



**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2019**

**(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>March 31, 2019</u>	<u>December 31, 2018</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		\$ 33,279	\$ 44,168
Receivables		222	177
Prepaid expenses		932	903
Materials and supplies		395	286
		<u>34,828</u>	<u>45,534</u>
<b>Property, plant and equipment, net</b>	<b>3</b>	37,965	19,526
<b>Restricted cash</b>		<u>3,304</u>	<u>3,304</u>
<b>Total Assets</b>		<u><u>76,097</u></u>	<u><u>\$ 68,364</u></u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	<b>4</b>	\$ 11,165	\$ 2,526
Amounts due to related parties		368	404
Lease liabilities		102	-
Restricted share units		32	249
		<u>11,667</u>	<u>3,179</u>
<b>Derivative liabilities</b>	<b>5</b>	14,181	9,782
<b>Asset retirement obligation</b>	<b>6</b>	9,930	9,456
<b>Lease liabilities</b>		115	-
<b>Total Liabilities</b>		<u>35,893</u>	<u>22,417</u>
<b>Equity</b>			
Capital stock	<b>7</b>	89,126	88,916
Other equity reserves	<b>7</b>	7,590	6,910
Deficit		(55,683)	(49,050)
Accumulated other comprehensive loss		(829)	(829)
<b>Total Equity</b>		<u>40,204</u>	<u>45,947</u>
<b>Total Liabilities and Equity</b>		<u><u>\$ 76,097</u></u>	<u><u>\$ 68,364</u></u>

Approved on May 14, 2019 on behalf of the Board of Directors:

/signed/  
Jim Kolbe  
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 LOSS AND COMPREHENSIVE LOSS**  
(Unaudited – Expressed in thousands of United States dollars)

	<u>Note</u>	<u>Three months ended March 31,</u>	
		<u>2019</u>	<u>2018</u>
<b>Expenses</b>			
Johnson Camp holding and maintenance cost		\$ 162	\$ 823
Project advancement		-	999
Evaluation and permitting		65	370
Office and administration		298	220
Professional fees		228	519
Directors and officers fees		566	384
Investor relations		172	135
Share-based compensation	7	713	227
Regulatory fees		55	39
Depreciation		106	62
<b>Other Items</b>			
Loss on derivative at fair value		4,399	-
Financing expense	6	75	63
Interest income		(121)	(50)
Foreign exchange loss (gain)		(18)	7
Other income		(67)	(59)
<b>Loss and comprehensive loss for the period</b>		<u><u>\$ 6,633</u></u>	<u><u>\$ 3,739</u></u>
<b>Loss per common share:</b>			
Basic and diluted		\$ 0.03	\$ 0.02
<b>Weighted average number of common shares outstanding</b>			
Basic and diluted		238,607,815	203,018,707

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

	Three months ended March 31,	
	2019	2018
<b>Cash provided by (used in):</b>		
<b>OPERATING ACTIVITIES</b>		
Loss for the period	\$ (6,633)	\$ (3,739)
Items not affecting cash:		
Loss on derivative	4,399	-
Depreciation	106	62
Accretion	71	63
Share-based compensation	713	227
Unrealized foreign exchange loss (gain)	(18)	7
Non-cash working capital item changes:		
Receivables	(45)	(17)
Prepaid expenses	(29)	(236)
Materials and supplies	(109)	-
Accounts payable and accrued liabilities	(570)	611
Amounts due to related parties	(36)	52
Lease liabilities	(23)	-
Restricted share units, net	(114)	-
<b>Net cash used in operating activities</b>	<b>(2,288)</b>	<b>(2,970)</b>
<b>INVESTING ACTIVITIES</b>		
Gunnison project construction	(8,619)	-
Purchase of equipment	-	(195)
<b>Net cash used in investing activities</b>	<b>(8,619)</b>	<b>(195)</b>
<b>FINANCING ACTIVITIES</b>		
Issuance of common shares	-	12,800
Share issuance costs	-	(63)
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>12,737</b>
<b>Net change in cash and cash equivalents</b>	<b>(10,907)</b>	<b>9,572</b>
<b>Effect of foreign exchange on cash and cash equivalents</b>	<b>18</b>	<b>(7)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>44,168</b>	<b>16,677</b>
<b>Cash and cash equivalents, end of period</b>	<b>33,279</b>	<b>26,242</b>

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**EXCELSIOR MINING CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018**  
(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>				
<b>Balance, December 31, 2017</b>	189,881,952	\$ 57,211	\$ 5,679	\$ (36,916)	\$ (829)	\$ 25,145
Private placement	16,467,200	12,800	-	-	-	12,800
Share issue cost - cash	-	(63)	-	-	-	(63)
Share-based compensation	-	-	227	-	-	227
Loss for the period	-	-	-	(3,739)	-	(3,739)
<b>Balance, March 31, 2018</b>	<b>206,349,152</b>	<b>\$ 69,948</b>	<b>\$ 5,906</b>	<b>\$ (40,655)</b>	<b>\$ (829)</b>	<b>\$ 34,370</b>
<b>Balance, December 31, 2018</b>	<b>238,381,657</b>	<b>\$ 88,916</b>	<b>\$ 6,910</b>	<b>\$ (49,050)</b>	<b>\$ (829)</b>	<b>\$ 45,947</b>
Stock option exercises	88,803	90	(90)	-	-	-
Restricted share units	187,500	120	-	-	-	120
Share-based compensation	-	-	770	-	-	770
Loss for the period	-	-	-	(6,633)	-	(6,633)
<b>Balance, March 31, 2019</b>	<b>238,657,960</b>	<b>\$ 89,126</b>	<b>\$ 7,590</b>	<b>\$ (55,683)</b>	<b>\$ (829)</b>	<b>\$ 40,204</b>

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 THREE MONTHS ENDED MARCH 31, 2019 and 2018**  
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**1. NATURE OF OPERATIONS**

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

The Company has commenced construction on the Gunnison Project in Southeastern Arizona and is currently continuing to fund the holding and maintenance costs of the Johnson Camp Mine (“JCM”).

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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, 2018.

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, 2018 except for the adoption of IFRS 16, *Leases* (“IFRS 16”), effective January 1, 2019.

All dollar figures are expressed in thousands of United States dollars unless otherwise indicated. Canadian dollars are expressed as “CAD\$”. Certain comparative amounts in the financial statements have been changed to conform to the presentation of the current year financial statements. These changes have no impact on the net loss, deficit or cash flows for the periods as previously reported.

The Company has adopted IFRS 16 as of January 1, 2019 in accordance with the transitional provisions outlined in the standard, using a cumulative catch-up approach where applicable leases have been recorded prospectively from January 1, 2019. Comparative information has not been restated and continues to be reported under IAS 17, *Leases*, and IFRIC 4, *Determining Whether an Arrangement Contains a Lease*. The adoption of IFRS 16 did not have a significant impact on the Company’s financial position or results. During the three month period ended March 31, 2019, the Company capitalized \$240 of leases in Property, plant and equipment.

**Adoption of New Accounting Standards**

At inception of a contract, an assessment is made to determine whether a contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. An assessment is made to determine whether the contract involves the use of an identified asset, whether there is the right to obtain substantially all of the economic benefits from the use of the asset during the term of the arrangement and if the right to direct the use of the asset is present. At inception or on reassessment of a contract that contains a lease component, the consideration in the contract is allocated to each lease component on the basis of their relative standalone prices.

As a lessee, a right-of-use asset is recognized and included in property, plant and equipment, and a corresponding lease liability is recorded at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

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The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or the incremental borrowing rate if the interest rate cannot be readily determined. Subsequently, the lease liability is measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in our estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option.

Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss. We have elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low dollar-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

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**3. PROPERTY, PLANT AND EQUIPMENT**

Details are as follows:

	<u>Land</u>	<u>Plant</u>	<u>Asset Retirement Obligation</u>	<u>Vehicles &amp; Mobile Equipment</u>	<u>Office Equipment &amp; Capitalized Leases</u>	<u>Construction in Progress</u>	<u>Total</u>
<b>Cost</b>							
At January 1, 2018	94	12,015	5,680	115	388	-	18,292
Additions	-	227	-	104	108	1,478	1,917
ARO Change in Estimate	-	-	25	-	-	-	25
Disposal	-	-	-	(25)	-	-	(25)
At December 31, 2018	<u>94</u>	<u>12,242</u>	<u>5,705</u>	<u>194</u>	<u>496</u>	<u>1,478</u>	<u>20,209</u>
<b>Accumulated Depreciation</b>							
At January 1, 2018	-	-	(48)	(115)	(270)	-	(433)
Depreciation	-	(11)	(185)	(45)	(35)	-	(276)
Disposal	-	-	-	26	-	-	26
At December 31, 2018	<u>-</u>	<u>(11)</u>	<u>(233)</u>	<u>(134)</u>	<u>(305)</u>	<u>-</u>	<u>(683)</u>
<b>Net carrying amount</b>	<b><u>94</u></b>	<b><u>12,230</u></b>	<b><u>5,472</u></b>	<b><u>60</u></b>	<b><u>192</u></b>	<b><u>1,478</u></b>	<b><u>19,526</u></b>
<b>Cost</b>							
At January 1, 2019	94	12,242	5,705	194	496	1,478	20,209
Additions	-	-	403	397	240	17,505	18,545
Transfer	-	-	-	6	(6)	-	-
At March 31, 2019	<u>94</u>	<u>12,242</u>	<u>6,108</u>	<u>597</u>	<u>730</u>	<u>18,983</u>	<u>38,754</u>
<b>Accumulated Depreciation</b>							
At January 1, 2018	-	(11)	(233)	(134)	(305)	-	(683)
Depreciation	-	(6)	(45)	(13)	(42)	-	(106)
At March 31, 2019	<u>-</u>	<u>(17)</u>	<u>(278)</u>	<u>(147)</u>	<u>(347)</u>	<u>-</u>	<u>(789)</u>
<b>Net carrying amount</b>	<b><u>94</u></b>	<b><u>12,225</u></b>	<b><u>5,830</u></b>	<b><u>450</u></b>	<b><u>383</u></b>	<b><u>18,983</u></b>	<b><u>37,965</u></b>

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**4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Trade payables	2,562	283
Accrued liabilities	8,095	2,041
Employee-related accruals	508	191
Other payables	-	11
	<u>\$ 11,165</u>	<u>\$ 2,526</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 out in cash. 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 bonus payments.

**5. DERIVATIVE LIABILITIES**

On November 30, 2018, the Company entered into an agreement for a \$75 million project financing package to fund the construction costs of the Gunnison Project (the “stream obligation” or “Project Financing”). 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 stream obligation was valued using a Monte Carlo simulation valuation model. The key inputs used by the Monte Carlo simulation in generating future copper prices for purposes of valuing the stream obligation include: the copper forward price curve based on COMEX futures, long-term copper volatility of 23%, risk-free rate of return of 2.53% and an income tax rate at 30%. The valuation of the stream obligation also requires estimation of the Company’s nonperformance or credit risk, the Company’s expansion plans, and the anticipated production schedule of copper pounds delivered over the estimated life of the mine.

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 November 30, 2023. The Company determined that the share purchase warrants are a derivative liability.

Share purchase warrants

As of March 31, 2019, 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\$ 1.02)
- Valuation Date (March 31, 2019)
- Maturity Date (November 30, 2023)
- Strike Price (CAD\$ 1.50)
- Volatility (60%)

	<u>Stream</u>	<u>Warrants</u>	<u>Total</u>
Fair value at December 31, 2018	\$ 8,927	\$ 855	\$ 9,782
Loss during the period	4,179	220	4,399
Fair value at March 31, 2019	<u>\$ 13,106</u>	<u>\$ 1,075</u>	<u>\$ 14,181</u>

**EXCELSIOR MINING CORP.**  
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**FOR THREE MONTHS ENDED MARCH 31, 2019 and 2018**  
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**6. 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.

For the three months ended March 31, 2019, the Company recorded \$71 of accretion expense related to the asset retirement obligation (March 31, 2018 - \$63).

Changes in the ARO for the three months ended March 31, 2019 and the year ended December 31, 2018 are summarized below.

<u>Asset Retirement Obligation</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>
<b>Balance, beginning of period</b>	\$ 9,456	\$ 9,180
Addition	403	41
Change in estimate	-	(17)
Accretion expense	71	252
<b>Balance, end of period</b>	<b>\$ 9,930</b>	<b>\$ 9,456</b>

**7. CAPITAL STOCK AND OTHER EQUITY RESERVES**

Common Shares

The authorized share capital of the Company is comprised of an unlimited number of common shares with no par value. As of March 31, 2019, there were 238,657,960 common shares outstanding. During the three months ended March 31, 2019 a total of 276,303 common shares were issued, summarized as follows:

- During the three months ended March 31, 2019, the Company issued a total of 88,803 common shares from stock options exercised.
- On January 8, 2019, the Company issued a total of 187,500 common shares from the vesting of restricted share units.

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, 2018 and the three months ended March 31, 2019:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price (CAD\$)</b>
<b>Outstanding, December 31, 2017</b>	<b>16,486,000</b>	<b>\$ 0.26</b>
Granted	5,780,000	\$ 1.04
Exercised	<u>(9,936,000)</u>	\$ 0.31
<b>Outstanding, December 31, 2018</b>	<b>12,330,000</b>	<b>\$ 0.69</b>
Granted	4,995,000	\$ 1.02
Exercised	(250,000)	\$ 0.53
Cancelled	<u>(50,000)</u>	\$ 0.83
<b>Outstanding, March 31, 2019</b>	<b><u>17,025,000</u></b>	<b>\$ 0.78</b>
<b>Exercisable, March 31, 2019</b>	<b>6,387,500</b>	<b>\$ 0.38</b>

During the three months ended March 31, 2019, a total of 250,000 stock options were exercised, of which 161,197 stock options were exercised in exchange for a substituted right, resulting in the net issuance of 88,803 common shares.

As at March 31, 2019, the following stock options were outstanding and exercisable:

<b>Outstanding</b>	<b>Exercisable</b>	<b>Exercise Price</b>	<b>Remaining life (years)</b>	<b>Expiry Date</b>
100,000	25,000	CAD\$ 1.11	0.01	April 4, 2019
500,000	500,000	CAD\$ 0.26	0.56	October 20, 2019
250,000	250,000	CAD\$ 0.25	0.67	December 1, 2019
100,000	100,000	CAD\$ 0.30	1.39	August 19, 2020
4,500,000	4,500,000	CAD\$ 0.23	1.72	December 16, 2020
200,000	200,000	CAD\$ 0.77	2.84	January 31, 2022
200,000	150,000	CAD\$ 1.18	3.36	August 10, 2022
200,000	150,000	CAD\$ 1.20	3.48	September 21, 2022
300,000	150,000	CAD\$ 1.15	3.72	December 19, 2022
200,000	100,000	CAD\$ 1.15	3.82	January 24, 2023
200,000	100,000	CAD\$ 1.11	3.84	February 1, 2023
100,000	50,000	CAD\$ 1.25	3.90	February 22, 2023
150,000	37,500	CAD\$ 1.29	4.03	April 9, 2023
300,000	75,000	CAD\$ 1.43	4.13	May 15, 2023
4,530,000	-	CAD\$ 1.00	4.59	November 2, 2023
200,000	-	CAD\$ 0.94	4.69	December 7, 2023
<u>4,995,000</u>	<u>-</u>	CAD\$ 1.02	4.99	March 26, 2024
<u>17,025,000</u>	<u>6,387,500</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 \$696 in the loss for the three-month period ended March 31, 2019 (March 31, 2018- \$227) and capitalized \$74 in construction in progress in relation to stock options granted and vested during the three months ended March 31, 2019.

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The following assumptions were used for the Black-Scholes valuation of stock options granted during the three months ended March 31, 2019:

	<u>March 31, 2019</u>
Risk-free interest rate	1.44%
Expected life of options	5.0 years
Annualized volatility	60.84 %
Dividend yield	0%

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 during the three months ended March 31, 2019 is provided below.

<u>Restricted Share Units</u>	
<b>Balance, at December 31, 2017</b>	-
Granted	550,000
Vested	<u>(75,000)</u>
<b>Balance, at December 31, 2018</b>	<b>475,000</b>
Vested	<u>(375,000)</u>
<b>Balance, at March 31, 2019</b>	<b><u>100,000</u></b>

During the three months ended March 31, 2019, the Company recorded compensation costs related to RSUs in the amount of \$17 (2018 - nil), which were classified as share-based compensation costs.

**8. 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, Chief Operating Officer and Senior Vice President & Chief Financial Officer.

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Remuneration attributed to key management personnel is summarized as follows:

	<u>Three Months Ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Salaries, fees and benefits	\$ 573	\$ 305
Share-based compensation	660	1
Total	<u>\$ 1,233</u>	<u>\$ 306</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.

Other Related Parties

King & Bay West Management Corp, (“King & Bay”) is an entity owned by Mark Morabito, the Chairman of the Company, which employs or retains certain officers and personnel of the Company. King & Bay provides legal, 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 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 for the services of Kinley personnel and for out-of-pocket reimbursable expenses incurred by Kinley on behalf of the Company.

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

	<u>Three Months Ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
King & Bay	\$ 32	\$ 140
Kinley	\$ 257	\$ 28

As of March 31, 2019, amounts accrued and due to key management personnel and other related parties include the following:

- Corporate officers - \$232 (December 31, 2018 - \$392)
- King & Bay - \$21 (December 31, 2018 - \$12)
- Kinley - \$115 (December 31, 2018 - nil)

**9. 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.

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## **10. FINANCIAL INSTRUMENTS**

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.

This note presents 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. 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.

#### *Foreign exchange (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 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 balance 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. 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.

Interest rate risk on cash and cash equivalents is minimal because these investments generally have a fixed interest rate.

#### *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 (derivative liability).

### 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, tax receivables 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. The Company's receivables consist mainly of input tax credits receivable from the Government of Canada.

### Liquidity Risk

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

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As of March 31, 2019, the Company has cash and cash equivalents of \$33,279 to settle current liabilities of \$11,667.

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, and amounts due to related parties approximate their fair values due to the short-term maturity of these financial instruments.

The following table presents the Company's financial assets and liabilities by level within the fair value hierarchy.

As of March 31, 2019	Carrying value			Fair value		
	FVTPL	Amortized cost	Other financial liabilities	Level 1	Level 2	Level 3
<b>Financial assets</b>						
Cash and cash equivalents	\$ -	\$ 33,279	\$ -	\$ -	\$ -	\$ -
Restricted cash	-	3,304	-	-	-	-
	\$ -	\$ 36,583	\$ -	\$ -	\$ -	\$ -
<b>Financial liabilities</b>						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 11,165	\$ -	\$ -	\$ -
Amounts due to related parties	-	-	368	-	-	-
Restricted share units	32	-	-	-	32	-
Derivative liabilities	14,181	-	-	-	-	14,181
	\$ 14,213	\$ -	\$ 11,533	\$ -	\$ 32	\$ 14,181

**11. SUBSEQUENT EVENTS**

In April, the Company received the next tranche of \$15 million from the Project Financing package.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2019**

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Management’s Discussion and Analysis (“MD&A”) is as of May 14, 2019 and relates to the financial condition of Excelsior Mining Corp. and its subsidiaries (“Excelsior” or the “Company”) as of March 31, 2019. The MD&A supplements and complements Excelsior’s unaudited Condensed Consolidated Interim Financial Statements for the three months ended March 31, 2019 (the “Consolidated Financial Statements”) and related notes. Other relevant documents to be read with this MD&A include the Audited Consolidated Financial Statements for the year ended December 31, 2018, and the Annual Information Form (“AIF”) for the year ended December 31, 2018. Comparison of the financial results in this MD&A is provided to either the three months ended March 31, 2018, or the year ended December 31, 2018. Readers are cautioned that the 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 included with this MD&A and to consult the Company’s Audited Consolidated Financial Statements for the year ended December 31, 2018 and related notes, which are available on the Company’s website at [www.excelsiormining.com](http://www.excelsiormining.com), and on the SEDAR website at [www.sedar.com](http://www.sedar.com). The unaudited Consolidated Financial Statements for the three months ended March 31, 2019 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. All dollar amounts are expressed and presented in thousands of United States dollars (unless otherwise noted). Canadian dollars are expressed as “CAD\$”.

This MD&A contains forward-looking statements and should be read in conjunction with the factors described in “Risk Factors” and “Forward Looking Information” presented later in this MD&A.

**APPROVAL**

The Board of Directors of Excelsior Mining Corp. has approved the disclosure contained in this MD&A as of May 14, 2019.

**DESCRIPTION OF BUSINESS**

Excelsior is a mineral exploration and development company that is advancing the Gunnison Copper Project (“Gunnison Project”) located within the copper porphyry belt of southeast Arizona. Excelsior was incorporated under the *Business Corporations Act* of British Columbia on June 9, 2005. The Company is listed on the Toronto Stock Exchange (“TSX”) under the symbol “MIN”, the top-tier over-the-counter market (“OTCQX”) under the symbol “EXMGF”, and the Frankfurt Stock Exchange under the symbol “3XS”.

The Gunnison Project is a fully-permitted in-situ recovery copper extraction project. Excelsior announced the start of construction in December 2018. During the three months ended March 31, 2019, the Company has advanced the drilling of the wellfield, and started building out the infrastructure including the equipment necessary to upgrade the adjacent Johnson Camp mine (“JCM”) Solvent Extraction and Electrowinning (“SX-EW”) plant.

In addition to the Gunnison Project construction activities, the Company is continuing the property care and maintenance of the JCM heap leach pad. See discussion below for additional details.

**COPPER STREAM**

On November 30, 2018 the Company finalized an agreement for a \$75.0 million project financing package (“Project Financing”, or “copper stream” or “copper stream derivative liability”) with Triple Flag Mining Finance Bermuda Ltd. (“Triple Flag”).

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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.

As of March 31, 2019, the Company has received \$20.0 million of the \$75.0 million project financing, consisting of \$10.0 million of the \$65.0 million copper stream, and \$10.0 million in equity financing. No funds were advanced by Triple Flag during the three-month period ended March 31, 2019. In April 2019, \$15.0 million was received and the remaining stream funding as of the date of this MD&A is \$40.0 million.

The Company determined that the Project Financing, in its current form, is a derivative liability for accounting purposes. As such, at the end of each reporting period, the fair value of the copper stream and the warrants are calculated, and the difference in fair value from the previous reporting period is recognized as a gain or loss in the consolidated statement of loss and comprehensive loss.

**GUNNISON PROJECT CONSTRUCTION**

The following is a summary of the key information and construction activities that are currently underway on the Gunnison Project.

**Safety**

The Gunnison Project has had no lost time incidents as of May 14, 2019 to any employees or contractors for 162 days.

**Staffing**

Key management, technical and administrative personnel have been contracted or hired for the initial construction phase and will ramp-up accordingly in order to operate the production facility at JCM. The administrative offices have also been fully refurbished. The number of employees at JCM as of March 31, 2019 totaled 53 individuals, and as of the date of this MD&A totals 63.

**Wellfield Drilling and Infrastructure**

The wellfield has been designed to provide maximum operational flexibility including reversing injection and recovery wells and adjustable flowrates to maximize copper production. The contract drilling program continues to advance with two drilling contractors and up to five drill rigs on site. A total of 57 wells, including 41 production wells and 16 compliance wells totaling approximately 73,440 feet will be completed. The significant number of compliance wells will ensure groundwater monitoring according to state and federal regulatory requirements. Drilling of the production wellfield is expected to be completed by July 2019. The initial wellfield area will be 400 feet by 400 feet with a spacing of approximately 70 feet between injection and production wells. As of March 31, 2019, we have drilled 20 production wells and 6 compliance wells, which are in various stages of completion.

**Access Road Construction**

An additional access road south of the Interstate 10 Highway has been installed. Access to the production wellfield has been improved and overall transport efficiencies have been upgraded. The Gunnison Project is located near all critical infrastructure components such as road, rail, power and water.

**Pipeline Distribution and Infrastructure**

Construction of the pipeline corridor connecting the processing facilities at JCM to the wellfield is expected to be completed before the end of July 2019. A two-mile high-density polyethylene (HDPE) pipeline corridor will safely transport solution between the JCM processing facilities and the Gunnison wellfield. Jack and bore, the method of horizontal drilling that is being employed to install a pipeline under the Interstate 10 Highway, is currently underway.

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**JCM SX-EW Plant Upgrades**

Upgrades to the JCM processing facilities include enhanced controls and instrumentation, new rectifiers, increased solution heating capacity as well as other modifications that are expected to allow the Gunnison Project to produce Grade A, 99.999% pure copper cathode. The civil works for the facility upgrades is currently over 80% complete. Electrical grounding is underway and new facility piping is nearing completion. The new rectifiers are expected to be on site in July 2019.

**Electrical Distribution and Infrastructure**

Electrical distribution to the wellfield includes moving and utilizing the existing substation near the JCM crushing facilities that have been under care and maintenance during the exploration and permitting phases. The electric power pole and line installation is currently underway.

**Process Pond Upgrades and Completions**

The existing ponds are being modified to accommodate the copper solutions from the wellfield. Additional pregnant leach solution (PLS) capacity is also being created to provide operational flexibility for copper production. Excavation and construction of the evaporation and PLS ponds is underway.

**New Acid Storage Facilities**

These new facilities have been designed to enable the Company to store sulfuric acid and provide operational flexibility. The general contractor has completed the tank foundations, finished casting the concrete containment slab and began forming and pouring concrete for the acid tank containment walls. The tank erection contractor has also started to erect the storage tanks.

Total capitalized expenditures including accruals on the Gunnison Project as of March 31, 2019 were \$18,983.

**OUTLOOK**

Construction of the Gunnison Project is expected to be completed in the third quarter 2019 and copper production is expected to begin in the fourth quarter 2019.

Total capitalized expenditures forecast for the Gunnison Project in 2019 is approximately \$72.0 million.

**SELECTED QUARTERLY INFORMATION**

The following table summarizes selected financial information for the Company for each of the past eight quarters ending March 31, 2019:

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>September 30, 2018</b>	<b>June 30, 2018</b>
Net loss for the period	\$ (6,633)	\$ (732)	\$ (4,148)	\$ (3,516)
Loss per share (basic and diluted)	(0.03)	(0.00)	(0.02)	(0.02)
Total assets	76,097	68,364	38,534	41,453

	<b>March 31, 2018</b>	<b>December 31, 2017</b>	<b>September 30, 2017</b>	<b>June 30, 2017</b>
Net loss for the period	\$ (3,739)	\$ (2,612)	\$ (2,446)	\$ (2,301)
Loss per share (basic and diluted)	(0.02)	(0.02)	(0.01)	(0.01)
Total assets	44,803	34,851	18,492	21,002

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The net loss for the last eight quarters has steadily increased as the Company has advanced the Gunnison Project from exploration and evaluation, through feasibility and sustainability, and project advancement stages. The care and maintenance costs of the JCM facilities has remained relatively constant over the previous eight-quarter period. The net loss for the quarter-ended March 31, 2019 of \$6,633 included a non-cash loss of \$4,399 for revaluation of the copper stream derivative liability. The net loss for the quarter ended December 31, 2018 was lower than the previous six quarters as the Company recognized a gain on the sale of a royalty option of \$3,783. In addition, the Company began capitalizing Gunnison Project costs on December 1, 2018.

The quarterly results presented above do not necessarily reflect any recurring expenditure patterns or predictable future trends. With the exception of the most recent two quarters, the net loss by quarter has trended higher due to the gradual ramp-up and increase in costs associated with advancing the Gunnison Project through the permitting, financing and construction-readiness stages. During 2017, the Company maintained a relatively constant level of quarterly spending while shifting the focus of its activities from acquiring JCM, to pre-feasibility and feasibility filings, and to permitting activities and project advancement.

The Company has been in an exploration and project advancement phase, and as a result has not generated any revenues in each of the last eight quarters.

**REVIEW OF FINANCIAL RESULTS**

**Three months ended March 31, 2019 compared to the three months ended March 31, 2018:**

For the three-months ended March 31, 2019 the Company's net loss was \$6,633 (\$0.03 per share) compared to a net loss of \$3,739 (\$0.02 per share) for the three-months ended March 31, 2018. The higher net loss for the three-month period ended March 31, 2019 as compared to the same period of 2018 resulted primarily from a non-cash loss of \$4,399 arising from the change in fair value of the copper stream derivative liability. Partly offsetting this is the absence of project advancement costs that were incurred during the comparable three-month period of 2018 for the Gunnison Project, which were expensed in accordance with the Company's accounting policy.

Significant changes in the "Expenses" categories listed in the consolidated statements of loss and comprehensive loss for the three-months ended March 31, 2019 and 2018 are described below:

For the three-months ended March 31, 2019 the Company incurred JCM holding and maintenance costs of \$162 (2018 - \$823). For the 2018 period, these costs are primarily employee salaries, wages and benefits, utilities, property taxes, insurance, plant and equipment maintenance, and environmental compliance costs. For the 2019 period, these costs are being capitalized as Gunnison Project construction costs, except for property taxes and costs which are related to the care and maintenance of the heap leach pad. After construction is completed, and the Gunnison Project is in production, all the above costs will be included in operating costs.

For the three months ended March 31, 2019 the Company incurred project advancement costs of nil (2018 - \$999) directly related to the Gunnison project construction readiness activities. During the 2018 period, these costs include project employee ramp-up related costs including compensation, and technical services for detailed engineering and planning for the SX-EW upgrades and wellfield infrastructure. Costs were lower in the three-month period ended March 31, 2019 as compared to the same period of 2018 due to completion of construction-readiness activities at the end of November 2018. All Gunnison Project advancement costs are capitalized as construction-in-progress beginning December 1, 2018.

For the three months ended March 31, 2019 evaluation and permitting expenses incurred on the Gunnison Project amounted to \$65 (2018 - \$370). The costs for the three-months ended March 31, 2019 were lower than

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the comparable period of 2018 as permitting activities were completed in 2018. The costs in the current 2019 quarter represent ongoing compliance costs at JCM.

Office and administration expenses for the three-months ended March 31, 2019 were \$298 compared to \$220 during the same period of the prior year. The increase of \$78 was primarily due to a higher level of corporate management and administrative support for the Gunnison Project.

Directors' and officers' fees incurred during the three months ended March 31, 2019, were \$566 compared to \$384 during the same period of the prior year, representing an increase of \$182. Higher directors' and officers' fees resulted from an increase in executive compensation.

During the three months ended March 31, 2019, the Company incurred share-based compensation expense of \$713 (2018 – \$227). The increase in non-cash share-based compensation expense of \$486 is primarily due to stock options granted to directors and officers, and management personnel.

Significant changes in the "Other Items" listed in the consolidated statements of loss and comprehensive loss for the three-months ended March 31, 2019 and 2018 are described below:

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 Monte Carlo simulation in generating future copper revenue for purposes of valuing the stream obligation at March 31, 2019 include: the copper forward price curve (based on COMEX futures), long-term copper volatility of 23%, a risk-free rate of return of 2.53% and an income tax rate of 30%. The valuation of the copper stream also requires estimation of the Company's nonperformance or credit risk, the Company's expansion plans, and the anticipated production schedule of copper pounds delivered over the life of the mine. During the three months ended March 31, 2019, the non-cash loss of \$4,399 for revaluation of the derivative liability was primarily driven by an 8 percent increase in the copper price input used in the valuation model.

During the three-months ended March 31, 2019, the Company realized interest income of \$121 versus interest income of \$50 for the comparable period of 2018. Interest income was higher in 2019 compared to the same period of 2018 mainly due to an increase in interest income on cash investments from the Company's overall higher cash balance in 2019.

Other income for both of the three-month comparable periods represent sales of waste rock material from JCM.

**LIQUIDITY AND CAPITAL RESOURCES**

The Company had cash and cash equivalents of \$33,279 as of March 31, 2019 (December 31, 2018 - \$44,168). Cash and cash equivalents decreased \$10,889 during the three months ended March 31, 2019 compared to an increase of \$9,565 for the same period in 2018 primarily due to the outflow of cash for Gunnison Project construction costs during the current 2019 period, and the inflow of cash from financing activities during the three-month period of 2018.

Net cash used in operating activities for the three months ended March 31, 2019 was \$2,288 compared to \$2,970 for the same period of 2018. The cash outflow in operating activities decreased slightly in the three-month period of 2019 compared to the same period of 2018 mainly as a result of the Gunnison Project advancing into the construction stage in December 2018. Project advancement is an operating activity in 2018, whereas the Gunnison Project costs are an investing activity in 2019.

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Net cash used in investing activities for the three months ended March 31, 2019 was \$8,619 compared to net cash used of \$195 for the same period of 2018. The net cash used in 2019 was the result of cash expenditures for the Gunnison Project construction costs.

Net cash provided by financing activities for the three months ended March 31, 2019 was nil compared to \$12,737 for the three-month period of 2018. During 2018, the Company received \$12,737 in net proceeds from a private equity placement.

The Company had working capital of \$23,161 at March 31, 2019 (December 31, 2018 – \$42,355). The decrease in working capital primarily resulted from the decrease in cash discussed above. The increase in accounts payable and accrued liabilities of \$8,639 resulted from construction work completed on the Gunnison Project.

The Company is currently proceeding with construction activities on the Gunnison Project as scheduled and continues to incur JCM holding and maintenance costs related to the heap leach pad. With the completion of the Project Financing and private equity placements in 2018, the Company expects to have enough funds to cover the construction costs of the first phase of the Gunnison Project and to meet its estimated annual corporate costs for at least the next year. Additional funding from Triple Flag will be advanced according to the terms of the financing arrangement in order to complete construction of the Gunnison Project. No funds were advanced by Triple Flag during the three-month period ended March 31, 2019, \$15.0 million was received in April 2019 and the remaining copper stream funding is \$40.0 million.

As of March 31, 2019, the Company did not have any pre-arranged sources of financing except for the Triple Flag agreement.

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**STATEMENT OF FINANCIAL POSITION INFORMATION**

The following is a summary of the Company's interim financial position at March 31, 2019 compared to the annual statement of financial position at December 31, 2018.

	<b>As at March 31, 2019</b>	<b>As at December 31, 2018</b>
Cash and cash equivalents	\$ 33,279	\$ 44,168
Receivables	222	177
Prepaid expenses	932	903
Materials and supplies	395	286
Property, plant and equipment	37,965	19,526
Restricted cash	3,304	3,304
<b>Total Assets</b>	<b>\$ 76,097</b>	<b>68,364</b>

	<b>As at March 31, 2019</b>	<b>As at December 31, 2018</b>
Accounts payable and accrued liabilities	\$ 11,165	\$ 2,526
Amounts due to related parties	368	404
Restricted share units	32	249
Lease liabilities (current and long-term)	217	-
Derivative liability	14,181	9,782
Asset retirement obligation	9,930	9,456
Capital stock	89,126	88,916
Other equity reserves	7,590	6,910
Deficit	(55,683)	(49,050)
Accumulated other comprehensive loss	(829)	(829)
<b>Total Liabilities and Equity</b>	<b>\$ 76,097</b>	<b>\$ 68,364</b>

**Assets**

Cash and cash equivalents decreased by \$10,889 during the three months ended March 31, 2019 as previously discussed in "Liquidity and Capital Resources" above.

The increase of \$18,439 in Property, plant and equipment at March 31, 2019 primarily reflects capitalized expenditures and accruals for Gunnison Project construction.

**Liabilities**

Accounts payable and accrued liabilities increased by \$8,639 for the three months ended March 31, 2019, mainly resulting from the increase in expenditures related to the construction activities on the Gunnison Project.

Derivative liability of \$14,181 at March 31, 2019 consists of the fair value of the copper stream (\$13,106) and the fair value of the common share purchase warrants (\$1,075).

The increase in the asset retirement obligation ("ARO") of \$474 for the three months ended March 31, 2019 is due to an addition of \$403 for additional reclamation costs for Gunnison Project activity during the three-month period, and \$71 for the accretion of the ARO estimate at December 31, 2018.

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**Equity**

During the three months ended March 31, 2019, the other equity reserves account increased by \$680 primarily as a result of share-based compensation expense of \$713.

**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:

<b>Security Description</b>	<b>March 31, 2019</b>	<b>Date of report</b>
Common shares	238,657,960	238,657,960
Stock options	17,025,000	16,925,000
Warrants	3,500,000	3,500,000
Restricted share units	100,000	100,000

During the three months ended March 31, 2019 a total of 276,303 common shares were issued, summarized as follows:

- During the three months ended March 31, 2019, the Company issued a total of 88,803 common shares from stock options exercised.
- On January 8, 2019, the Company issued 187,500 common shares for the vesting of restricted share units.

**Contractual Obligations**

The Company has the following contractual obligations as of March 31, 2019:

<b>Contractual Obligations</b>	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>4-5 years</b>	<b>After 5 years</b>
Asset retirement obligation <sup>(1)</sup>	\$12,465	-	-	-	\$12,465
Lease agreements	\$ 244	\$ 110	\$ 134	-	-
Purchase obligations	\$27,330	\$ 27,330	-	-	-
<b>Total contractual obligations</b>	<b>\$40,039</b>	<b>\$ 27,440</b>	<b>\$ 134</b>	<b>-</b>	<b>\$12,465</b>

<sup>(1)</sup> Classification of such amounts is based on estimates of when reclamation work will be performed. Amounts represent undiscounted estimates and are not reflective of inflation.

**Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

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**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 (“CEO”), Chief Operating Officer and Senior Vice President & Chief Financial Officer (“CFO”).

Remuneration attributed to key management personnel is summarized as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
Salaries, fees and benefits	\$ 573	\$ 305
Share-based compensation	660	1
<b>Total</b>	<b>\$ 1,233</b>	<b>\$ 306</b>

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, the Chairman of the Company, which employs or retains certain officers and personnel of the Company. King & Bay provides legal, 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 to King & Bay for the services of King & Bay personnel and for overhead and third-party costs incurred by King & Bay on behalf of the Company. The fees for such services were made on terms equivalent to those that King & Bay charges to arm’s length parties.

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 for the services of Kinley personnel and for out-of-pocket reimbursable expenses incurred by Kinley on behalf of the Company. The fees for such services were made on terms equivalent to those that Kinley charges to arm’s length parties.

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

	<b>Three Months ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
King & Bay	\$ 32	\$ 140
Kinley	\$ 257	\$ 28

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As of March 31, 2019, amounts accrued and due to key management personnel and other related parties include the following:

- Corporate officers - \$232 (December 31, 2018 - \$392)
- King & Bay - \$21 (December 31, 2018 - \$12)
- Kinley - \$115 (December 31, 2018 - Nil)

**ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS**

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2018, except for the adoption of IFRS 16, *Leases* ("IFRS 16"), which is effective January 1, 2019. A summary of the Company's significant accounting policies is provided in Note 2 to the audited consolidated financial statements for the year ended December 31, 2018 and 2017. A summary of the adoption of IFRS 16 is included in note 2 of the Company's condensed consolidated interim financial statements for the three-months ended March 31, 2019.

The preparation of the condensed consolidated interim 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, Critical Accounting Estimates and Judgments, of the audited consolidated financial statements for the year ended December 31, 2018 and 2017.

The Company applied judgment in determining that the copper stream arrangement, in its current form, is a derivative liability for accounting purposes. This judgment will be monitored as facts and circumstances change such as the exercise or expiry of the expansion and buyback options and the relationship of the metal deliverable under the arrangement to the Company's actual production.

**FINANCIAL INSTRUMENTS**

A summary of the Company's financial instruments is provided in Note 10 in the condensed consolidated interim financial statements for the three months ended March 31, 2019. As of March 31, 2019, the Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Market Risk

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

(a) Foreign exchange (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 would impact earnings (loss).

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The Company is exposed to currency risk through cash and cash equivalents, accounts payable and accrued liabilities which are denominated in CAD\$. The Company has not hedged its exposure to currency fluctuations at this time.

(b) Interest Rate Risk

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

Interest rate risk on cash and cash equivalents is minimal because these investments have a fixed yield rate.

(c) Commodity Price risk

The Company is exposed to price risk with respect to commodity prices as this impacts the valuation of the copper stream arrangement. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Credit risk

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

The Company's cash and cash equivalents are held at large North American financial institutions some of which are interest bearing accounts. The Company's receivables consist mainly of input tax credits receivable from the Government of Canada.

Liquidity Risk

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

As at March 31, 2019, the Company has cash and cash equivalents balance of \$33,279 to settle current liabilities of \$11,667.

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.

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

The copper stream obligation is recorded at fair value at each statement of financial position date as the Company determined that the obligation was in substance a debt instrument with an embedded derivative linked to copper commodity prices and interest rates. The Company elected to measure the stream obligation in its entirety at fair value through profit or loss.

The copper stream obligation was valued using a Monte Carlo simulation valuation model. The key inputs used by the Monte Carlo simulation in valuing the copper stream obligation includes the copper forward price curve based on the COMEX futures, long-term copper volatility, call option exercise prices and risk-free rate of return.

The valuation of the copper stream obligation also requires estimation of the Company's nonperformance or credit risk and the anticipated production schedule of copper pounds delivered over the life of the mine.

## **CONTROLS AND PROCEDURES**

### **Disclosure Controls and Procedures**

Management of the Company is responsible for establishing and maintaining disclosure controls and procedures. Management has designed such disclosure controls and procedures, or caused them to be designed under its supervision, to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to the CEO and the CFO by others within those entities.

The CEO and CFO have certified that they have designed disclosure controls and procedures (or caused them to be designed under their supervision) and they are operating effectively to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries is made known to them by others within those entities as of March 31, 2019.

### **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 safe-guarded and financial information is accurate and reliable and in accordance with IFRS.

During the three months ended March 31, 2019, 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

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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.

**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 above, are discussed in the MD&A and the AIF each for the year ended December 31, 2018.

**ADDITIONAL INFORMATION**

Additional disclosure concerning the Company, including the Annual Information Form ("AIF") for the year ended December 31, 2018, is available on the SEDAR website, [www.sedar.com](http://www.sedar.com).

**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) the future effects of environmental compliance requirements on the business of the Company; and (v) the statements under the heading "Outlook" in this MD&A, including statements about the construction of the Gunnison Project and 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 resource estimates, copper and other metal prices, the timing and amount of future exploration and development expenditures, the estimation of initial and sustaining capital requirements, the estimation of labor and operating costs, the availability of necessary financing and materials to continue to explore and develop the Gunnison Project in the short and long-term, the progress of development activities, the receipt of necessary regulatory approvals and permits, the estimation of insurance coverage, and assumptions with respect to currency fluctuations, environmental risks, title 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 Annual Information Form for the year ended December 31, 2018:

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- risks relating to the fact that the Company depends on a single mineral project;
- 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;
- 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 lower prices;
- financing, capitalization and liquidity risks, including the risk that the financing necessary to fund the future 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 related to the Company obtaining 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;
- operational risks inherent in the conduct of mining activities, including the risk of accidents, labor disputes, increases in capital and operating costs and the risk of delays or increased costs that might be encountered during the development process;
- risks related to the significant governmental regulation that the Company is subject to;
- environmental risks;
- climate change risks;
- 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 conflicting interests among the Company's directors and officers;
- exchange rate fluctuations between the Canadian and United States dollar;
- the absence of dividend payments;
- uncertainties inherent in the estimation of mineral resources;
- risks related to current global financial conditions;
- land reclamation requirements may be burdensome;
- risks associated with the acquisition of any new properties;
- the Company may become subject to legal proceedings; and
- risks relating to the Company's Common Shares.

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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.

**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.**

**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 National Instrument 43-101. Mr. Twyerould has reviewed and approved the technical information contained in this MD&A.

Additional information about the Gunnison Project can be found in the technical report filed on SEDAR at [www.sedar.com](http://www.sedar.com) entitled: "Gunnison Copper Project, NI 43-101 Technical Report, Feasibility Study" dated effective December 17, 2016.

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

This MD&A has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws. Unless otherwise indicated, all resource and reserve estimates included in this MD&A have been prepared in accordance with Canadian National Instrument 43-101 ("NI 43-101") and the Canadian Institute of Mining and Metallurgy Classification System. NI 43-101 is a rule developed by the Canadian Securities Administrators which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects.

Canadian standards, including NI 43-101, differ significantly from the requirements of the United States Securities and Exchange Commission ("SEC"), and resource information contained herein may not be comparable to similar information disclosed by U.S. companies. In particular, and without limiting the generality of the foregoing, the term "resource" does not equate to the term "reserves". Under U.S. standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. The SEC's disclosure standards normally do not permit the inclusion of information concerning "measured mineral resources", "indicated mineral resources" or "inferred mineral resources" or other descriptions of the amount of mineralization in mineral deposits that do not constitute "reserves" by U.S. standards in documents filed with the SEC. U.S. investors should also understand that "inferred mineral resources" have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an "inferred mineral resource" will ever be upgraded to a higher category. Under Canadian rules, estimated "inferred mineral resources" may not form the basis of feasibility or pre-feasibility studies. Investors are cautioned not to assume that all or any part of an "inferred mineral resource" exists or is economically or legally mineable. Disclosure of "contained ounces" in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in place tonnage and grade

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without reference to unit measures. The requirements of NI 43-101 for identification of “reserves” are also not the same as those of the SEC. Accordingly, information concerning mineral deposits set forth herein may not be comparable with information made public by U.S. companies subject to the reporting and disclosure requirements of the SEC.