Excelsior MINING CORP

CONDENSED CONSOLIDATED INTERIM

FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(Unaudited)

(Expressed in US Dollars)

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

	Note		June 30, 2018		December 31, 2017
ASSETS					
Current assets					
Cash and cash equivalents		$	**22,300,371**	$	16,677,002
Prepaid expenses			**190,833**		21,384
Receivables			**126,024**		70,735
			22,617,228		16,769,121
Property, plant and equipment	**3**		**18,168,944**		17,859,495
Long term deposits	**4**		**666,790**		222,790
		$	**41,452,962**	$	34,851,406
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable and accrued liabilities		$	**857,445**	$	473,117
Amounts due to related parties	**7**		**67,738**		53,959
			925,183		527,076
Asset retirement obligation	**5**		**9,305,694**		9,179,928
			10,230,877		9,707,004
Equity					
Capital stock	**6**		**70,093,149**		57,210,709
Other equity reserves	**6**		**6,128,419**		5,678,311
Deficit			**(44,170,487)**		(36,915,622)
Accumulated other comprehensive loss			**(828,996)**		(828,996)
			31,222,085		25,144,402
		$	**41,452,962**	$	34,851,406

Commitments **10**

Approved on August 14, 2018 on behalf of the Board of Directors:

"Jim Kolbe" Director — *"Fred DuVal"* Director
Jim Kolbe — Fred DuVal

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

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

	Note	Three Months Ended June 30,		Six Months Ended June 30,	
		2018	2017	**2018**	2017
Johnson Camp holding and maintenance cost		**$ 804,406**	$ 861,436	$ 1,627,588	$ 1,663,449
Project advancement		**1,222,121**	-	2,220,490	-
Exploration and evaluation		**421,175**	525,164	791,527	1,011,391
Office and administration		**283,510**	93,218	503,618	270,969
Professional fees		**28,888**	317,760	548,136	418,869
Directors and officers fees		**318,488**	285,197	702,138	576,899
Investor relations		**123,321**	126,444	258,217	213,442
Share-based compensation	**6**	**299,959**	68,916	527,008	131,336
Regulatory fees		**4,616**	37,035	43,954	166,420
Depreciation		**61,615**	33,301	123,301	67,963
Other items					
Net financing (income) expense		**98,698**	45,957	111,791	91,914
Foreign exchange loss		**9,893**	(3,420)	16,940	(5,653)
(Gain) on disposal of assets		**(5,930)**	-	(5,930)	-
Other (income) loss		**(154,757)**	(90,382)	(213,913)	(171,563)
Loss and comprehensive loss for the period		**$ (3,516,003)**	$ (2,300,626)	$ (7,254,865)	$ (4,435,436)
Loss per common share:					
Basic and diluted		**$ (0.02)**	$ (0.01)	$ (0.04)	$ (0.03)
Weighted average number of common shares outstanding:					
Basic and diluted		**206,392,041**	167,463,952	204,723,876	167,439,508

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

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

		2018		2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	$	(7,254,865)	$	(4,435,436)
Items not affecting cash:				
Depreciation		123,301		67,963
Accretion		125,766		58,914
Share-based compensation		527,008		131,336
Unrealized loss (gain) on foreign exchange		16,940		(5,653)
Non-cash working capital item changes:				
Receivables		(55,289)		(2,715)
Amounts due to related parties		13,779		(15,716)
Prepaid expenses		(169,450)		34,627
Accounts payable and accrued liabilities		384,328		111,440
Net cash used in operating activities	$	(6,288,482)	$	(4,055,240)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of equipment		(432,749)		-
Purchase of reclamation bond		(444,000)		-
Net cash used in investing activities	$	(876,749)	$	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of common shares		12,800,000		-
Share Issuance costs		(55,495)		-
Proceeds from stock option exercises		61,035		20,920
Net cash provided by financing activities	$	12,805,540	$	20,920
Net change in cash and cash equivalents		5,640,309		(4,034,320)
Effect of foreign exchange on cash and cash equivalents		(16,940)		5,653
Cash and cash equivalents, beginning of the period	$	16,677,002	$	11,622,701
Cash and cash equivalents, end of the period	$	22,300,371	$	7,594,034
Cash and cash equivalents consist of:				
Cash	$	22,300,371	$	7,594,034
Supplemental cash flow disclosures:				
Interest Paid	$	-	$	48,000

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 PERIODS ENDED JUNE 30, 2018 AND 2017
(Unaudited)
(Expressed in US Dollars)

	Capital Stock Number of Common Shares Voting		Amount		Other Equity Reserves (Note 4)		Deficit		Accumulated Other Comprehensive Loss		Total
Balance, December 31, 2016	**167,363,952**	**$**	**40,889,361**	**$**	**5,337,733**	**$**	**(27,421,619)**	**$**	**(828,996)**	**$**	**17,976,479**
Stock options exercised	100,000		22,535		(1,616)		-		-		20,919
Share-based compensation	-		-		131,336		-		-		131,336
Loss for the period	-		-		-		(4,435,436)		-		(4,435,436)
Balance, June 30, 2017	**167,463,952**	**$**	**40,911,896**	**$**	**5,467,453**	**$**	**(31,857,055)**	**$**	**(828,996)**	**$**	**13,693,298**
Balance, December 31, 2017	**189,881,952**	**$**	**57,210,709**	**$**	**5,678,311**	**$**	**(36,915,622)**	**$**	**(828,996)**	**$**	**25,144,402**
Private placement	16,467,200		12,800,000		-		-		-		12,800,000
Share issuance costs	-		(55,495)		-		-		-		(55,495)
Stock options exercised	290,000		137,935		(76,900)		-		-		61,035
Share-based compensation	-		-		527,008		-		-		527,008
Loss for the period	-		-		-		(7,254,865)		-		(7,254,865)
Balance, June 30, 2018	**206,639,152**	**$**	**70,093,149**	**$**	**6,128,419**	**$**	**(44,170,487)**	**$**	**(828,996)**	**$**	**31,222,085**

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

1. NATURE OF OPERATIONS

Excelsior Mining Corp. (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on June 9, 2005 and was classified as a Tier 1 issuer on the TSX Venture Exchange. On February 2, 2017, the Company commenced trading on the Toronto Stock Exchange and 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 is currently in the final stages of completing the permitting activities associated with the Gunnison Project as scheduled, is continuing to fund the care and maintenance and holding costs of the Johnson Camp Mine and is preparing for the beginning of the Gunnison Project construction activities. On January 19, 2018, the Company closed the second tranche of its 2017 Private Placement as discussed in note 3 of these condensed consolidated interim financial statements and received gross proceeds of $12.8 million.

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.

All dollar figures are expressed in United States dollars unless otherwise indicated. Canadian dollars are expressed as "CAD$".

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, 2017.

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, 2017, except for the adoption of IFRS 9, Financial Instruments, which was effective and has been applied from January 1, 2018 as discussed in the condensed interim consolidated financial statements for the three-months ended March 31, 2018.

(Expressed in US Dollars)

3. PROPERTY, PLANT AND EQUIPMENT

Details are as follows:

	Plant	Land	Vehicles & Mobile Equipment	Computer, Software & Other Equip.	Total
Cost					
At January 1, 2017	12,860,346	93,798	115,440	355,986	13,425,570
Additions	74,102	-	-	31,907	106,009
ARO Change in Estimate	4,761,267	-	-	-	4,761,267
At December 31, 2017	17,695,715	93,798	115,440	387,893	18,292,846
Accumulated Depreciation					
At January 1, 2017	-	-	(57,720)	(243,805)	(301,525)
Depreciation	(47,964)	-	(57,720)	(26,142)	(131,826)
At December 31, 2017	(47,964)	-	(115,440)	(269,947)	(433,351)
Net carrying amount	**17,647,751**	**93,798**	**-**	**117,946**	**17,859,495**
Cost					
At January 1, 2018	17,695,715	93,798	115,440	387,893	18,292,846
Additions	114,299	-	184,500	133,950	432,749
At June 30, 2018	17,810,014	93,798	299,940	521,843	18,725,595
Accumulated Depreciation					
At January 1, 2018	(47,964)	-	(115,440)	(269,947)	(433,351)
Depreciation	(92,386)	-	(21,601)	(9,314)	(123,301)
At June 30, 2018	(140,350)	-	(137,041)	(279,260)	(556,651)
Net carrying amount	**17,669,664**	**93,798**	**162,899**	**242,583**	**18,168,944**

Johnson Camp Mine (“JCM”)

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

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

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

As at June 30, 2018, the Company has paid the Initial, First and Final Instalments totaling $8.4 million. All of the Company’s JCM acquisition obligations related to the secured interest bearing promissory note have been met.

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

Share Purchase and Royalty Agreement

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

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

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

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

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

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

Development Milestones

1% of the additional GRR was staged and based upon the Company meeting specific development milestones. By the second quarter of 2016, the Company had achieved both development milestones, however Callinan did not exercise its option to acquire the associated additional GRR. As a result, there are no remaining royalty options associated with the development milestones.

Construction Option

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

2017 Private Placement

On December 21, 2017 the Company closed the first tranche of its non-brokered 2017 Private Placement and the Company issued 22,168,000 common shares at a price of CAD$1.00 per common share for gross proceeds of CAD$22,168,000 (approximately $17.4 million).

The second and final tranche of the 2017 Private Placement consisted of an additional 16,467,200 common shares at a price of CAD$1.00 for gross proceeds of CAD$16,467,200 (approximately $12.8 million). The second tranche of the 2017 Private Placement was subscribed exclusively by an affiliate of Greenstone and closed on January 19, 2018.

As a result of the first tranche of the 2017 Private Placement the Company recorded an increase in Capital stock of $16,214,104 for the year ended December 31, 2017 and the second tranche resulted in an increase in Capital Stock of $12,744,505 for the period ended June 30, 2018.

(Expressed in US Dollars)

4. LONG TERM DEPOSITS

During the year ended December 31, 2015, and as part of the Johnson Camp Transaction, the Company obtained $556,976 in surety bonds which were required by an Arizona State government agency and an Arizona based electric cooperative. In 2015 the Company funded $222,790 of cash collateral into a trust account for the related surety bond. In May 2018, the Company funded a reclamation bond in the amount of $444,000. This bond was required as part of the Mined Land Reclamation Plan for the JCM. The above bonds represent the long-term deposits of $666,790 as of June 30, 2018.

5. ASSET RETIREMENT OBLIGATION

As part of its acquisition of the JCM assets, the Company received the associated environmental permits of JCM. These permits require the completion of certain reclamation and closure cost obligations associated with JCM, which were recorded as an asset retirement obligation ("ARO").

As a part of the Company's process of revising and updating the JCM operating and reclamation permits, during the fourth quarter of 2017, the Company performed a more detailed analysis of the estimated JCM reclamation and closure costs which resulted in a revised estimated net present value of $9,179,928. This new estimate resulted in an adjustment to the ARO liability of $4,761,267 primarily for the reclamation of the existing shutdown JCM heap leach stockpile. The Company does not anticipate incurring any of the JCM reclamation costs until the end of the projected Gunnison Project operations. The Company recorded $125,766 of accretion expense related to the ARO for the six-month period ended June 30, 2018 (June 30, 2017 - $58,914).

Reclamation activities are expected to begin on or about 30 years from the commencement date of Gunnison Project construction. The estimated undiscounted total reclamation and closure cost obligation is $11,095,400. A risk-free discount rate of 2.74% and an inflation rate of 2.11% have been used to calculate the estimated ARO obligation of $9.3 million at June 30, 2018 shown in the table below.

The following is a summary of the ARO activity for the year ended December 31, 2017 and the six-month period ended June 30, 2018:

		Asset Retirement Obligation
Balance, at December 31, 2016	**$**	**4,300,834**
Change in estimate		4,761,267
Accretion expense		117,827
Balance, at December 31, 2017	**$**	**9,179,928**
Accretion expense		125,766
Balance, at June 30, 2018	**$**	**9,305,694**

(Expressed in US Dollars)

6. CAPITAL STOCK AND OTHER EQUITY RESERVES

Common Shares

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

The following common shares were issued during the six-month period ended June 30, 2018:

- On January 19, 2018 the Company closed the 2017 Private Placement equity offering, issuing 16,467,200 common shares for gross proceeds of $12.8 million.
- On June 8, 2018 the Company issued 150,000 common shares for stock options exercised. The closing price of the Company's common shares that day was $1.10.
- On June 26, 2018 the Company issued 140,000 common shares for stock options exercised. The closing price of the Company's common shares that day was $0.83.

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. On June 28, 2018 shareholders of the Company approved an amended Plan. The former Plan allowed for a fixed number of shares authorized for issuance of 17,966,400. The amended 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 Performance Share Unit Plan (the "PSU Plan"), which were also approved by the Company's shareholders on June 28, 2018. The amended 2018 Plan, RSU Plan and PSU Plan are collectively referred to as the "Security-Based Compensation Plans".

The following is a summary of stock option activity for the year ended December 31, 2017 and the six-month period ended June 30, 2018:

	Number of Options	**Weighted Average Exercise Price ($CAD)**
Outstanding, December 31, 2016	**15,876,000**	**$0.22**
Exercised	(350,000)	$0.23
Forfeited	(140,000)	$0.32
Granted	1,100,000	$0.79
Outstanding, December 31, 2017	**16,486,000**	**$0.26**
Exercised	(290,000)	$0.44
Forfeited	(60,000)	$0.36
Granted	1,050,000	$1.15
Outstanding, June 30, 2018	**17,186,000**	**$0.37**
Exercisable, June 30, 2018	**10,861,000**	**$0.24**

(Expressed in US Dollars)

6. CAPITAL STOCK AND OTHER EQUITY RESERVES (Continued)

Stock Options (continued)

As at June 30, 2018, the following stock options were outstanding and exercisable:

Outstanding	Exercisable	Exercise Price	Remaining life (years)	Expiry Date
2,800,000	2,800,000	$0.25	0.50	December 31, 2018
6,486,000	6,486,000	CAD $0.30	0.50	December 31, 2018
500,000	500,000	CAD $0.26	1.31	October 20, 2019
250,000	250,000	CAD $0.25	1.42	December 1, 2019
200,000	200,000	CAD $0.30	2.15	August 19, 2020
4,500,000	-	CAD $0.23	2.46	December 16, 2020
100,000	100,000	CAD $0.23	2.46	December 16, 2020
200,000	150,000	CAD $0.63	3.45	December 9, 2021
200,000	100,000	CAD $0.77	3.59	January 31, 2022
200,000	100,000	CAD $0.83	3.90	May 24, 2022
200,000	50,000	CAD $1.18	4.11	August 10, 2022
200,000	50,000	CAD $1.20	4.23	September, 21,2022
300,000	75,000	CAD $1.15	4.47	December 19, 2022
200,000	-	CAD $1.15	4.57	January 24, 2023
300,000	-	CAD $1.11	4.59	February 1, 2023
100,000	-	CAD $1.25	4.65	February 22, 2023
150,000	-	CAD $1.29	4.75	April 9, 2023
300,000	-	CAD $1.43	4.88	May 15, 2023
17,186,000	10,861,000			

Share-based Compensation

The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yield, volatility factors of the expected market price of the Company's common shares, forfeiture rate, and expected life of the options. During the six-month period ended June 30, 2018, the Company recognized share-based compensation of $527,008 (June 30, 2017 - $131,336).

The following assumptions were used for the Black-Scholes valuation of stock options granted during the six-month period ended June 30, 2018:

	June 30, 2018
Risk-free interest rate	2.09%
Expected life of options	5.0 years
Annualized volatility	121.0 %
Dividend yield	0%

The risk-free interest rate is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected average term of the options is the average expected period to exercise, based on historical exercise activity. The annualized volatility is based on the historical volatility of the market price of the Company's common shares.

(Expressed in US Dollars)

6. CAPITAL STOCK AND OTHER EQUITY RESERVES (continued)

Restricted Share Units

The Company's RSU Plan 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. On the basis that it is the Company's option and intent to settle any RSU redemptions by the issuance of common shares from treasury, the RSU Plan is considered an equity-settled award plan.

During the six months ended June 30, 2018, the Company granted a total of 375,000 RSUs with a six-month vesting period.

A summary of the activity related to the Company's RSUs is provided below.

	Number
Balance, at December 31, 2017	**-**
Granted	375,000
Vested and redeemed	-
Balance, at June 30, 2018	**375,000**

During the six-month period ended June 30, 2018, the Company recorded compensation costs related to RSUs in the amount of $3,400 (2017 - $nil), which were classified as share-based compensation costs.

Performance Share Units

The Company's PSU Plan provides for the grant of restricted shares to employees, consultants, and officers of the Company. An individual performance share unit will have the same value as one common share. The number of PSUs 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 PSU 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 PSU.

Upon each vesting date, participants receive the issuance of common shares from treasury equal to the number of PSUs vesting, or a cash payment equal to the number of vested PSUs 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. On the basis that it is the Company's option and intent to settle any PSU redemptions by the issuance of common shares from treasury, the PSU Plan is considered an equity-settled award plan.

As of June 30, 2018, the Company had not granted any PSUs.

(Expressed in US Dollars)

7. RELATED PARTY TRANSACTIONS

Related parties and related party transactions are summarized below and include transactions with the following individuals or entities:

Key Management Personnel

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

Remuneration attributed to key management personnel is summarized as follows:

	Six Month Periods Ended June 30,			
		2018		**2017**
Share-based compensation	$	96,058	$	68,915
Salaries, fees and benefits*		677,901		575,868
	$	**773,959**	**$**	**644,783**

* Includes all salaries, 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 administrative, management, regulatory, legal, corporate development and corporate communications services to the Company. These services are provided to the Company on an as-needed basis and are billed based on the cost or value of the services provided to the Company. The 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:

	Six Month Periods Ended June 30,			
		2018		**2017**
King & Bay	$	281,910	$	176,407
Kinley		84,150		-

(Expressed in US Dollars)

7. RELATED PARTY TRANSACTIONS (Continued)

As at June 30, 2018, amounts accrued and due to key management personnel and other related parties include the following:

- Chief Operating Officer - $12,190 (December 31, 2017 - $nil)
- King & Bay - $55,548 (December 31, 2017 - $44,959)
- Kinley - $nil (December 31,2017 - $9,000)

8. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, which consists of the acquisition, exploration and development of mineral properties in North America.

Geographical information is as follows:

		As at June 30, 2018		As at December 31, 2017
Property, Plant and Equipment				
United States	$	18,029,087	$	17,819,597
Canada		139,857		39,898
	$	18,168,944	$	17,859,495

9. FINANCIAL INSTRUMENTS

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

As at June 30, 2018, the Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

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

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

Liquidity Risk

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

As at June 30, 2018, the Company has a cash and cash equivalents balance of $22,300,371 to settle current liabilities of $925,183.

(Expressed in US Dollars)

9. FINANCIAL INSTRUMENTS (Continued)

Interest Rate Risk

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 investments 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.

10. COMMITMENTS

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

Fiscal Year End		Office Lease Payments
2018		49,848
2019		98,850
2020		102,230
2021		43,188
Total	**$**	**294,116**

11. SUBSEQUENT EVENTS

On July 17, 2018:

- The Company issued 1,054,455 common shares for stock options that were exercised and received gross proceeds of $239,878; and
- The Company cancelled 445,545 stock options.

GENERAL

Management's discussion & analysis ("MD&A") is intended to supplement and complement the condensed consolidated interim financial statements of Excelsior Mining Corp. (the "Company" or "Excelsior"). The information provided herein should be read in conjunction with the Company's condensed consolidated interim financial statements and accompanying notes for the six-month period ended June 30, 2018 and the Company's audited consolidated financial statements and accompanying notes for the year ended December 31, 2017.

All dollar figures presented are expressed in the United States dollar unless otherwise noted.

The Company's 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*. 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.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems and procedures and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board of Directors' audit committee meets with management quarterly to review the financial statements, including the MD&A, and to discuss other financial and operating matters.

The reader is encouraged to review the Company statutory filings on www.sedar.com.

APPROVAL

The Board of Directors of Excelsior Mining Corp. has approved the disclosure contained in this MD&A as of August 14, 2018 and these disclosures are effective as of August 14, 2018.

DESCRIPTION OF BUSINESS AND OVERVIEW

Excelsior was incorporated under the *Business Corporations Act* (British Columbia) on June 9, 2005. The Company was listed on the TSX Venture Exchange ("TSX-V") under the symbol "MIN", Frankfurt Stock Exchange under the symbol "3XS", and on OTCQX under the symbol "EXMGF". On February 2, 2017, the Company commenced trading on the Toronto Stock Exchange and de-listed from the TSX-V and continues to trade under the symbol "MIN". Currently, the Company is conducting permitting activities related to the Gunnison Copper Project located within the copper porphyry belt of Arizona and conducting care and maintenance operations on the adjacent Johnson Camp mine assets acquired in 2015.

Summary of Projects and Highlights

The Gunnison Project is located about 62 miles east of Tucson, Arizona on the southeastern flank of the Little Dragoon Mountains in the Johnson Camp Mining District. The property is within the copper porphyry belt of Arizona. The Gunnison Project contains copper oxide and sulfide mineralization with associated molybdenum, in potentially economic concentrations. The material deposit within the Project area is the North Star (formerly known as I-10) deposit.

In addition, in December 2015, the Company purchased the neighboring Johnson Camp Mine ("JCM"), a heap leach copper operation located due north of the Gunnison Project wellfield on the north side of Interstate 10. Mining operations at JCM stopped in 2010 and it produced small amounts of copper from residual leach pads until a few months prior to the Excelsior acquisition in December 2015; there has been no copper produced at JCM since that time. The facilities at JCM remain in good condition and the existing Solvent Extraction Electrowinning ("SXEW") plant has a capacity of producing 25 million pounds of copper per year with minimal upgrades, thereby satisfying the requirements for Stage 1 production from the Gunnison Project. The Company is currently proceeding with final permitting activities relating to the Gunnison Project as scheduled, continues to provide care and maintenance for JCM and has begun preparing for the start-up of the Gunnison Project construction activities. These activities include among other things the basic and detailed construction engineering, the hiring of certain key technical and administrative personnel for both construction and the eventual operations of the Gunnison Project including the JCM SXEW plant and JCM infrastructure improvements.

On February 9, 2016, Excelsior announced the results of the comprehensive Updated Prefeasibility Study (the "Updated PFS") on the North Star Deposit of the Gunnison Project and the supporting Technical Report was filed on March 28, 2016. The Updated PFS updated the Prefeasibility Study that was completed by Excelsior in 2014. The Updated PFS was completed because of the acquisition of the JCM and the use of a staged production approach.

An Aquifer Protection Permit ("APP") and Underground Injection Control Permit ("UIC") are the two primary operating permits that Excelsior needs to obtain prior to commencing operations at the Gunnison Project. Excelsior has submitted permit applications to both the Arizona Department of Environmental Quality ("ADEQ") and to the Environmental Protection Agency ("EPA"). The ADEQ is responsible for issuing the APP and the EPA is responsible for issuing the UIC.

On April 26, 2016, Excelsior announced that Administrative Completeness Review (ACR) ("Administrative Review") has been achieved for both the APP and UIC. Administrative Review is the first stage of the permitting process. It confirms that the permitting application is administratively complete, meaning that all the required documentation and technical data are present.

On June 17, 2016, as part of the ADEQ's technical review process, Excelsior received a "Comprehensive Request for Information" from the ADEQ. Since this time, Excelsior's permitting team has worked diligently to provide a detailed response to the ADEQ's request and this was successfully submitted in mid-2017. This represented a major milestone in the advancement of Excelsior's APP application.

On December 5, 2016, Excelsior announced the results of the comprehensive Feasibility Study on the North Star Deposit of the Gunnison Project (the "Feasibility Study" or "FS") and the supporting technical report was filed on January 17, 2017. The Feasibility Study updated the 2016 Prefeasibility Study. The FS was completed by M3 Engineering and Technology Corporation of Tucson, AZ.

Highlights of the Feasibility Study:

- Net Present Value ("NPV") estimated at $1.173 billion pre-tax and $807 million post-tax at 7.5% discount rate using a life of mine ("LOM") copper price of $2.75/lb;
- Internal Rate of Return ("IRR") estimated at 48% pre-tax and 40% post-tax;
- Initial construction capital costs estimated at $46.9 million includes 15% contingency, 16% EPCM, freight, mobile equipment, owner's costs and capital spares;
- Payback period for initial capital estimated at 2.3 years pre-tax and 2.8 years post-tax;
- Average life of mine operating costs estimated at $0.65/lb;
- All-In Cost (LOM capital costs plus operating costs) estimated at $1.23/lb;
- 42 million pounds of copper added to the estimated Probable Mineral Reserve, with the total Probable Mineral Reserve now 4.5 billion pounds of copper (782 million short tons grading 0.29%);
- Life of Mine: estimated at 24 years of commercial production;
- Staged production profile: initial production rate estimated at 25 million pounds of copper cathode per annum using the existing Johnson Camp Mine facilities, followed by an intermediate expansion stage to 75 million pounds per annum and final expansion stage to full production of 125 million pounds per annum (includes the construction of an acid plant at full production).

On June 14, 2017, the Company announced that the ADEQ issued a draft APP operating permit for public comment for the Gunnison Copper Project. The draft APP was to remain open for public comment for a minimum of 30 days.

On December 22, 2016, Excelsior filed an application to significantly amend its APP for the Johnson Camp Mine to allow for the processing of fluids generated from future wellfield operations at the Gunnison Project through the existing facilities at JCM. On June 26, 2017, the Company announced that the ADEQ issued the amended APP for JCM.

On September 5, 2017, the Company announced that the ADEQ provided the Company with a Grant Letter for the Gunnison Copper Project APP. The APP remained appealable under specific circumstances for 30 days. On October 11, 2017, the Company announced that the ADEQ confirmed that the mandated 30-day appeal period had ended without appeal for Excelsior's APP for the Gunnison Copper Project.

On October 25, 2017, the Company announced that the EPA issued a draft UIC operating permit for the Gunnison Project. The draft UIC permit was to remain open for public comment for a minimum of 30 days. The EPA subsequently extended the public comment period for an additional 45 days. The comment period was further extended to February 27, 2018 in order to accommodate a public meeting regarding the UIC permit.

On March 5, 2018, the Company announced that the EPA had informed the Company that the public comment period for the UIC permit officially ended.

On June 25, 2018, the Company announced that the EPA issued the UIC permit for the Gunnison Copper Project with an effective date of August 1, 2018. The UIC Permit is good for production of up to 125 million pounds per annum and is the final operating permit required to start mine construction and commence production. Granting of the UIC Permit was subject to a 30-day appeal process. One appeal remains outstanding for EPA consideration, however, it is the Company's view that it will not be successful given that it raises no new objections that were not previously addressed as part of the comprehensive permit review process undertaken by the EPA.

Excelsior's exploration work on the Gunnison Project is supervised by Dr. Stephen Twyerould, Fellow of AUSIMM, President and CEO of Excelsior, and a Qualified Person as defined by NI 43-101. Except as otherwise noted, Dr. Twyerould has reviewed and approved the technical information contained in this MD&A. Further information about the Gunnison Copper Project and the JCM can be found on SEDAR at www.sedar.com entitled: "Gunnison Copper Project, NI 43-101 Technical Report, Feasibility Study" dated effective December 17, 2016 (the "Technical Report").

OUTLOOK

The next steps for Excelsior include resolving the appeal of the UIC permit, completing the project financing required to commence construction and moving from construction into operations.

As the UIC permit has been appealed, the Company will not be able to proceed with construction or production from the Gunnison Project until the appeal is withdrawn or dismissed by the Environmental Appeals Board. The Company intends to use all available legal means to have this appeal dismissed as soon as possible. While the appeal process is underway, the Company continues to pursue the project financing for the construction of the Gunnison Project. Once the appeal is withdrawn or dismissed, and the project financing process is completed, Excelsior intends to commence construction. Copper production from the Gunnison Project is expected to begin nine months after construction is commenced.

PROPERTY, PLANT AND EQUIPMENT

Johnson Camp Mine

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

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

The transaction closed on December 14, 2015. As at June 30, 2018, the Company had paid the Initial, First and Final Installments totaling $8.4 million. The Company's JCM acquisition obligations related to the secured interest bearing promissory note have been met.

MINERAL PROPERTIES

Option Agreements

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

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

Share Purchase and Royalty Agreement

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

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

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

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

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

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

<u>Development Milestones</u>

1% of the additional GRR was staged and based upon the Company meeting specific development milestones. By the second quarter of 2016, the Company had achieved both development milestones, however Callinan did not exercise its option to acquire the associated additional GRR. As a result, there are no remaining royalty options associated with the development milestones.

<u>Construction Option</u>

The construction option gives Callinan the right to buy up to a 1% GRR for CAD$10,000,000 following completion of the feasibility study, receipt of all required permits and the Company securing a firm commitment for 50% of the required capital required for mine construction. One half (0.5%) of the construction option has vested, while one half (0.5%) of the construction option can no longer vest as a result of Callinan not exercising its options to acquire additional GRR based on the two aforementioned development milestones.

Therefore, the construction option has been reduced to 0.5% GRR for CAD$5,000,000. The exercise price of the construction option may be adjusted if the final design capacity of the plant is lower than 80 million pounds of copper per year.

2017 Private Placement

On December 21, 2017 the Company closed the first tranche of its non-brokered private placement (the "2017 Private Placement") and the Company issued 22,168,000 common shares at a price of C$1.00 per common share for gross proceeds of C$22,168,000 (approximately US$17.4 million). The second and final tranche of the Offering consisted of an additional 16,467,200 common shares at a price of C$1.00 for gross proceeds of C$16,467,200 (approximately US$12.8 million). The second tranche was subscribed for by an affiliate of Greenstone Resources L.P. ("Greenstone") and closed on January 19, 2018.

The net proceeds of the 2017 Private Placement were allocated for the continued development of the Company's Gunnison Project, including: completion of permitting, care and maintenance and deferred acquisition costs associated with the Johnson Camp Mine, preparing for the start-up of the Gunnison Project construction activities and for working capital and general corporate purposes.

REVIEW OF FINANCIAL RESULTS

Results of operations for the six-month period ended June 30, 2018 compared to the six-month period ended June 30, 2017:

For the six months ended June 30, 2018, the Company reported a net loss of $7,254,865 ($0.04 per common share) compared to a net loss of $4,435,436 ($0.03 per common share) for the six months ended June 30, 2017.

Significant changes in the expense accounts are described as follows:

For the six-month period ended June 30, 2018, the Company incurred plant and equipment holding and maintenance cost of $1,627,588 (2017 - $1,663,449) directly related to the Johnson Camp Mine. These costs are primarily comprised of payroll, utilities, property taxes, insurance, general and administrative and consulting costs at JCM, which are expected to be ongoing until permitting and construction of the Gunnison Project has been completed.

For the six-month period ended June 30, 2018, the Company incurred project advancement costs of $2,220,490 (2017 - $nil) directly related to the Gunnison project construction readiness activities. The costs of these activities for the six-month period ended June 30, 2018 were approximately 70% for employee ramp-up related costs including compensation and the remainder for project detailed engineering and planning for the wellfield drilling.

During the six-month period ended June 30, 2018, exploration and evaluation expenses incurred on the Gunnison Project amounted to $791,527 (2017 - $1,011,391), a 22% decrease versus the same period of 2017. For the six months ended June 30, 2018 the Company continued to focus and incur expenditures related to obtaining the Gunnison Project permits. In the six-month period of 2017, the Company filed and incurred related expenditures for the Feasibility Study.

Office and administration comprises, salaries and wages, rent, overhead, insurance, travel and other related corporate costs. For the six-months ended June 30, 2018 these costs were $503,618 compared to $270,969 during the same period of the prior year. The increase of $232,649 was primarily due to an overall higher level of corporate activity including insurance, travel, salaries and wages, and information technology costs.

Professional fees incurred during the six-month period ended June 30, 2018 were $548,136 compared to $418,869 during the same period of the prior year, representing an increase of $129,267. The increase is primarily due to the engagement of a Financial Advisor and an Independent Engineer to assist the Company in the strategy, analysis, recommendation and completion of the financing program in anticipation of the Gunnison Project development.

Director and officer fees incurred during the six-month period ended June 30, 2018, were $702,138 compared to $576,899 during the same period of the prior year, representing an increase of $125,239. This increase is primarily due to an increase in services for the Gunnison Project permitting and financing activities.

During the six-month period ended June 30, 2018 the Company incurred investor relations expenses of $258,217 (2017 - $213,442). The increase of $44,775 is due to increased investor relations activities in support of the anticipated financing efforts referred to above.

During the six-month period ended June 30, 2018, the Company incurred non-cash share-based compensation expense of $527,008 (2017 – $131,336). The increase in share-based compensation expense of $395,672 is primarily due to stock option expense for the recruitment and hiring of management personnel in preparation for the start of construction and future operations on the Gunnison Project.

During the six-month period ended June 30, 2018, the Company incurred regulatory fees of $43,954 (2017 – $166,420). The decrease in regulatory fees of $122,466 is due to the one-time fee paid in 2017 for becoming listed on the TSX.

During the six-month period ended June 30, 2018, the Company incurred net financing expenses of $111,791 (2017 – $91,914) due to accretion expense of $125,766 (2017 - $58,914) relating to the JCM asset retirement obligation. Net financing expenses in 2017 included accretion expense and interest expense on the JCM Note.

During the six months ended June 30, 2018, the Company realized other income of $213,913 (2017 - $171,563). Other income for both periods primarily represent sales of waste rock material from JCM, and accrued interest on cash investments. Other income for the six-month period of 2018 was higher than the same period of 2017 mainly due to an increase in accrued interest on cash investments as a result of the Company's overall higher cash balance in 2018 from the 2017 Private Placement.

SELECTED QUARTERLY INFORMATION

Selected financial indicators for the past eight quarters are shown in the following below:

	June 30, 2018	**March 31, 2018**	**December 31, 2017**	**September 30, 2017**
Net loss for the period	$ (3,516,003)	$ (3,738,862)	$ (2,612,229)	$ (2,446,338)
Loss per share (basic and diluted)	(0.02)	(0.02)	(0.02)	(0.01)
Total assets	41,452,962	44,802,947	34,851,406	18,492,291

	June 30, 2017	**March 31, 2017**	**December 31, 2016**	**September 30, 2016**
Net income/(loss) for the period	$ (2,300,626)	$ (2,134,810)	$ 1,601,335	$ (2,410,386)
Income/(loss) per share (basic and diluted)	(0.01)	(0.01)	0.01	(0.02)
Total assets	21,001,801	23,256,783	25,130,343	13,982,506

The quarterly results presented above do not necessarily reflect any recurring expenditure patterns or predictable trends. The Company has incurred losses over the last eight quarters with the exception, of the fourth quarter of 2016 when the Company reported net income due to the $3,976,531 gain on sale of royalty to Greenstone. The net loss for the first two quarters of 2018 has trended higher than the preceding four quarters as a result of an increase in costs related to the Gunnison Project readiness and costs for pursuing project financing, as described further below.

Results of operations for the three-month period ended June 30, 2018 compared to the three-month period ended June 30, 2017:

For the three-month period ended June 30, 2018, the Company reported a net loss of $3,516,003 ($0.02 per common share) compared to a net loss of $2,300,626 ($0.01 per common share) for the three-month period ended June 30, 2017. The net loss for the three-month period ended June 30, 2018 was larger primarily due to an increase in costs related to the Gunnison project readiness.

Significant changes in the expense accounts are described as follows:

For the three-month period ended June 30, 2018, the Company incurred plant and equipment holding and maintenance cost of $804,406 (2017- $861,436). These costs are primarily payroll, utilities, property taxes, insurance, general and administrative and regulatory compliance costs at JCM, which are expected to be ongoing until permitting and construction of the Gunnison Project has been completed and subsequently these costs will become a part of the operating costs once the Gunnison Project is in production.

For the three-month period ended June 30, 2018, the Company incurred project advancement costs of $1,222,121 (2017 - $nil) directly related to the Gunnison project construction readiness activities. These costs include employee ramp-up related costs including compensation and the remainder for project detailed engineering and planning for the wellfield drilling.

During the three-month period ended June 30, 2018, exploration and evaluation expenses incurred on the Gunnison Project amounted to $421,175 (2017 - $525,164). The costs in 2018 primarily represent the ongoing permitting activities for both the Gunnison Project and JCM. The costs for the three-month period ended June 30, 2017 resulted from costs associated with the Feasibility Study, which was being finalized in 2017.

Office and administration expense for the three-months ended June 30, 2018 was $283,510 compared to $93,218 during the same period of the prior year. The increase of $190,292 was primarily due to an overall higher level of corporate activity for insurance, travel, salaries and wages, and information technology costs.

Professional fees incurred during the three-months ended June 30, 2018 were $28,888 compared to $317,760 during the same period of the prior year. The decrease of $288,872 was primarily due to the timing of costs incurred for engagement of potential finance providers and their related due diligence costs along with the engagement of financial advisors and independent engineers to assist the Company in the strategy, analysis, recommendation and completion of the financing program in anticipation of the Gunnison Project development.

Directors and officers' fees incurred during the three-month period ended June 30, 2018, were $318,488 compared to $285,197 during the same period of the prior year, representing an increase of $33,291. This increase is primarily due to higher costs for services relating to the Gunnison Project permitting and financing activities.

During the three-month period ended June 30, 2018, the Company incurred investor relations expenses of $123,321, which were comparable to the amount incurred for the same period of 2017 of $126,444.

During the three-month period ended June 30, 2018, the Company incurred non-cash share-based compensation expense of $299,959 (2017 – $68,916). The increase in share-based compensation expense of $231,043 is primarily due to stock option expense for the recruitment and hiring of management personnel in preparation for the start of construction and future operations on the Gunnison Project.

During the three-month period ended June 30, 2018, net financing costs increased $52,741 as compared to the same period of the prior year mainly due to an increase in accretion expense on the JCM asset retirement obligation.

During the three-months ended June 30, 2018, the Company realized other income of $154,757 versus other income of $90,382 for the same three-month period of 2017. Other income for the three-month period of 2018 was higher than the same period of 2017 mainly due to an increase in accrued interest on cash investments from the Company's overall higher cash balance in 2018.

LIQUIDITY, FINANCING, AND CAPITAL RESOURCES

The Company had cash and cash equivalents of $22,300,371 as of June 30, 2018 (December 31, 2017 - $16,677,002) and working capital of $21,692,045 (December 31, 2017 – $16,242,045). Cash and cash equivalents increased by $5,640,309 and working capital increased by $5,450,000 for the comparable periods primarily due to $12,744,505 of net proceeds from the second tranche of the 2017 Private Placement partly offset by net cash used in operating activities of $6,288,482 and $876,749 of net cash used in investing activities for equipment purchases and a reclamation bond purchased during the six months ended June 30, 2018.

Cash used in operating activities during the six months ended June 30, 2018 amounted to $6,288,482 compared to $4,055,240 during the same period of the prior year. The increase of $2,233,242 in cash used in operating activities is mainly attributable to the $2,220,490 incurred for project advancement costs.

Cash used in investing activities during the six-months ended June 30, 2018 was $876,749 compared to nil for the same period of 2017. These expenditures were for the purchase of equipment ($432,749 for light vehicles, computer system software, and building improvements), and for the purchase of a reclamation bond ($444,000) required for the Mined Land Reclamation Plan for JCM.

Cash provided by financing activities for the six months ended June 30, 2018 was $12,805,540 compared to $20,920 for the six months ended June 30, 2017. During 2018 the Company received $12,744,505 of net proceeds for common share private placements.

The Company's cash and cash equivalents are held in large North American financial institutions and are highly liquid and interest bearing.

The Company is currently proceeding with permitting activities relating to the Gunnison Project as scheduled and continues to fund the care and maintenance and holding costs of the Johnson Camp Mine. With the closing of the second tranche of the 2017 Private Placement, the Company has sufficient funds to cover the estimated costs of the permitting and financing process and to meet its estimated annual corporate costs for at least the next year. However, additional funding will be required in order to commence construction of the Gunnison Project, assuming the operating permits are made effective and approval is received from the Board of Directors.

As at June 30, 2018, the Company did not have any pre-arranged sources of financing except for the remaining royalty option payment that may or may not be received (refer to the Callinan Agreement). The remaining royalty option payment associated with the Callinan Agreement is optional and at the sole discretion of Callinan and there is no certainty that they will be received. Should the Company not receive any proceeds from the exercise of the remaining royalty option, or be unsuccessful in raising additional funds, then it may be unable to fund the construction of the Gunnison Project.

Assets

Cash and cash equivalents increased by $5,640,309 during the six-month period ended June 30, 2018 as previously discussed in "Liquidity, Financing and Capital Resources".

Liabilities

Accounts payable and accrued liabilities increased by $384,328 for the six-month period ended June 30, 2018 mainly as a result of higher project costs and the timing of vendor payments.

All of the associated environmental permits relating to JCM were included with the acquisition. These permits require the completion of certain reclamation and closure obligations, which were recorded as a long-term asset retirement obligation and as at December 31, 2017 these obligations had an estimated present value of $9,179,928.

The Company does not anticipate incurring any of the JCM reclamation costs until the end of the projected Gunnison Project operations. The Company recorded $125,766 of accretion expense related to the ARO for the six-month period ended June 30, 2018 compared to $58,914 for the same six-month period of 2017.

Equity

Capital stock increased by $12,882,440 due to the second tranche of the 2017 Private Placement, which closed on January 19, 2018.

During the six-month period ended June 30, 2018, the other equity reserves account increased by $450,108 primarily as a result of share-based compensation expense.

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, 2018	Date of report
Common shares, voting	206,639,152	207,693,607
Stock Options	17,186,000	15,686,000

The Company issued the following common shares during the six-month period ended June 30, 2018:

- On January 19, 2018, the Company closed the second tranche of the 2017 Private Placement which included the sale of 16,467,200 common shares of the Company, for gross proceeds of $12,800,000.
- On June 8, 2018 the Company issued 150,000 common shares for stock options exercised.
- On June 26, 2018 the Company issued 140,000 common shares for stock options exercised.

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 members of the Company's Board of Directors, corporate officers, including the Company's Chief Executive Officer, Chief Operating Officer and Chief Financial Officer.

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

	Six Month Periods Ended June 30, 2018	2017
Share-based compensation	$ 96,058	$ 68,915
Salaries, fees and benefits*	677,901	575,868
	$ 773,959	**$ 644,783**

* Includes all salaries, 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 of the Company. King & Bay provides administrative, management, regulatory, legal, corporate development and corporate communications services to the Company. These services are provided to the Company on an as-needed basis and are billed based on the cost or value of the services provided to the Company. The amount set out in the table below represents amounts incurred by 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 and 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 set out in the table below represents amounts incurred by to Kinley for the services of Kinley personnel and for out of pocket 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:

	Six Month Periods Ended June 30, 2018	2017
King & Bay	$ 281,910	$ 176,407
Kinley	$ 84,150	$ -

As at June 30, 2018, amounts accrued and due to related parties include the following:

- Chief Operating Officer - $12,190 (December 31, 2017 - $nil)
- King & Bay - $55,548 (December 31, 2017 - $44,959)
- Kinley - $nil (December 31, 2017 - $9,000)

Transactions with related parties were in the normal course of operations and were measured at the amount of consideration established and agreed to by the related parties.

ACCOUNTING POLICIES

A complete 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, 2017.

The preparation of financial statements in accordance with IFRS often requires management to make estimates about and apply assumptions or subjective judgment to future events and other matters that affect the reported amounts of the Company's assets, liabilities, expenses and related disclosures. Assumptions, estimates and judgments are based on historical experience, expectations, current trends and other factors that management believes to be relevant at the time at which the financial statements are prepared. Management reviews, on a regular basis, the Company's accounting policies, assumptions, estimates and judgments in order to ensure that the financial statements are presented fairly and in accordance with IFRS.

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, 2017, except for the adoption of IFRS 9, Financial Instruments, which was effective and has been applied from January 1, 2018.

ESTIMATES AND JUDGMENTS

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

Critical Judgments

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

The Company intends to begin capitalizing Gunnison project construction costs when optimization studies and further technical evaluation carried out to mitigate project risks identified in the feasibility study are complete; all environmental and operating permits are finalized; and upon Board of Directors approval of a construction decision.

Key Sources of Estimation Uncertainty

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

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

Useful Life of Equipment

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

Recoverability of Exploration & Evaluation Assets and Property, Plant and Equipment

The Company is in the process of exploring and evaluating its exploration and evaluation assets. The recoverability of the amounts shown for property, plant and equipment are dependent upon the existence of economically recoverable mineral reserves or resources, the ability of the Company to obtain necessary financing to complete the development of those mineral reserves or resources and upon future production or proceeds from the disposition thereof.

Asset Retirement Obligation

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

RISK FACTORS

The exploration of mineral deposits involves significant risks and uncertainties, which even a combination of careful evaluation, experience and knowledge may not eliminate. Certain of the more prominent risk factors that may materially affect the Company’s future performance, in addition to those referred to above, are listed hereunder.

Excelsior depends on a single mineral project.

The Gunnison Project accounts for all of Excelsior's mineral resources and mineral reserves and exclusively represents the current potential for the future generation of revenue. Mineral exploration and development involves a high degree of risk that even a combination of careful evaluation, experience and knowledge cannot eliminate and few properties that are explored are ultimately developed into producing mines. Any adverse development affecting the Gunnison Project will have a material adverse effect on Excelsior's business, prospects, financial position, results of operations and cash flows.

The successful start of mining operations at and the development of, the Gunnison Project into a commercially viable mine cannot be assured.

Development of mineral properties involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. The commercial viability of a mineral deposit is dependent upon a number of factors which are beyond the Company's control, including the attributes of the deposit, commodity prices, government policies and regulation and environmental protection. Fluctuations in the market prices of minerals may render resources and deposits containing relatively lower grades of mineralization uneconomic.

There are numerous activities that need to be completed in order to successfully commence development and production at the Gunnison Project, including, without limitation: optimizing the mine plan; recruiting and training personnel; negotiating contracts for railway transportation and for the sale of copper; updating, renewing and obtaining, as required, all necessary permits, including, without limitation, environmental permits; and handling any other infrastructure issues. There is no certainty that Excelsior will be able to recruit and train personnel, have available funds to finance construction and development activities, avoid potential increases in costs, negotiate railway transportation or copper sales agreements on terms that would be acceptable to Excelsior or at all, or that Excelsior will be able to update, renew and obtain all necessary permits to start or to continue to operate the Gunnison Project. Most of these activities require significant lead times, and Excelsior will be required to manage and advance these activities concurrently in order to begin production. A failure or delay in the completion of any one of these activities may delay production, possibly indefinitely, at the Gunnison Project and would have a material adverse effect on Excelsior's business, prospects, financial position, results of operations and cash flows.

As such, there can be no assurance that Excelsior will be able to complete development of the Gunnison Project at all, or in accordance with any timelines or budgets that may be established due to, among other things, and in addition to those factors described above, the delivery and installation of plant and equipment and cost overruns, or that the current personnel, systems, procedures and controls will be adequate to support operations. Failure to successfully complete these events as expected would have a material adverse effect on Excelsior's business, prospects, financial position, results of operations and cash flows.

There is no assurance that Excelsior will ever achieve production or that Excelsior will ever be profitable if production is achieved.

Actual capital costs, operating costs and expenditures, production schedules and economic returns may differ significantly from those we have anticipated.

Our expected capital costs, operating costs and expenditures, all-in costs, production schedules, economic returns and other projections for the Technical Report which are contained in the Technical Report are based on assumed or estimated future metals prices, cut-off grades, operating costs, capital costs and expenditures and other factors that each may prove to be inaccurate. Therefore, the Technical Report may prove to be unreliable if the assumptions or estimates do not reflect actual facts and events. For example, significant declines in market prices for copper or extended periods of inflation would have an adverse effect on the economic projections set forth in the Technical Report.

Any material reductions in estimates of mineralization or increases in capital costs and expenditures, or in our ability to maintain a projected budget or renew a particular mining permit, could also have a material adverse effect on projected production schedules and economic returns, as well as on our overall results of operations or financial condition. There is also a risk that rising costs for labor and materials could have an adverse impact on forecasted construction costs and that shortages of labor and materials could have a negative impact on any mine development schedule. An increase in any of these costs, or a lack of availability of commodities and goods, may have an adverse impact on our financial condition and results of operations.

The Company may be required to seek additional debt or equity capital in order to complete construction at the Gunnison Project and we may not be able to access capital on commercially reasonable terms or at all and, even if successful, we may not be able to raise enough capital to allow us to fully fund the capital costs required to complete construction at the Gunnison Project.

There is uncertainty relating to production estimates.

We have prepared estimates of future production and future production costs for the Gunnison Project. No assurance can be given that production estimates will be achieved. These production estimates are based on, among other things: the accuracy of reserve estimates; the accuracy of our assumptions as to future events and circumstances; metallurgical characteristics; and the accuracy of estimated rates and costs of mining and processing. Actual production may vary from estimates for a variety of reasons, including, among other things: actual ore mined varying from estimates of grade, tonnage, dilution, metallurgical and other characteristics; short-term operating factors relating to the ore reserves, such as the need for sequential development of ore bodies and the processing of new or different ore grades; risk and hazards associated with mining; natural phenomena, such as inclement weather conditions, underground floods, earthquakes, pit wall failures and cave-ins; and unexpected labor shortages or strikes. Failure to achieve production estimates could have an adverse impact on our future cash flows, earnings, results of operations and financial condition.

We have no mineral properties in production and the development of our properties will be subject to all of the risks associated with establishing new mining operations.

Development of our mineral properties will require the construction and operation of mines, processing plants and related infrastructure as well as the restarting and upgrading of the SX-EW plant at JCM. As a result, we are and will continue to be subject to all of the risks associated with establishing new mining operations and restarting operations in care and maintenance, including:

- the timing and cost, which can be considerable, of the construction of mining and processing facilities;
- the availability and cost of skilled labor, mining equipment and principal supplies needed for operations;
- the need to maintain necessary environmental and other governmental approvals and permits;
- the availability of funds to finance construction and development activities;
- potential opposition from non-governmental organizations, environmental groups, local groups or other stakeholders which may delay or prevent development activities; and
- potential increases in construction and operating costs due to changes in the cost of labor, fuel, power, materials and supplies.

Cost estimates may increase as more detailed engineering work is completed on a project. It is common in new mining operations to experience unexpected costs, problems and delays during construction, development and mine start-up. Accordingly, we cannot provide assurance that our activities will result in profitable mining operations at our mineral properties.

Excelsior has a history of losses and expects to incur losses for the foreseeable future.

Excelsior has incurred losses since its inception and expects to incur losses for the foreseeable future. Excelsior expects to continue to incur losses unless and until such time as the Gunnison Project enters into commercial production and generates sufficient revenues to fund continuing operations. The development of the Gunnison Project will require the commitment of substantial financial resources. The amount and timing of expenditures will depend on a number of factors, including the progress of ongoing exploration, evaluation and development, the results of consultant analysis and recommendations, the rate at which operating losses are incurred, the execution of any agreements with strategic partners, and Excelsior's acquisition of additional properties. Some of these factors are beyond Excelsior's control. There can be no assurance that Excelsior will ever achieve profitability.

Excelsior requires various permits in order to conduct its current and anticipated future operations, and any delays in obtaining or a failure to obtain such permits, or a failure to comply with the terms of any such permits that Excelsior has obtained or will obtain, could have a material adverse impact on Excelsior.

Excelsior's current and anticipated future operations, including further exploration, evaluation and development activities and commencement of production on the Gunnison Project, require permits from various United States federal, state, and local government authorities. Obtaining or renewing governmental permits is a complex and time-consuming process. The duration and success of efforts to obtain and renew permits are contingent upon many variables not within Excelsior's control.

Shortage of qualified and experienced personnel in the various levels of government could result in delays or inefficiencies. Backlog within the permitting agencies could affect the permitting timeline of the Gunnison Project. Other factors that could affect the permitting timeline include (i) the number of other large-scale projects currently in a more advanced stage of development which could slow down the review process for the Gunnison Project and (ii) significant public response regarding the Gunnison Project that could lead to delays in the process or appeals of issued permits. There can be no assurance that all permits which Excelsior requires for its exploration and development activities and later construction of mining facilities and the conduct of mining operations will be obtainable or renewable on reasonable terms, or at all. Delays or a failure to obtain such permits, or the expiry, revocation or a failure to comply with the terms of any such permits that Excelsior has obtained, could have a material adverse impact on Excelsior.

Title and other rights to the Gunnison Project cannot be guaranteed and may be subject to prior unregistered agreements, transfers or claims and other defects.

Excelsior cannot guarantee that title to the Gunnison Project or the JCM will not be challenged. Excelsior may not have, or may not be able to obtain, all necessary surface rights to develop, or all water rights needed to operate the Gunnison Project. Title insurance generally is not available for mineral properties and Excelsior's ability to ensure that it has obtained secure claim to individual mineral properties or mining concessions comprising the Gunnison Project may be severely constrained. However, Excelsior does have title insurance for the portions of the JCM that are patented mining claims and fee title property. The Gunnison Project and the JCM may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. Excelsior has not conducted surveys of all of the claims in which it holds direct or indirect interests. A successful challenge to the precise area and location of these claims could result in Excelsior being unable to operate on all or part of the Gunnison Project or the JCM as permitted or being unable to enforce its rights with respect to all or part of the Gunnison Project or the JCM. This could result in Excelsior not being compensated for its prior expenditures relating to the properties.

Excelsior needs to enter into contracts with external service and utility providers.

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. In order to develop a mine at the Gunnison Project, Excelsior will need to negotiate and conclude various agreements with external service and utility providers for power, water, transportation and shipping and these are important determinants that affect capital and operating costs.

There is no certainty that Excelsior will be able to conclude various agreements with external service and utility providers on economically feasible terms and this could have a material adverse effect on Excelsior's results of operations, financial position and cash flows and render the development of a mine on the Gunnison Project unviable.

Excelsior's activities are subject to environmental laws and regulations that may increase Excelsior's costs of doing business and restrict the Company's operations.

All of Excelsior's exploration, potential development and production activities in the United States are subject to regulation by governmental agencies under various environmental laws, including with respect to, air emissions, discharges into water, and management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species and reclamation of lands disturbed by mining operations. Environmental legislation, including with respect to climate change, in many countries is evolving and the trend has been towards stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and increasing responsibility for companies and their officers, directors and employees. Compliance with environmental laws and regulations may require significant capital outlays on behalf of Excelsior and may cause material changes or delays in Excelsior's intended activities. There can be no assurance that future changes in environmental regulations will not adversely affect Excelsior's business, and it is possible that future changes in these laws or regulations could have a significant adverse impact on some portion of Excelsior's business, causing Excelsior to re-evaluate those activities at that time. Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulator or judicial authorities, causing operations to cease or to be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions.

Environmental hazards may exist on the Gunnison Project or the JCM that are unknown to Excelsior at the present time and that have been caused by previous owners or operators or that may have occurred naturally. Excelsior may be liable for remediating such damage.

Excelsior may experience difficulty attracting and retaining qualified management and technical personnel to meet the needs of its anticipated growth.

Excelsior is dependent on the services of key executives including Excelsior's Chief Executive Officer and Chief Operating Officer, and other highly skilled and experienced executives and personnel focused on managing Excelsior's interests and the advancement of the Gunnison Project, and on identifying new opportunities for growth and funding. Due to Excelsior's relatively small size, the loss of these persons or Excelsior's inability to attract and retain additional highly skilled employees required for the development of Excelsior's activities may have a material adverse effect on Excelsior's business or future operations.

In addition, Excelsior anticipates that if it brings the Gunnison Project into production and where appropriate, acquires additional mineral rights, Excelsior will experience significant growth in its operations. Excelsior expects this growth to create new positions and responsibilities for management and technical personnel and to increase demands on its operating and financial systems. There can be no assurance that Excelsior will successfully meet these demands and effectively attract and retain additional qualified personnel to manage its anticipated growth. The failure to attract such qualified personnel to manage growth would have a material adverse effect on Excelsior's business, financial position, results of operations and cash flows.

Our Common Share price has experienced volatility and may be subject to fluctuation in the future based on market conditions.

The market prices for the securities of mining companies, including our own, have historically been highly volatile. The market has from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of any particular company. In addition, because of the nature of our business, certain factors such as our announcements and the public's reaction, our operating performance and the performance of competitors and other similar companies, fluctuations in the market prices of our resources, government regulations, changes in earnings estimates or recommendations by research analysts who track our securities or securities of other companies in the resource sector, general market conditions, announcements relating to litigation, the arrival or departure of key personnel and the factors listed under the heading "Forward-Looking Information" can have an adverse impact on the market price of our Common Shares.

Any negative change in the public's perception of our prospects could cause the price of our securities, including the price of our Common Shares, to decrease dramatically. Furthermore, any negative change in the public's perception of the prospects of mining companies in general could depress the price of our securities, including the price of our Common Shares, regardless of our results. Following declines in the market price of a company's securities, securities class-action litigation is often instituted. Litigation of this type, if instituted, could result in substantial costs and a diversion of our management's attention and resources.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

FINANCIAL INSTRUMENTS

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 June 30, 2018, the Company has cash and cash equivalents balance of $22,300,371 to settle current liabilities of $925,183.

Market Risk

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

(a) Interest Rate Risk

The Company's current policy is to invest excess cash in 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.

(b) Price risk

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

COMMITMENTS

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

Fiscal Year End		Office Lease Payments
2018		49,848
2019		98,850
2020		102,230
2021		43,188
Total	**$**	**294,116**

SUBSEQUENT EVENTS

On July 17, 2018:

- The Company issued 1,054,455 common shares for stock options that were exercised and received gross proceeds of $239,878; and
- The Company cancelled 445,545 stock options.

ADDITIONAL INFORMATION

Additional disclosure concerning the Company is provided in the Company's consolidated financial statements and notes for the year ended December 31, 2017, which is available on the SEDAR website, www.sedar.com.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS

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 six-month period ended June 30, 2018, 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.

Management of the Company is also 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 Chief Executive Officer and the Chief Financial Officer by others within those entities.

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 estimation of mineral resources and mineral reserves; (ii) the market and future price of copper and related products; (iii) anticipated outcome of future exploration activities; (iv) permitting time lines; (v) requirements for additional capital; (vi) development, construction and production timelines and estimates; (vii) the results of the Feasibility Study including statements about estimated future production, future operating and capital costs, the projected IRR, NPV, payback period, construction timelines and production timelines for the Gunnison Project; (viii) the future effects of environmental compliance requirements on the business of the Company; and (ix) the statements under the heading “Outlook” in this MD&A, including statements about the appeal of the UIC permit, the integration of the Johnson Camp Mine, completion of the construction financing and the construction of the Gunnison Project.

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 exploration and 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, 2017:

- 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 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.

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 foregoing lists of factors 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, "Risk Factors", 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

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 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.