation are the inflation rate and the discount rate. For the update prepared as of June 30, 2023, the Company used an inflation rate of 2.0% (2022 – 2.0%) and a discount rate of 3.85% (2022 – 3.97%) in calculating the present value of the obligation. The current inflation rate used is based on target inflation rates set by the Federal Reserve. The discount rate is based on the 30-year treasury bond index.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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Changes in the ARO for the six months ended June 30, 2023 and the year ended December 31, 2022 are summarized below.

Asset Retirement Obligation	June 30, 2023	December 31, 2022
Balance, beginning of period	\$ 8,245	\$ 24,960
Change in estimate	218	(17,318)
Accretion expense	86	603
Balance, end of period	\$ 8,549	\$ 8,245

11. DEBT

On October 31, 2019, the Company entered into an agreement with Nebari Natural Resources Credit Fund I LP (“Nebari”) for a \$15,000 credit facility (the "Credit Facility"). The Credit Facility was fully drawn by May 31, 2020.

On December 22, 2021, the Company entered into an Amended and Restated Credit Agreement (“ARCA”) with Nebari to extend the maturity of the Credit Facility to September 29, 2023. The interest rate charged on the outstanding balance continues at 14.2%. The ARCA includes an upward interest rate supplement that is calculated as the excess of the 3 month LIBOR rate over 1.5% and is determined on the first day of each month through January 30, 2023. The amendment includes a repayment bonus to Nebari of 3% (\$450) of the amount drawn on the credit facility which is payable at maturity. The amendment to the loan agreement required the Company to maintain a \$5.0 million minimum cash balance allowing a 60 day cure period in the event of a breach of this condition.

In support of the Company’s plan for JCM sulfide leaching and Gunnison wellfield stimulation trials, on January 30, 2023 the Company and Nebari executed a second amendment to the loan agreement which extended the due date of the \$15.0 million loan advanced by Nebari to March 31, 2025 and lowers the required \$5.0 million minimum cash balance for the Company to a \$2.5 million minimum cash balance; however, starting January 31, 2024, the Company must start paying back the principal on the first \$5.0 million tranche at \$0.3 million/month. The interest rate is 14.2% plus a supplement based on the amount (if any) by which (i) the sum of the forward-looking secured overnight financing rate (administered by CME Group Benchmark Administration Limited or a successor administrator) for a tenor of 3 months plus 0.26161% exceeds (ii) 1.5%. The rate supplement cannot be negative. In addition to the repayment bonus on the first amendment, the second amendment required an upfront \$450 extension bonus that was paid to Nebari with common shares of the Company. The transaction has been accounted for as a modification of the existing credit facility agreement and the carrying value of the liability was adjusted to the present value of the cash flows under the amended agreement. The loss on modification of \$426 was expensed in the period.

12. DEBENTURES

On February 9, 2023 the Company closed a Debenture Offering and issued \$3.0 million principal amount of Debentures. The terms of the Debentures include:

- a maturity date of three years from the date of closing (the “Maturity Date”), with the principal amount, together with any accrued and unpaid interest, payable on the Maturity Date, unless earlier converted in accordance with the terms;
- the Debentures bear interest (the “Interest”) at the rate of 10% per annum, which Interest will be payable on April 1, 2025 and on the Maturity Date, unless earlier converted into common shares of the Company (“Common Shares”);
- the principal amount of the Debenture is convertible into Common Shares at the option of the holder at a conversion price of USD\$0.19 per Common Share;
- the accrued and unpaid interest is convertible into Common Shares at a conversion price equal to the volume weighted average price of the Common Shares on the Toronto Stock Exchange for the five trading days prior to the date of conversion at the option of the holder; and
- the Debentures are unsecured.

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The offering has been accounted for as a compound financial instrument with a debt host and equity conversion feature. On initial recognition, the fair value of the liability component was determined to be \$2.4 million with an effective interest rate of 17.2%, and the equity component was measured as the residual amount of \$0.6 million.

13. CAPITAL STOCK AND OTHER EQUITY RESERVES

Common Shares

On February 22, 2021, the Company closed a “bought deal” public offering of units of the Company (the “Units”) with Scotiabank and PI Financial Corp. as joint bookrunners and underwriters. The Company issued a total of 33,350,000 Units consisting of one common share and one common share purchase warrant at a price of CAD\$0.95 (US\$0.75) per Unit for gross proceeds of CAD\$31,683 (US\$24,959).

On February 7, 2023, the Company issued 2,368,421 shares at USD\$0.19 to nominees of Nebari to fulfill the Second Amendment to the Amended and Restated Credit Agreement with Nebari Natural Resources Credit Fund I LP.

The authorized share capital of the Company consists of an unlimited number of common shares with no par value and an unlimited number of non-voting common shares with no par value. As of June 30, 2023, there were 277,204,365 common shares outstanding and nil non-voting common shares outstanding.

The common share purchase warrants expired in August 2022.

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. The Plan reserves for issuance, along with the Company’s other Security-Based Compensation Plans a maximum of 10% of the issued and outstanding Common Shares at the time of a grant of options.

Options granted under the Plan have a maximum term of ten years. The exercise price of the options is determined by the Board of Directors and is not less than the closing price of the common shares on the last trading day prior to the date the options are granted. The vesting terms are at the Board of Directors’ discretion.

The Plan is an evergreen plan which provides that if any option has been exercised, then the number of common shares into which such option was exercised shall become available to be issued upon the exercise of options subsequently granted under the Plan. The Plan will operate in conjunction with the Restricted Share Unit Plan (the “RSU Plan”) and the Performance Share Unit Plan (the “PSU Plan”). The Stock Option Plan, RSU Plan and PSU Plan are collectively referred to as the “Security-Based Compensation Plans”.

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The following is a summary of stock option activity for the year ended December 31, 2022 and the six months ended June 30, 2023:

	Number of Options	Weighted Average Exercise Price (CAD\$)
Outstanding, December 31, 2021	17,647,234	\$ 0.82
Granted	900,000	\$ 0.27
Expired	(537,234)	\$ 1.05
Forfeited	(512,500)	\$ 0.97
Outstanding, December 31, 2022	17,497,500	\$ 0.78
Granted	7,215,000	\$ 0.26
Expired	(250,000)	\$ 1.27
Forfeited	(700,000)	\$ 0.92
Outstanding, June 30, 2023	23,762,500	\$ 0.61
Exercisable, June 30, 2023	15,055,000	\$ 0.79

As of June 30, 2023, the following stock options were outstanding and exercisable:

Outstanding	Exercisable	Exercise Price CAD\$	Remaining life (years)	Expiry Date
4,330,000	4,330,000	CAD\$ 1.00	0.34	November 2, 2023
600,000	600,000	CAD\$ 0.60	0.43	December 3, 2023
12,500	12,500	CAD\$ 0.27	0.43	December 3, 2023
3,045,000	3,045,000	CAD\$ 1.02	0.74	March 26, 2024
200,000	200,000	CAD\$ 0.96	1.45	December 10, 2024
210,000	210,000	CAD\$ 1.12	1.58	January 28, 2025
1,480,000	1,480,000	CAD\$ 0.48	1.73	March 24, 2025
600,000	600,000	CAD\$ 0.60	1.75	March 31, 2025
50,000	25,000	CAD\$ 0.27	1.75	March 31, 2025
3,250,000	3,250,000	CAD\$ 0.60	1.79	April 15, 2025
800,000	-	CAD\$ 0.73	2.12	August 12, 2025
100,000	100,000	CAD\$ 0.80	2.14	August 19, 2025
235,000	235,000	CAD\$ 0.82	2.69	March 8, 2026
300,000	300,000	CAD\$ 0.74	2.75	March 31, 2026
635,000	317,500	CAD\$ 0.41	3.51	December 31, 2026
700,000	350,000	CAD\$ 0.27	3.84	May 2, 2027
500,000	-	CAD\$ 0.27	4.59	February 1, 2028
200,000	-	CAD\$ 0.23	4.65	February 22, 2028
6,515,000	-	CAD\$ 0.26	4.84	May 1, 2028
<u>23,762,500</u>	<u>15,055,000</u>			

The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for the risk-free interest rate, dividend yield, volatility factors of the expected market price of the Company's common shares, forfeiture rate, and expected life of the options. The Company recognized share-based compensation costs of \$152 for the six months ended June 30, 2023 (June 30, 2022 - \$175) of which \$12 (June 30, 2022 - \$17) was included in cost of sales.

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The following assumptions were used for the Black-Scholes valuation of stock options granted during the six months ended June 30, 2022:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Risk-free interest rate	3.08%	2.79%
Dividend yield	0.00%	0.00%
Volatility	60.69%	54.75%
Expected life of options	5.0 years	5.0 years
Forfeiture rate	12.31%	12.38%

Restricted Share Units

The Company's RSU Plan, adopted on June 28, 2018, provides for the grant of restricted shares to employees, consultants, officers, and directors of the Company. An individual restricted share unit will have the same value as one common share. The number of RSUs awarded, and its associated vesting terms, are determined at the discretion of the Board of Directors. The maximum aggregate number of common shares issuable to participants at any time pursuant to the RSU Plan, together with all other Security-Based Compensation Plans of the Company, may not exceed 10% of the currently issued and outstanding common shares of the Company at the time of a grant of the RSU.

Upon each vesting date, participants receive the issuance of common shares from treasury equal to the number of RSUs vesting, or a cash payment equal to the number of vested RSUs multiplied by the fair market value of a common share, calculated as the closing price of the common shares on the TSX for the trading day immediately preceding such payment date; or a combination thereof. The RSU Plan is considered a cash-settled award plan, therefore, the RSU Plan is classified as a liability, and is measured at fair value on the grant date and is subsequently adjusted for changes in fair value at each reporting date until settlement. The fair value of RSUs is estimated based on the quoted market price of the Company's common shares on the last day of the reporting period.

A summary of the activity related to the Company's RSUs through the six months ended June 30, 2023 is provided below.

Restricted Share Units

Balance, December 31, 2021	1,823,400
Exercised	-
Granted	-
Balance, December 31, 2022	1,823,400
Exercised	-
Granted	-
Balance, June 30, 2023	1,823,400

During the six months ended June 30, 2023, the fair value of outstanding RSUs increased by \$167 (June 30, 2022 increased by \$164), which were classified as share-based compensation costs.

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14. EXPENSES BY NATURE

	Three months ended		Six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Direct mining costs	\$ 1,306	\$ 1,835	\$ 2,997	\$ 4,423
Royalties and selling costs	155	241	356	465
Employee compensation and benefits	660	976	1,291	1,961
Share-based compensation	8	7	12	17
Depreciation	18	31	48	87
Cost of Sales	\$ 2,147	\$ 3,090	\$ 4,704	\$ 6,953

15. RELATED PARTY TRANSACTIONS

Related parties and related party transactions are summarized below.

Key Management Personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consists of the Company's Board of Directors and corporate officers, including the Company's Chief Executive Officer and President, SVP Business Development, former SVP/Chief Financial Officer, current Interim Chief Financial Officer, SVP/GM, and Corporate Secretary.

Remuneration attributed to key management personnel is summarized as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Salaries, fees and benefits	\$ 365	\$ 401	\$ 889	\$ 979
Share-based compensation	207	119	307	245
Total	\$ 572	\$ 520	\$ 1,196	\$ 1,224

Salaries, fees, and benefits to key management includes all salaries, bonuses, fees, and other employment benefits, pursuant to contractual employment agreements, consultancy or management services arrangements.

Other Related Parties

King & Bay West Management Corp, ("King & Bay") is an entity owned by Mark Morabito, who resigned as a director of the Company March 18, 2022, which employs or retains certain officers and personnel of the Company. King & Bay provides regulatory and corporate secretarial 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 amounts shown in the table below represent amounts paid and accrued to King & Bay for the services of King & Bay personnel and for overhead and third-party costs incurred by King & Bay on behalf of the Company.

Kinley Exploration LLC ("Kinley") is an entity owned by Colin Kinley, a Director of the Company. Kinley provides certain technical services regarding project preparation and development 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 shown in the table below represents amounts paid to Kinley as reimbursement for legal fee expenses incurred by Kinley.

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
King & Bay	\$ -	\$ -	\$ -	\$ 40
Kinley	-	-	3	88
Total	\$ -	\$ -	\$ 3	\$ 128

As of June 30, 2023, amounts accrued and due to key management personnel and other related parties include the following:

- Corporate officers - \$ 118 (December 31, 2022 - \$124)

16. SEGMENTED INFORMATION

The Company operates in one reportable operating segment in North America. The Company's property, plant and equipment is primarily all in the United States.

17. FINANCIAL INSTRUMENTS

As of June 30, 2023, the Company's risk exposures and the impact on the Company's financial instruments are summarized below.

The Company has exposure to a variety of financial risks: market risk (including currency risk, interest rate risk and commodity price risk), credit risk and liquidity risk from its use of financial instruments.

Information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital is provided below. Risk management is the responsibility of Management and is carried out under policies approved by the Board of Directors. Material risks are monitored and are regularly discussed with the Audit Committee and Board of Directors.

Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates and interest rates will affect the Company's cash flows or value of its financial instruments.

Currency risk

The Company is subject to currency risk on financial instruments which are denominated in currencies that are not the same as the functional currency of the entity that holds them. Exchange gains and losses relating to these financial instruments would impact earnings (loss).

The Company is exposed to currency risk through cash and cash equivalents, accounts payable and accrued liabilities which are denominated in CAD\$. The balances in these accounts are not significant, therefore, the Company's exposure to currency risk is considered minimal. The Company has not hedged its exposure to currency fluctuations at this time.

Interest rate risk

The Company is subject to interest rate risk with respect to its investments in cash and cash equivalents and the stream obligation. The Company's current policy is to invest excess cash in guaranteed investment certificates issued by its Canadian banking institution. The Company periodically monitors the investment it makes and is satisfied with the

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credit ratings of its banks. These investments generally have a fixed interest rate and therefore the risk is minimal. The Company's outstanding debt obligations are at fixed interest rates (except the Nebari loan-see below) and accounted

for on the basis of amortized cost. Therefore, the carrying value of the Company's debt is not exposed to changes in market interest rates. The Nebari loan is fixed at 14.2% but includes a rate supplement which is the amount (if any) by which (i) the sum of the forward-looking secured overnight financing rate (administered by CME Group

Benchmark Administration Limited or a successor administrator) for a tenor of 3 months plus 0.26161%, exceeds (ii) 1.5%. The rate supplement cannot be negative.

A 1% increase in the interest rate would decrease the value of the stream obligation by \$9,423, whereas a 1% decrease in the interest rate would increase the value of the stream liability by \$10,467.

A 1% increase in the rate supplement for the Nebari loan would increase interest payments \$12.5/mo, whereas a 1% decrease in the rate supplement would decrease the Nebari interest payments \$12.5/mo.

Commodity price risk

The Company is subject to commodity price risk from fluctuations in the market prices for copper. Commodity price risks are affected by many factors that are outside the Company's control including global or regional consumption patterns, the supply of and demand for metals, speculative activities, the availability and costs of metal substitutes, inflation, and political and economic conditions. The financial instrument impacted by commodity prices is the Stream obligation.

A 10% increase in the market price of copper would increase derivative liabilities by \$11,551, whereas a 10% decrease in the market price of copper would decrease derivative liabilities by \$13,113.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and cash equivalents, and restricted cash.

The Company limits its exposure to credit risk on financial assets through investing its cash and cash equivalents with high-quality North American financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to maintain sufficient liquidity to meet its liabilities when due. The Company manages liquidity risk by monitoring actual and projected cash flows and matching the maturity profile of its financial assets and liabilities. Cash flow forecasting is performed regularly. The Company also holds surety bonds to support future environmental obligations (see note 1 – Nature of Operations and Going Concern).

The Company has the following guaranteed commitments and contractual obligations as of June 30, 2023:

<u>Contractual Obligations</u>	<u>Total</u>	<u>Less than 1 year</u>	<u>1-3 years</u>	<u>4-5 years</u>	<u>After 5 years</u>
Accounts Payable and Accrued Liabilities	\$ 1,295	\$ 1,295	\$ -	\$ -	\$ -
Lease Liabilities	350	96	254	-	-
Insurance Liabilities	785	785	-	-	-
Debentures	2,570	-	2,570	-	-
Debt	15,435	2,000	13,435	-	-
Total Contractual Obligations	<u>\$ 20,435</u>	<u>\$ 4,176</u>	<u>\$ 16,259</u>	<u>\$ -</u>	<u>\$ -</u>

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As of June 30, 2023, the Company has cash and cash equivalents of \$2,923 to settle current liabilities of \$4,867.

Fair value estimation

The Company's financial assets and liabilities are measured and recognized according to a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

The three levels of the fair value hierarchy are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities that the Company is able to access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data.

The carrying values of cash and cash equivalents, receivables, restricted cash, accounts payable and accrued liabilities, debt and amounts due to related parties approximate their fair values due to the short-term maturity of these financial instruments. Derivative liabilities are Level 3.

18. LEGAL

On November 3, 2021 the Company became aware of a civil claim filed against the Company and certain of its officers and directors in the Supreme Court of British Columbia by MM Fund (the "Action"). The plaintiff seeks certification of the Action as a class proceeding on behalf of a class of all persons and entities, wherever they may reside or may be domiciled, who purchased the securities of the Company offered by the Company's Prospectus Supplement dated and filed on February 12, 2021 (the "Prospectus").

The plaintiff alleges that the Prospectus contained misrepresentations related to the Company's anticipated timeline to achieve a production rate of 25 million pounds per annum. The plaintiff alleges that as a result of the misrepresentations in the Prospectus, the securities of the Company were sold to the public at an artificially inflated price. The plaintiff seeks an order certifying the Action as a class proceeding, a declaration the Prospectus contained a misrepresentation, unspecified damages, pre- and post-judgment interest and costs.

The Company contends the allegations made against it in the Action are meritless and will be vigorously defended, although no assurance can be given with respect to the ultimate outcome of the Action.

On September 1, 2022, the British Columbia Supreme Court granted the application by the Company to strike MM Fund's certification application and further ordered MM Fund to remove all pleadings relating to advancing a class proceeding against the Company. The Company was awarded its costs of the application in any event of the cause. MM Fund's action may continue as an individual claim; however, subject to appeal, MM Fund has been found to be incapable of advancing the action as a class proceeding. Subsequently on September 26, 2022, MM Fund appealed this ruling to the British Columbia Court of Appeal. The appeal hearing occurred on April 6, 2023 but a decision has not yet been rendered.

19. SUBSEQUENT EVENTS

The Company announced on July 31, 2023 that it has entered into an Option Agreement (the "Option Agreement") with Nuton LLC ("Nuton"), a Rio Tinto venture, to further evaluate the use of its Nuton™ copper heap leaching technologies at Excelsior's Johnson Camp mine in Cochise County, Arizona. Under the Option Agreement, Excelsior remains the operator and Nuton funds Excelsior's costs associated with a two-stage work program at Johnson Camp. Nuton will provide a US\$3.0 million pre-payment to Excelsior for Stage 1 costs and a payment of US\$2.0 million (received on August 11, 2023) for an exclusive option to form a joint venture with Excelsior over the Johnson Camp Mine after the completion of Stage 2.

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Under the terms of the Option Agreement, the Stage 1 work program involves Excelsior completing diamond drilling, permitting activities, detailed engineering, and project execution planning. Nuton will complete mineralogy, predictive modelling, engineering and other test work. Based on the results of the Stage 1 work program, Nuton has the option to proceed to Stage 2.

If Nuton proceeds to Stage 2, it will make a US\$5.0 million payment to Excelsior for the use of existing infrastructure at the Johnson Camp mine for the Stage 2 work program. Nuton will also be responsible for funding all of Excelsior's costs associated with Stage 2. The full Stage 2 work program is anticipated to take up to five years but will proceed based on milestones related to engineering and mobilization, infrastructure and construction, mining, leaching, copper production and post-leach rinsing. Mining is expected to commence in year one. The completion of all milestones would result in full scale commercial production over several years at Johnson Camp utilizing Nuton™ Technologies. Revenue from operations will first be used to pay back Stage 2 costs to Nuton and will then be credited to Excelsior's account.

After the completion of Stage 2, Nuton will have the right to form a joint venture on Johnson Camp per mutually agreeable terms whereby Nuton will hold an initial 49% and Excelsior an initial 51%. The purpose of the joint venture is to continue the development of the Johnson Camp Mine using Nuton™ Technologies. Should Nuton not exercise their joint venture rights, Nuton and Excelsior will discuss in good faith Excelsior's continued use of the Nuton™ Technologies at the Johnson Camp Mine subject to certain licensing terms and conditions. The infrastructure arrangement at Johnson Camp under this Option Agreement are non-exclusive. During Stages 1 and 2, Excelsior may continue to use the Johnson Camp infrastructure for processing Gunnison solutions and other copper sources not related to the Stage 2 work program so long as capacity requirements for the Stage 2 work program are met.



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023

**EXCELSIOR MINING CORP.
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023**

Management's Discussion and Analysis ("MD&A") is as of August 10, 2023 and relates to the financial condition of Excelsior Mining Corp. and its subsidiaries ("Excelsior" or the "Company") as of June 30, 2023. The MD&A supplements and complements Excelsior's unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2023 (the "Consolidated Financial Statements") and related notes. Comparison of the financial results in this MD&A is provided to the financial results for the three and six-month period ended June 30, 2023, or the year ended December 31, 2022. Other relevant documents to be read with this MD&A include the Audited Consolidated Financial Statements for the year ended December 31, 2022, and the Annual Information Form ("AIF") for the year ended December 31, 2022. These documents are available on the Company's website at www.excelsiormining.com, and on the SEDAR+ website at www.sedarplus.com.

The unaudited Consolidated Financial Statements for the six months ended June 30, 2023 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. The condensed consolidated interim financial statements do not include all the information required for full annual financial statements. The accounting policies applied in the condensed consolidated interim financial statements are consistent with those applied in the Company's audited annual consolidated financial statements unless otherwise disclosed (see Accounting Policies, Estimates and Judgements). All dollar amounts are expressed and presented in thousands of United States dollars except per share amounts (unless otherwise noted). Canadian dollars are expressed as "CAD\$".

Readers are cautioned that this MD&A contains forward-looking statements and that actual events may vary from Management's expectations. Readers are encouraged to read the "Cautionary Statements" section presented later in this MD&A including the factors described in "Risk Factors" and "Forward-Looking Information".

APPROVAL

The Board of Directors of Excelsior Mining Corp. has approved the disclosure contained in this MD&A as of August 10, 2023.

DESCRIPTION OF BUSINESS AND GOING CONCERN

Excelsior Mining Corp. ("Excelsior" or the "Company") was incorporated under the laws of the Province of British Columbia, Canada on June 9, 2005 and trades on the Toronto Stock Exchange under the symbol "MIN". The address of the Company's registered office is Suite 2400, 1055 West Georgia Street, Vancouver, BC, Canada V6E 3P3.

The Company is developing the Gunnison Project in Southeastern Arizona and has engaged in an economic assessment for the restart of the mining from the existing Johnson Camp Mine (JCM) pits which includes the future construction of a new heap leach pad to generate cash flow to continue to support the ramp up to production of the Gunnison project. The Company is moving ahead with the work to advance this strategy.

The condensed consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

During the period ended June 30, 2023 the Company incurred a net loss of \$7.0 million that included a non-cash loss on derivatives of \$13.0 thousand and used cash for operating activities of \$5.7 million. As at June 30, 2023 the Company had working capital of \$1.0 million, including a cash balance of \$2.9 million.

In support of the Company's plan for JCM sulfide leaching and Gunnison wellfield stimulation trials, on January 30, 2023 the Company and its lender, Nebari Natural Resources Credit Fund I LLP ("Nebari"), executed an amendment to the loan agreement which extends the due date of the \$15 million loan advanced by Nebari to March 31, 2025; however, on January 31, 2024, the Company must start paying back the principal of the first \$5.0 million tranche at \$0.3 million /month. The amendment also lowers the required \$5.0 million minimum cash balance for the Company to a \$2.5 million minimum cash balance.

The Company's cash flow projections indicate that the minimum balance requirement is likely to be breached within the next 12 months unless additional financing is obtained. The amendment to the loan agreement allows a 60 day cure period in the event of a breach of this condition.

**EXCELSIOR MINING CORP.
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023**

Pursuant to the Copper Purchase and Sale Agreement with Triple Flag (the "Stream Agreement"), the Company is required to maintain a leverage ratio of 3.5:1. The leverage ratio is calculated as the ratio of indebtedness of the Company to net income (adjusted for certain items). On February 22, 2023 the Company and Triple Flag executed an amendment to the Stream Agreement which suspends the applicability of the leverage ratio until March 31, 2025 (the "Leverage Ratio Grace Period") to accommodate the extension of the Nebari loan due date.

During the period ended June 30, 2023, the Company executed agreements for \$3.0 million of unsecured convertible debentures (see Note 12).

Although the Company has taken steps to extend the maturity of the Nebari loan and to eliminate or mitigate the risk of certain covenant breaches, unless the Company raises financing it will breach the \$2.5 million minimum cash covenant under the Nebari loan. As a result, there remain conditions that represent a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company has been successful in obtaining significant equity and other financings since inception and intends to continue financing its future requirements through future mining of the existing JCM pits and through a combination of equity, debt or other arrangements. However, there can be no assurance that the Company will be able to obtain the necessary financing. The condensed consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and liquidate its liabilities and commitments in other than the normal course of business. These adjustments could be material.

COPPER STREAM

On November 30, 2018 the Company finalized an agreement for a \$75,000 project financing package ("Project Financing", or "copper stream" or "copper stream derivative liability") with Triple Flag Mining Finance Bermuda Ltd. ("Triple Flag") for the purpose of developing the Gunnison Project. In connection with the Project Financing, the Company issued Triple Flag 3.5 million five-year common share purchase warrants (the "warrants"), under a five-year term beginning on November 30, 2018, entitling Triple Flag to purchase 3.5 million Excelsior common shares at a strike price of CAD\$1.50 per share issued.

In the amendment to the Triple Flag agreement that was executed on December 22, 2021 the Company and Triple Flag agreed to remove the right to buy-down the stream percentage and adjust the warrant strike price to CAD \$0.54 effective January 11, 2022.

As of September 30, 2019, the Company received all funding from the \$75,000 project financing, consisting of a \$65,000 copper stream (the "Stage 1 Upfront Deposit"), and \$10,000 in equity financing.

Under the terms of the Project Financing, Triple Flag committed to fund the Stage 1 Upfront Deposit in return for Excelsior selling to Triple Flag a percentage of the refined copper production from the Gunnison Project at a reduced price equal to 25% of the copper spot price. The exact percentages of copper production to be sold to Triple Flag varies according to the total production capacity, based on a sliding scale.

The percentages applicable at certain production levels are detailed in the table below.

Scenario Description	Stage 1 (25M lbs/yr)	Stage 2 (75M lbs/yr)	Stage 3 (125M lbs/yr)
Stage 1 Upfront Deposit	16.50%	5.75%	3.50%

Following a decision by Excelsior to expand the production capacity, Triple Flag will have the option to invest a further \$65,000 in exchange for an increase in its entitlement to copper under the Stream ("Expansion Option").

The table below shows the range of percentage of production to be purchased by Triple Flag based on specified production levels and that includes Triple Flag's Expansion Option. Actual amounts will be calculated within the range, based on the proven production history.

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Scenario Description	Stage 1 (25M lbs/yr)	Stage 2 (75M lbs/yr)	Stage 3 (125M lbs/yr)
Stage 1 Upfront Deposit + Expansion Option	16.50%	11.00%	6.60%

As at June 30, 2023 the fair value of the stream obligation was valued using a Monte Carlo simulation model. The significant assumptions developed by management used in the Monte Carlo simulation model included: the copper forward price curve, the long-term copper price volatility of 24.04% (December 31, 2022 – 25.85%), a discount rate which factors in the Company's credit spread of 7.96% (December 31, 2022 – 8.55%), the life of mine production schedule and expectations including expansion plans and characterization of the stream for tax purposes.

The Monte Carlo simulation model was prepared by an independent valuation specialist and the life of mine production schedule and expectations including expansion plans are based on the information compiled by qualified persons.

NEBARI FINANCING

On October 31, 2019 the Company entered into an agreement with Nebari Natural Resources Credit Fund I LP ("Nebari") for a \$15,000 credit facility (the "Credit Facility"). As of May 31, 2020, the \$15,000 credit facility had been fully drawn. The Credit Facility is secured against the assets of Excelsior and certain of its subsidiaries. The Credit Facility bears interest at 14.2% per annum, payable monthly. An arrangement fee of 2.0% (\$300) of the total available funds under the Credit Facility was paid on closing. The arrangement fee is creditable against interest payable on the draws under the Credit Facility, to a maximum of \$100 of interest per each draw. The Credit Facility had an initial term of 15 months from the date of the Initial Draw which occurred on December 23, 2019.

On December 22, 2021, the Company entered into an agreement with Nebari to extend the maturity of the Credit Facility to September 29, 2023. The amendment includes a repayment bonus to Nebari of 3.0% (\$450) of the amount drawn on the credit facility which is payable at maturity.

As discussed in Description of Business and Going Concern, Nebari has extended the due date of the loan to March 31, 2025, and lowered the minimum required cash balance from \$5.0 million to \$2.5 million. The amendment included a \$450 extension bonus payable in Company stock. On February 7, 2023, the Company issued 2,368,421 shares at USD\$0.19 to nominees of Nebari to fulfill the Second Amendment to the Amended and Restated Credit Agreement with Nebari Natural Resources Credit Fund I LP. On January 31, 2024, the Company must start paying back the principal on the first \$5.0 million tranche at \$0.3 million/month.

2023 "DEBENTURE OFFERING" FINANCING

On February 9, 2023 the Company executed agreements for \$3.0 million of unsecured convertible debentures (the "Debenture Offering"). Pursuant to the Debenture Offering, investors subscribed for a total of \$3.0 million principal amount of convertible debentures (the "Debentures").

The terms of the Debentures include:

- a maturity date of three years from the date of closing (the "Maturity Date"), with the principal amount, together with any accrued and unpaid interest, payable on the Maturity Date, unless earlier converted in accordance with the terms;
- the Debentures bear interest (the "Interest") at the rate of 10.0% per annum, which Interest will be payable on April 1, 2025 and on the Maturity Date, unless earlier converted into common shares of the Company ("Common Shares");
- the principal amount of the Debenture is convertible into Common Shares at the option of the holder at a conversion price of USD\$0.19 per Common Share;
- the accrued and unpaid Interest is convertible into Common Shares at a conversion price equal to the volume weighted average price of the Common Shares on the Toronto Stock Exchange for the five trading days prior to the date of conversion; and
- the Debentures are unsecured.

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GUNNISON PROJECT

The Company is currently in limited operation with no acid injection to the wellfield. The ramp up process has been slowed by the formation of CO₂ in the wellfield which occurs when the acidified raffinate comes into contact with secondary calcite within the permeable fracture system. The Company applied for an amendment to the Environmental Protection Agency to allow well stimulation and this amendment was received on April 21 2023. The permit became effective on May 26, 2023. Well stimulation has the potential to fundamentally change the performance of the wellfield, and eliminate or reduce the need for the raffinate neutralization plant. Subject to the receipt of financing, Excelsior intends to proceed to field trials in the second half of 2023. Excelsior will submit the well stimulation work plans required by the permit and schedule the necessary contractors in the near term.

The economics on the Gunnison Project were recently reviewed as part of an updated technical report discussed under the heading below "Johnson Camp Mine".

JOHNSON CAMP MINE

On June 22, 2022 the Company announced the completion of its infill drill program on the JCM open pit. A total of 43 diamond holes were drilled and assay results obtained. The results, along with other information, will be used by the Company to develop a mine plan that focuses on higher-grade zones first. Permitting of the new leach pad necessary to restart was approved in January 2023.

On January 16, 2023, the Company announced a Collaboration Agreement with Nuton LLC, a Rio Tinto venture, to evaluate the use of its Nuton™ copper heap leaching technologies at JCM. The Nuton™ technologies are an extensive portfolio of advanced copper heap leaching technologies targeted at primary sulfide minerals (including lower grade minerals), which could not otherwise be processed using traditional leaching technologies. These technologies offer the potential to produce additional copper in a cost-effective manner that has significant environmental benefits and reduces waste from new and ongoing operations.

On February 28, 2023 the Company announced the results of a National Instrument ("NI") 43-101 Technical Report dated effective February 1, 2023, incorporating the results of the 2022 drilling program into an Updated Preliminary Economic Assessment (the "PEA"), that contemplates the application of sulfide leaching technologies to improve recoveries at the JCM open pit.

Heap leaching of sulfide copper with accelerated pyrite oxidation is proposed in this PEA. The plans for JCM include mining and leaching oxide, sulfide, and transition material from the Burro and Copper Chief pits for approximately 20 years to produce copper cathode at a capacity up to 25 million pounds per annum (mppa).

The mining of JCM would be by traditional open pit and the highlights of the PEA financial model are tabulated below assuming a copper price of \$3.75/lb.

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Mine life and post mining processing	~20 years
Heap Leach material mined	~85.2 M ton
Total copper grade (CuT%)	0.37%
Average LOM total copper recovery*	77%
Cu produced	492 M lb
Total tonnage mined	196 M ton
Initial mine capital	\$58.9 million
Total operating cash cost (\$/lb Cu)**	\$2.24
After-tax NPV/IRR (7.5% discount rate)	\$180.0M / 30.4%

*Total copper recovery includes a combination of oxide, transition and primary sulfide mineral recoveries.

** Includes all operating costs, site G&A, royalties, non-income taxes, salvage, reclamation and closure.

The PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the conclusions reached in the PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

As part of the PEA, the technical report also includes a republishing of the Prefeasibility Study Update ("PFS") on the North Star Deposit of the Gunnison Copper Project. The Gunnison Project is designed as a copper in-situ recovery ("ISR") mine using solvent extraction-electrowinning ("SX-EW") to produce copper cathode and the Johnson Camp mine is a conventional open pit and heap leach operation.

The Company announced on July 31, 2023 that it has entered into an Option Agreement (the "Option Agreement") with Nuton LLC ("Nuton"), a Rio Tinto venture, to further evaluate the use of its Nuton™ copper heap leaching technologies at Excelsior's Johnson Camp mine in Cochise County, Arizona. Under the Option Agreement, Excelsior remains the operator and Nuton funds Excelsior's costs associated with a two-stage work program at Johnson Camp. Nuton will provide a US\$3.0 million pre-payment to Excelsior for Stage 1 costs and a payment of US\$2.0 million (received on August 11, 2023) for an exclusive option to form a joint venture with Excelsior over the Johnson Camp Mine after the completion of Stage 2.

Rio Tinto has developed the Nuton™ Technologies, an extensive portfolio of advanced copper heap leaching technologies targeted at primary sulfide minerals (including lower grade mineral deposits), which could not otherwise be processed using traditional leaching or sulfide processing technologies. These technologies offer the potential to produce additional copper in a cost-effective manner that has significant environmental benefits and reduces waste from new and ongoing operations.

Under the terms of the Option Agreement, the Stage 1 work program involves Excelsior completing diamond drilling, permitting activities, detailed engineering, and project execution planning. Nuton will complete mineralogy, predictive modelling, engineering and other test work. Based on the results of the Stage 1 work program, Nuton has the option to proceed to Stage 2. The Stage 1 work program is expected to commence in August and take 6 to 9 months to complete.

If Nuton proceeds to Stage 2, it will make a US\$5.0 million payment to Excelsior for the use of existing infrastructure at the Johnson Camp mine for the Stage 2 work program. Nuton will also be responsible for funding all of Excelsior's costs associated with Stage 2. The full Stage 2 work program is anticipated to take up to five years but will proceed based on milestones related to engineering and mobilization, infrastructure and construction, mining, leaching, copper production and post-leach rinsing. Mining is expected to commence in year one. The completion of all milestones would result in full scale commercial production over several years at Johnson Camp utilizing Nuton™ Technologies. Revenue from operations will first be used to pay back Stage 2 costs to Nuton and will then be credited to Excelsior's account.

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After the completion of Stage 2, Nuton will have the right to form a joint venture on Johnson Camp per mutually agreeable terms whereby Nuton will hold an initial 49% and Excelsior an initial 51%. The purpose of the joint venture is to continue the development of the Johnson Camp Mine using Nuton™ Technologies. Should Nuton not exercise their joint venture rights, Nuton and Excelsior will discuss in good faith Excelsior's continued use of the Nuton™ Technologies at the Johnson Camp Mine subject to certain licensing terms and conditions. The infrastructure arrangement at Johnson Camp under this Option Agreement are non-exclusive. During Stages 1 and 2, Excelsior may continue to use the Johnson Camp infrastructure for processing Gunnison solutions and other copper sources not related to the Stage 2 work program so long as capacity requirements for the Stage 2 work program are met. See additional discussion below in "Outlook".

The Company had 39 employees as of June 30, 2023.

Copper Offtake Agreement

On March 5, 2020 the Company entered into a purchase and sale agreement with Trafigura Trading LLC for 100% of copper cathode production from the Gunnison Project in 2020 on commercially competitive terms. The agreement is still in place.

STRONG & HARRIS

Excelsior filed a National Instrument ("NI") 43-101 Technical Report entitled "Estimated Mineral Resources and Preliminary Economic Analysis, Strong and Harris Copper-Zinc-Silver Project, Cochise County, Arizona" dated effective September 9, 2021 (the "Report") available on SEDAR+ at www.sedarplus.com. The Strong and Harris deposit is a complementary asset that has the potential to allow the Company to become a larger and longer-term producer than previously envisioned.

Mining of the Strong and Harris deposit would be by traditional open pit with high-grade underground mining of the remaining sulfides at the bottom of the pit. The PEA has been completed by Mine Development Associates, a division of RESPEC (MDA), the highlights of which are tabulated below assuming a \$3.50/lb. copper price, \$1.28/lb. zinc price, and \$110/ton acid cost. See table below.

Mine Life	~7 years
Material Mined	~54 M ton
Cu/Zn Grades	0.56% / 0.68%
Cu/Zn Produced	437 M lb / 575 M lb
Initial Capital	\$328 million
Operating Costs (\$/lb CuEq)	\$1.76
Average Cu/Zn annual production	62 Mlbpa / 82 Mlbpa
Pre-Tax NPV/IRR (8% discount rate)	\$325M / 25%

The PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the conclusions reached in the PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The Company's next steps with Strong and Harris are a drill program targeting adjacent geophysical anomalies with the goal of expanding the mineral resource, which may be followed by additional metallurgical test work and eventual completion of a feasibility study.

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OUTLOOK

The Company has previously disclosed the various issues that have been identified during the ramp-up phase of initial production at the Gunnison Project. Certain issues have been resolved but a variety of issues still need to be worked through, such as how to minimize the impact of carbon-dioxide on fluid flows and how best to maximize flow rates in general. The reduced flow rates are slowing ramp-up to nameplate production of 25 million pounds per annum. The Company continues to investigate remedial processes and believes well stimulation has the potential to substantially improve the situation. Subject to relevant EPA approval of the Company's well stimulation work plan and financing, the Company intends to undertake well stimulation trials in the second half of 2023. At this time, the Company is unable to forecast when nameplate production will be reached as it needs to complete its review of remedial processes and fully assess any required adjustments to the operating plan.

For the six months ended June 30, 2023, total copper sold was 494,938 lbs. with an additional 16,495 lbs. in inventory. This low total production number is due to certain factors including lower than expected flow rates and the wellfield operating at a reduced capacity throughout the six months ended June 30, 2023. Additional wellfield optimization initiatives are being planned or considered.

Excelsior's focus continues to be on attaining a sustained production rate of 25 million pounds of copper per year, after which Excelsior will focus on expanding that production rate. Achieving this outcome is contingent on resolving ramp-up issues and successfully implementing many of our wellfield optimization programs.

The Company is exploring additional options to accelerate the removal of carbon-dioxide that if successful could potentially lower the required capital and operating costs as compared to the previous raffinate neutralization path. This includes a plan to undertake well stimulation trials in the second half of 2023, subject to financing and finalized EPA approval of the well stimulation work plan. Well stimulation has the potential to clean out some of the CO₂ bubbles, improve flow rates, improve sweep efficiency, and increase permeability and copper production. Data will be collected during the trials to ascertain the effectiveness of the technique. The Company is also continuing to move forward with evaluating the oxide and sulfide potential of all its mining assets, including the Gunnison Project, which may be extracted using conventional mining methods.

In addition to Gunnison, Excelsior has been progressing the JCM open pits towards a restart of mining and processing operations. Successful restart of mining and processing at JCM has the potential to generate cash flow to support the Company during mitigation of the flow rate inhibition experienced at the Gunnison wellfield. Restart of the JCM open pits is contingent on successful metallurgical test work related to sulfide and transitional mineral leaching and receipt of sufficient financing. Investigation of sulfide leaching is being conducted in collaboration with Nuton (a subsidiary of Rio Tinto). It is expected this test work (including column testing, mineralogy tests and modelling) will be completed in 2023 and may lead to a commercial transaction with Nuton on the restart of the JCM open pits. Successful test work would result in the preparation of a feasibility study that would commence in 2023 and be targeted for completion in Q1 2024. Financing and construction for JCM would be targeted for Q2, 2024.

The Company intends to take a more holistic approach to the investigation and development of all its assets in the Cochise Mining District in 2023.

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SELECTED QUARTERLY INFORMATION

The following table summarizes selected financial information for the Company for each of the past eight quarters ending June 30, 2023:

	<u>Jun 30,</u> <u>2023</u>	<u>Mar 31,</u> <u>2023</u>	<u>Dec 31,</u> <u>2022</u>	<u>Sep 30,</u> <u>2022</u>
Net (income)/loss for the period	\$ (18,318)	\$ 25,274	\$ 35,399	\$ (15,925)
Loss (gain) on derivative at fair value	(21,496)	21,509	32,216	(19,090)
(Income)/loss per share (basic and diluted)	(0.07)	0.09	0.13	(0.06)
Total assets	116,701	119,860	118,761	131,056
	<u>Jun 30,</u> <u>2022</u>	<u>Mar 31,</u> <u>2022</u>	<u>Dec 31,</u> <u>2021</u>	<u>Sep 30,</u> <u>2021</u>
Net (income)/loss for the period	\$ (44,608)	\$ (9,745)	\$ 51,979	\$ (2,492)
Loss (gain) on derivative at fair value	(48,531)	(14,646)	48,641	(5,621)
(Income)/loss per share (basic and diluted)	(0.16)	(0.04)	0.19	(0.01)
Total assets	138,663	147,361	151,260	147,706

The net (income)/loss for the last eight quarters reflects the advancement of the Gunnison Project from exploration and evaluation, through feasibility and sustainability, through the construction phase, into the start-up and commissioning phase, ramp-up phase, and now, currently, the care and maintenance phase awaiting well stimulation trials. The volatility in market factors used in the valuation of the copper stream derivative and the agreement to remove the buy-down right resulted in fluctuations in the valuation of the copper stream derivative and consequently net (income)/loss.

The quarterly results presented above do not necessarily reflect any recurring expenditure patterns or predictable future trends. The main reason for quarter over quarter variations is the valuation of the stream liability which is discussed above under the heading "Copper Stream".

REVIEW OF FINANCIAL RESULTS

Three months ended June 30, 2023 compared to the three months ended June 30, 2023:

For the three months ended June 30, 2023 the Company's net income was \$18,318 (\$0.07 per share) compared to a net income of \$44,608 (\$0.16 per share) for the three-months ended June 30, 2022. The net income for the three-month period ended June 30, 2023 as compared to the net income for the same period of 2022 is derived primarily from the non-cash gain from the revaluation of the copper stream derivative liability.

Significant changes in the "Expenses" categories listed in the consolidated statements of loss and comprehensive loss for the three months ended June 30, 2023 and 2022 are described below:

For the three months ended June 30, 2023 evaluation and permitting expenses incurred were \$34 (2022 - \$1,002). Costs for the three months ended June 30, 2023 were higher than the comparable period of 2022 due to the studies conducted on the JCM pits and further evaluation, modeling, and economic assessments associated with the Gunnison resources.

Directors and officers fees incurred during the three months ended June 30, 2023, were \$365 compared to \$531 during the same period of the prior year, representing a decrease of \$166 mainly due to reimbursement of legal fees.

During the three months ended June 30, 2023, the Company incurred investor relations expenses of \$67 (2022 - \$33). The increase in investor relations expense of \$34 is due to increased activity related to financing opportunities.

During the three months ended June 30, 2023, the Company incurred share-based compensation expenses of \$208 (2022 - \$155). The increase in non-cash share-based compensation expense of \$53 is due to stock options granted to directors and officers, consultants, and management personnel in the second quarter of 2023.

Significant changes in the "Other Items" listed in the consolidated statements of loss and comprehensive loss for the three-months ended June 30, 2023 and 2022 are described below:

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The copper stream derivative liability is recorded at fair value at each period end using a Monte Carlo simulation valuation model. The key inputs used by the model in generating future copper revenue for purposes of valuing the stream obligation at June 30, 2023 include: the copper forward price curve (based on COMEX futures), long-term copper volatility of 24.04%, a discount rate which factors in the Company's credit spread of 7.96% and the life of mine production schedule and expectations including expansion plans and characterization of the stream for tax purposes. During the three months ended June 30, 2023, the non-cash gain of \$21,496 (\$21,513 from revaluation of the copper stream derivative liability) was primarily driven by a decrease in the copper forward price curve on an average of \$0.35/lb and the delay of copper production.

Financing expense for the three months ended June 30, 2023 was \$893 compared to \$184 for the three months ended June 30, 2022. The increase of \$709 was mainly due to Nebari financing in 2023 being expensed but capitalized in the comparative 2022 period, prior to the project being placed in care and maintenance.

Other income of \$117 for the three months ended June 30, 2023 and \$123 for the same period of 2022 mainly represents sales of waste rock material from JCM.

Six months ended June 30, 2023 compared to the six months ended June 30, 2022:

For the six months ended June 30, 2023 the Company's net loss was \$6,956 (\$0.03 per share) compared to net income of \$54,353 (\$0.20 per share) for the six months ended June 30, 2022. The net income for the six-month period ended June 30, 2022 resulted primarily from a non-cash gain of \$63,177 from the change in fair value of the copper stream derivative liability.

Significant changes in the "Expenses" categories listed in the condensed consolidated interim statements of loss and comprehensive loss for the six months ended June 30, 2023 and 2022 are described below:

For the six months ended June 30, 2023 evaluation and permitting expenses incurred for ongoing exploration amounted to \$149 (2022 - \$2,096). The decreased costs in the six-month period of 2023 compared to the same period in 2022 was primarily due to exploration activities related to advancing the development of the Johnson Camp Mine pits in 2022.

Directors' and officers' fees incurred during the six months ended June 30, 2023 were \$889 compared to \$1,067 during the same period of the prior year, representing a decrease of \$178 mainly due to reimbursement of legal fees.

Depreciation expense for the six months ended June 30, 2023 were \$97 compared to \$74 for the six months ended June 30, 2022. Lower depreciation in the quarter ended June 30, 2022 is due to a change in the estimated ARO depreciation to be charged prior to commercial production being attained.

Significant changes in the "Other Items" listed in the condensed consolidated interim statements of loss and comprehensive loss for the six months ended June 30, 2023 and 2022 are described below:

The copper stream derivative liability is recorded at fair value at each period end using a Monte Carlo simulation valuation model. See the 3-month discussion above for the variables that are used in the period-end valuation. During the six months ended June 30, 2023, the non-cash loss of \$13 for revaluation of the derivative liability was primarily driven by variables that were all similar to what was reported at end of year 2022.

During the six months ended June 30, 2023, the Company incurred financing expenses of \$1,715 compared to \$330 during the same period of the prior year, representing an increase of \$1,385. The increase was mainly due to Nebari financing in 2023 being expensed but capitalized in the comparative 2022 period, prior to the project being placed in care and maintenance.

The loss on debt modification for the six-month period ended June 30, 2023 (\$426) was the result of adjusting the carrying value of the liability to the present value of the cash flows under the amended agreement with Nebari.

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LIQUIDITY AND CAPITAL RESOURCES

The Company had cash and cash equivalents of \$2,923 as of June 30, 2023 (December 31, 2022 - \$5,604). Cash and cash equivalents decreased \$2,681 during the six months ended June 30, 2023.

Net cash used in operating activities for the six months ended June 30, 2023 was \$5,683 compared to \$7,867 for the same period of 2022. The higher usage in 2022 was mainly due to a higher loss from mine operations.

Net cash used by investing activities for the six months ended June 30, 2023 was \$nil compared to net cash used of \$1,074 for the six-month period of 2022. Nebari financing expenses were capitalized in the comparative 2022 period.

Net cash provided by financing activities for the six months ended June 30, 2023 was \$2,993 compared to \$nil for the six-month period of 2022. The "debenture offering" financing was the main contributor to the cash provided in 2023.

The Company had working capital of \$991 at June 30, 2023 (December 31, 2022 – working capital deficit of \$9,673). The increase in working capital was primarily the result of the Nebari debt amendment which moved the otherwise current debt payment to March 2025. The Company also received financing through a debenture offering.

On January 30, 2023 the Company and its lender, Nebari, executed an amendment to the loan agreement which extended the due date of the \$15 million loan advanced by Nebari to June 30, 2025; however, starting January 31, 2024, the Company must start paying back the principal on the first \$5.0 million tranche at \$0.3 million/month. The amendment also lowers the required \$5 million minimum cash balance for the Company to a \$2.5 million minimum cash balance.

Pursuant to the Copper Purchase and Sale Agreement with Triple Flag (the "Stream Agreement"), the Company is required to maintain a leverage ratio of 3.5:1.0. The leverage ratio is calculated as the ratio of indebtedness of the Company to net income (adjusted for certain items). An amendment to the "Stream Agreement" which was executed on December 22, 2021 has the applicability of the leverage ratio suspended until September 29, 2023. On February 22, 2023 the Company and Triple Flag executed an amendment to the Stream Agreement which suspends the applicability of the leverage until June 30, 2025 (the "Leverage Ratio Grace Period") to accommodate the extension of the Nebari loan due date.

Although the Company has taken steps to extend the maturity of the Nebari loan and to eliminate or mitigate the risk of certain covenant breaches, unless the Company raises financing it will breach the \$2.5 million minimum cash covenant under the Nebari loan. As a result, there remain conditions that represent a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company has been successful in obtaining significant equity and other financings since inception and intends to continue financing its future requirements through future mining of the existing JCM pits and through a combination of equity, debt or other arrangements. However, there can be no assurance that the Company will be able to obtain the necessary financing. The condensed consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and liquidate its liabilities and commitments in other than the normal course of business. These adjustments could be material.

On February 9, 2023 the Company closed a Debenture Offering and issued \$3.0 million principal amount of Debentures. The terms of the Debentures include:

- a maturity date of three years from the date of closing (the "Maturity Date"), with the principal amount, together with any accrued and unpaid interest, payable on the Maturity Date, unless earlier converted in accordance with the terms;
- the Debentures bear interest (the "Interest") at the rate of 10% per annum, which Interest will be payable on April 1, 2025 and on the Maturity Date, unless earlier converted into common shares of the Company ("Common Shares");
- the principal amount of the Debenture is convertible into Common Shares at the option of the holder at a conversion price of USD\$0.19 per Common Share;
- the accrued and unpaid Interest is convertible into Common Shares at a conversion price equal to the volume weighted average price of the Common Shares on the Toronto Stock Exchange for the five trading days prior to the date of conversion; and
- the Debentures are unsecured.

The Company intends to use the proceeds of the Debenture Offering for project development expenses and working capital.

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STATEMENT OF FINANCIAL POSITION INFORMATION

The following is a summary of the Company's financial position at June 30, 2023 compared to the annual statement of financial position at December 31, 2022:

	As at June 30, 2023	As at December 31, 2022
Cash and cash equivalents	\$ 2,923	\$ 5,604
Marketable Securities	28	22
Receivables (current and long-term)	669	148
Prepaid expenses	992	476
Inventory	1,246	1,741
Property, plant and equipment, net	107,532	107,459
Restricted cash	3,311	3,311
Total Assets	\$ 116,701	\$ 118,761
	As at June 30, 2023	As at December 31, 2022
Accounts payable and accrued liabilities	\$ 1,295	\$ 1,258
Amounts due to related parties	118	124
Lease liabilities (current and long-term)	350	399
Insurance premium financing	785	181
Restricted share units	313	146
Derivative liability (current and long-term)	101,327	101,302
Debt (current and long-term)	18,005	15,405
Asset retirement obligation	8,549	8,245
Capital stock	108,495	108,045
Other equity reserves	13,217	12,453
Deficit	(134,924)	(127,968)
Accumulated other comprehensive loss	(829)	(829)
Total Liabilities and Equity	\$ 116,701	\$ 118,761

Assets

Cash and cash equivalents decreased by \$2,681 during the six months ended June 30, 2023 as previously discussed in "Liquidity and Capital Resources" above.

The increase of \$521 in receivables at June 30, 2023 was mainly from copper sales, which also was attributable to the decrease in inventory level at the end of the period compared to December 31, 2022.

Prepaid expenses increased \$516 during the six months ended June 30, 2023 mainly from the financing of insurance premiums.

Liabilities

Insurance premium financing increased \$604 during the six months ended June 30, 2023 mainly from the financing of insurance renewals.

Derivative liability of \$101,327 at June 30, 2023 consists of the fair value of the copper stream (\$101,311) and the fair value of the common share purchase warrants (\$16).

Debt increased \$2,600 during the six months ended June 30, 2023 mainly due to the debenture offering.

Equity

During the six months ended June 30, 2023, other equity reserves increased by \$764 primarily due to the fair value of the debenture offering.

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Outstanding Share Capital

The Company's authorized capital consists of an unlimited number of common shares without par value and an unlimited number of non-voting common shares without par value. The Company has securities outstanding as follows:

Security Description	June 30, 2023	Date of report
Common Shares	277,204,365	277,204,365
Stock options	23,762,500	23,762,500
Restricted share units	1,823,400	1,823,400
Warrants	3,500,000	3,500,000

In addition, assuming full conversion of the principal amount of the Debentures, an additional 15,789,473 common shares would be issued. On February 7, 2023, the Company issued 2,368,421 shares at \$0.19 to nominees of Nebari to fulfill the Second Amendment to the Amended and Restated Credit Agreement with Nebari Natural Resources Credit Fund I LP. There were no stock options exercised in the six months ended June 30, 2023.

Contractual Obligations

The Company has the following contractual obligations as of June 30, 2023:

Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Accounts Payable and Accrued Liabilities	\$ 1,295	\$ 1,295	\$ -	\$ -	\$ -
Lease Liabilities	350	96	254	-	-
Insurance Liabilities	785	785	-	-	-
Debentures	2,570	-	2,570	-	-
Debt	15,435	2,000	13,435	-	-
Total Contractual Obligations	<u>\$ 20,435</u>	<u>\$ 4,176</u>	<u>\$ 16,259</u>	<u>\$ -</u>	<u>\$ -</u>

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

RELATED PARTIES

Related parties and related party transactions are summarized below.

Key Management Personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consists of the Company's Board of Directors and corporate officers, including the Company's Chief Executive Officer and President, SVP Business Development, former SVP/Chief Financial Officer, current Interim Chief Financial Officer, SVP/GM, and Corporate Secretary.

Remuneration attributed to key management personnel is summarized as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Salaries, fees and benefits	\$ 365	\$ 401	\$ 889	\$ 979
Share-based compensation	207	119	307	245
Total	<u>\$ 572</u>	<u>\$ 520</u>	<u>\$ 1,196</u>	<u>\$ 1,224</u>

Salaries, fees and benefits to key management includes all salaries, bonuses, fees, and other employment benefits, pursuant to contractual employment agreements, consultancy or management services arrangements.

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Other Related Parties

King & Bay West Management Corp. ("King & Bay") is an entity owned by Mark Morabito, who resigned as a director of the Company March 18, 2022, which employs or retains certain officers and personnel of the Company. King & Bay provides regulatory and corporate secretarial 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 amounts shown in the table below represent amounts paid and accrued to King & Bay for the services of King & Bay personnel and for overhead and third-party costs incurred by King & Bay on behalf of the Company.

Kinley Exploration LLC ("Kinley") is an entity owned by Colin Kinley, a Director of the Company. Kinley provides certain technical services regarding project preparation and development 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 shown in the table below represents amounts paid to Kinley as reimbursement for legal fee expenses incurred by Kinley.

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
King & Bay	\$ -	\$ -	\$ -	\$ 40
Kinley	-	-	3	88
Total	\$ -	\$ -	\$ 3	\$ 128

As of June 30, 2023, amounts accrued and due to key management personnel and other related parties include the following:

- Corporate officers - \$118 (December 31, 2022 - \$124)

ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The accounting policies applied in the preparation of the audited consolidated financial statements for the year ended June 30, 2023 are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2022.

Recent accounting pronouncements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and judgments. These estimates, judgments 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. A summary of the Company's critical estimates and judgments is provided in Note 2, Basis of Presentation, of the audited consolidated financial statements for the year ended December 31, 2022 and 2021.

The Company adopted the IASB published amendments to IAS 1 - Presentation of Financial Statements - Classification of debt with covenants as current or non-current at January 1, 2023. As part of its amendments, the IASB has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least 12 months after the reporting period. The amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognized as either equity or a liability separately from the liability component under IAS 32 - Financial Instruments Presentation.

Generally, if a liability has any conversion options that involve a transfer of the company's own equity instruments, these would affect its classification as current or non-current. The IASB has now clarified that when classifying liabilities as current or non-current, a company can ignore only those conversion options that are recognized as equity. The Company has concluded that the adoption of the amendments had no significant impact on its interim condensed consolidated financial statements.

The Company adopted the IASB published amendments to IAS 12 - Income Taxes at January 1, 2023. The amendments require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable

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and deductible temporary differences. The proposed amendments typically apply to transactions such as leases for the lessee and decommissioning and restoration obligations related to assets in operation. The Company has concluded that the adoption of the amendments had no significant impact on its interim Consolidated Financial Statements.

FINANCIAL INSTRUMENTS

As of June 30, 2023, the Company's risk exposures and the impact on the Company's financial instruments are summarized below.

The Company has exposure to a variety of financial risks: market risk (including currency risk, interest rate risk and commodity price risk), credit risk and liquidity risk from its use of financial instruments.

Information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital is provided below. Risk management is the responsibility of Management and is carried out under policies approved by the Board of Directors. Material risks are monitored and are regularly discussed with the Audit Committee and Board of Directors.

Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates and interest rates will affect the Company's cash flows or value of its financial instruments.

Currency risk

The Company is subject to currency risk on financial instruments which are denominated in currencies that are not the same as the functional currency of the entity that holds them. Exchange gains and losses relating to these financial instruments would impact earnings (loss).

The Company is exposed to currency risk through cash and cash equivalents, accounts payable and accrued liabilities which are denominated in CAD\$. The balances in these accounts are not significant, therefore, the Company's exposure to currency risk is considered minimal. The Company has not hedged its exposure to currency fluctuations at this time.

Interest rate risk

The Company is subject to interest rate risk with respect to its investments in cash and cash equivalents and the stream obligation. The Company's current policy is to invest excess cash in guaranteed investment certificates issued by its Canadian banking institution. The Company periodically monitors the investment it makes and is satisfied with the credit ratings of its banks. These investments generally have a fixed interest rate and therefore the risk is minimal. The Company's outstanding debt obligations are at fixed interest rates (except the Nebari loan-see below) and accounted for on the basis of amortized cost. Therefore, the carrying value of the Company's debt is not exposed to changes in market interest rates. The Nebari loan is fixed at 14.2% but includes a rate supplement which is the amount (if any) by which (i) the sum of the forward-looking secured overnight financing rate (administered by CME Group

Benchmark Administration Limited or a successor administrator) for a tenor of 3 months plus 0.26161%, exceeds (ii) 1.5%. The rate supplement cannot be negative.

A 1% increase in the interest rate would decrease the value of the stream obligation by \$9,423, whereas a 1% decrease in the interest rate would increase the value of the stream liability by \$10,467.

A 1% increase in the rate supplement for the Nebari loan would increase interest payments \$12.5/mo, whereas a 1% decrease in the rate supplement would decrease the Nebari interest payments \$12.5/mo.

Commodity price risk

The Company is subject to commodity price risk from fluctuations in the market prices for copper. Commodity price risks are affected by many factors that are outside the Company's control including global or regional consumption patterns, the supply

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of and demand for metals, speculative activities, the availability and costs of metal substitutes, inflation, and political and economic conditions. The financial instrument impacted by commodity prices is the Stream obligation.

A 10% increase in the market price of copper would increase derivative liabilities by \$11,551, whereas a 10% decrease in the market price of copper would decrease derivative liabilities by \$13,113.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and cash equivalents, and restricted cash.

The Company limits its exposure to credit risk on financial assets through investing its cash and cash equivalents with high-quality North American financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to maintain sufficient liquidity to meet its liabilities when due. The Company manages liquidity risk by monitoring actual and projected cash flows and matching the maturity profile of its financial assets and liabilities. Cash flow forecasting is performed regularly. The Company also holds surety bonds to support future environmental obligations (see Description of Business and Going Concern).

The Company has the following guaranteed commitments and contractual obligations as of June 30, 2023:

<u>Contractual Obligations</u>	<u>Total</u>	<u>Less than 1 year</u>	<u>1-3 years</u>	<u>4-5 years</u>	<u>After 5 years</u>
Accounts Payable and Accrued Liabilities	\$ 1,295	\$ 1,295	\$ -	\$ -	\$ -
Lease Liabilities	350	96	254	-	-
Insurance Liabilities	785	785	-	-	-
Debentures	2,570	-	2,570	-	-
Debt	15,435	2,000	13,435	-	-
Total Contractual Obligations	<u>\$ 20,435</u>	<u>\$ 4,176</u>	<u>\$ 16,259</u>	<u>\$ -</u>	<u>\$ -</u>

As of June 30, 2023, the Company has cash and cash equivalents of \$2,923 to settle current liabilities of \$4,867.

Fair value estimation

The Company's financial assets and liabilities are measured and recognized according to a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

The three levels of the fair value hierarchy are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities that the Company is able to access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data.

The carrying values of cash and cash equivalents, receivables, restricted cash, accounts payable and accrued liabilities, debt and amounts due to related parties approximate their fair values due to the short-term maturity of these financial instruments. Derivative liabilities are Level 3.

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LEGAL

On November 3, 2021 the Company became aware of a civil claim filed against the Company and certain of its officers and directors in the Supreme Court of British Columbia by MM Fund (the "Action"). The plaintiff seeks certification of the Action as a class proceeding on behalf of a class of all persons and entities, wherever they may reside or may be domiciled, who purchased the securities of the Company offered by the Company's Prospectus Supplement dated and filed on February 12, 2021 (the "Prospectus").

The plaintiff alleges that the Prospectus contained misrepresentations related to the Company's anticipated timeline to achieve a production rate of 25 million pounds per annum. The plaintiff alleges that as a result of the misrepresentations in the Prospectus, the securities of the Company were sold to the public at an artificially inflated price. The plaintiff seeks an order certifying the Action as a class proceeding, a declaration the Prospectus contained a misrepresentation, unspecified damages, pre- and post-judgment interest and costs.

The Company contends the allegations made against it in the Action are meritless and will be vigorously defended, although no assurance can be given with respect to the ultimate outcome of the Action.

On September 1, 2022, the British Columbia Supreme Court granted the application by the Company to strike MM Fund's certification application and further ordered MM Fund to remove all pleadings relating to advancing a class proceeding against the Company. The Company was awarded its costs of the application in any event of the cause. MM Fund's action may continue as an individual claim; however, subject to appeal, MM Fund has been found to be incapable of advancing the action as a class proceeding. On September 26, 2022, MM Fund appealed this ruling to the British Columbia Court of Appeal. The appeal hearing occurred on April 6, 2023 but a decision has not yet been rendered.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Management, including the Chief Executive Officer and the Chief Financial Officer, are responsible for the design of the Company's disclosure controls and procedures in order to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation.

Internal Control Over Financial Reporting

The Company maintains a system of internal controls over financial reporting, as defined by National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings in order to provide reasonable assurance that assets are safeguarded and financial information is accurate and reliable and in accordance with IFRS. During the three months ended June 30, 2023, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitation of Controls and Procedures

Our management, including the CEO and CFO, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well-designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of the effectiveness of controls to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

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ADDITIONAL INFORMATION

Additional disclosure concerning the Company, including the AIF for the year ended December 31, 2022, is available on the SEDAR+ website, www.sedarplus.com.

TECHNICAL INFORMATION

Excelsior's technical work on the Gunnison Project is supervised by Stephen Twyerould, Fellow of AUSIMM, President & CEO of Excelsior and a Qualified Person as defined by NI 43-101. Mr. Twyerould has reviewed and approved the technical information contained in this MD&A.

Additional information about the Gunnison Project and Johnson Camp Mine can be found in the technical report filed on SEDAR+ at www.sedarplus.com entitled: "Gunnison Copper Project Prefeasibility Study Update and JCM Heap Leach Preliminary Economic Assessment", dated effective February 1, 2023.

Additional information about the Strong & Harris Project can be found in the technical report filed on SEDAR+ at www.sedarplus.com entitled: "Estimated Mineral Resources and Preliminary Economic Analysis, Strong and Harris Copper-Zinc-Silver Project, Cochise County, Arizona" dated effective of September 9, 2021.

CAUTIONARY STATEMENTS

Risk Factors

The exploration for and development of mineral deposits involves significant risks and uncertainties, which even a combination of careful evaluation, experience and knowledge may not eliminate. The more prominent risk factors that may materially affect the Company's future performance, in addition to those referred to herein, are discussed in the AIF for the year ended December 31, 2022.

Forward-Looking Information

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws concerning anticipated developments and events that may occur in the future. Forward-looking information contained in this MD&A includes, but is not limited to, statements with respect to: (i) the market and future price of copper and related products; (ii) requirements for additional capital; (iii) development, construction and production timelines and estimates; (iv) statements relating to the economic viability of the Gunnison Project and Johnson Camp, including mine life, total tonnes mined and processed and mining operations; (v) the future effects of environmental compliance requirements on the business of the Company; (vi) the intention to mine Johnson Camp and future production therefrom; (vii) the results of the Preliminary Economic Assessment on Strong & Harris; and (viii) the statements under the heading "Outlook" in this MD&A, including statements about the production of copper.

In certain cases, forward-looking information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information contained in this MD&A is based on certain factors and assumptions regarding, among other things, the estimation of mineral reserves and resources, the realization of mineral resource and reserve estimates, copper and other metal prices, the timing and amount of future exploration and development expenditures, the estimation of expansion and sustaining capital requirements, the estimation of labor and operating costs, the availability of necessary financing and materials to continue to develop, operate and expand the Gunnison Project in the short and long-term, the progress of development activities, the receipt of and compliance with necessary regulatory approvals and permits, the estimation of insurance coverage, and assumptions with respect to currency fluctuations, environmental risks, title or surface rights disputes or claims, and other similar matters. While the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. Forward looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information including, without limitation, the following risks and uncertainties referred to under the heading "Risk Factors" in the Company's AIF for the year ended December 31, 2022:

- risks relating to the fact that the Company depends on a single mineral project;

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- operational risks inherent in the conduct of mining activities, including the risk of accidents, labour disputes, availability of reagents and power, increases in capital and operating costs and the risk of delays or increased costs that might be encountered during the development process;
- risks inherent in the exploration and development of mineral deposits, including risks relating to changes in project parameters as plans continue to be redefined including the possibility that mining operations may not commence at the Gunnison Project;
- assumptions regarding expected capital and operating costs and expenditures, production schedules, economic returns and other projections;
- our production estimates, including accuracy thereof;
- the fact that we have no mineral properties in commercial production and no history of production or revenue;
- risks relating to variations in mineral resources and reserves, grade or recovery rates resulting from current exploration and development activities;
- risks related to fluctuations in the price of copper as the Company's future revenues, if any, are expected to be derived from the sale of copper;
- risks related to a reduction in the demand for copper in the Chinese market which could result in an extended period of lower prices and demand for copper;
- financing, capitalization and liquidity risks, including the risk that the financing necessary to fund the development and construction activities at the Gunnison Project may not be available on satisfactory terms, or at all;
- the Company has no history of mining operations and no revenues from operations and expects to incur losses for the foreseeable future;
- risks associated with secured debt and the copper stream agreement;
- risks related to the Company obtaining and maintaining various permits required to conduct its current and anticipated future operations;
- risks related to disputes concerning property titles and interest;
- risks relating to the ability to access infrastructure;
- risks related to the significant governmental regulation to which the Company is subject;
- environmental risks;
- climate change risks;
- risks related to the adequacy of financial assurance arrangements with State and Federal Governments;
- reliance on key personnel;
- risks related to increased competition in the market for copper and related products and in the mining industry generally;
- cybersecurity risks;
- risks related to potential conflicts of interests among the Company's directors and officers;
- exchange rate fluctuations between the Canadian and United States dollar;
- uncertainties inherent in the estimation of inferred mineral resources;
- land reclamation requirements may be burdensome;
- risks associated with the acquisition of any new properties;
- risks related to legal proceedings to which the Company may become subject;
- potential liabilities associated with the acquisition of Johnson Camp;
- our ability to comply with foreign corrupt practices regulations and anti-bribery laws;
- changes to relevant legislation, accounting practices or increasing insurance costs;
- significant growth could place a strain on our management systems;
- share ownership by our significant shareholders and their ability to influence our governance; and
- risks relating to the Company's Common Shares, including that future sales or issuances of our debt or equity securities may decrease the price of our securities.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking information is made as of the date of this MD&A.

RISK FACTORS

Readers are cautioned that the risk factors discussed above are not exhaustive. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. Except as required by applicable securities laws, the Company does not undertake any obligation to publicly update or revise any forward-looking information and readers should also carefully consider the matters discussed under the heading, "Forward Looking Information", in this MD&A and under the heading, "Risk Factors", in the AIF.

CAUTIONARY NOTE TO U.S. INVESTORS – INFORMATION CONCERNING PREPARATION OF RESOURCE AND RESERVE ESTIMATES

Technical disclosure regarding the Company's properties included in this MD&A and in the documents incorporated herein by reference has been prepared in accordance with the requirements of Canadian securities laws. Without limiting the foregoing, such technical disclosure uses terms that comply with reporting standards in Canada and certain estimates are made in accordance with NI 43-101. NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all mineral reserve and mineral resource estimates contained in the technical disclosure have been prepared in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum Definition Standards on Mineral Resources and Reserves ("CIM Definition Standards").

Canadian standards, including NI 43-101, differ significantly from the historical requirements of the Securities and Exchange Commission (the "SEC"), and mineral reserve and resource information contained or incorporated by reference in this Prospectus Supplement may not be comparable to similar information disclosed by U.S. companies.

The SEC has adopted amendments to its disclosure rules to modernize the mineral property disclosure requirements for issuers whose securities are registered with the SEC. These amendments became effective February 25, 2019 (the "SEC Modernization Rules") and replaced the historical property disclosure requirements for mining registrants that are included in SEC Industry Guide 7. U.S. companies are required to provide disclosure on mineral properties under the SEC Modernization Rules for fiscal years beginning January 1, 2021 or later.

Under the SEC Modernization Rules, the definitions of "proven mineral reserves" and "probable mineral reserves" have been amended to be substantially similar to the corresponding CIM Definition Standards and the SEC has added definitions to recognize "measured mineral resources", "indicated mineral resources" and "inferred mineral resources" which are also substantially similar to the corresponding CIM Definition Standards; however, there are still differences in the definitions and standards under the SEC Modernization Rules and the CIM Definition Standards. Therefore, the Company's mineral resources and reserves as determined in accordance with NI 43-101 may be significantly different than if they had been determined in accordance with the SEC Modernization Rules.