Excelsior MINING CORP

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Excelsior Mining Corp.

We have audited the accompanying consolidated financial statements of Excelsior Mining Corp. which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of operations, comprehensive loss, shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Excelsior Mining Corp. as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

April 26, 2011

EXCELSIOR MINING CORP.
CONSOLIDATED BALANCE SHEETS
As at December 31, 2010
(Expressed in Canadian Dollars)

		2010		2009
ASSETS				
Current				
Cash	**$**	**3,570,434**	$	1,092,028
Prepaids		**81,968**		-
Receivables		**77,656**		-
		3,730,058		1,092,028
Equipment (Note 4)		**5,482**		-
Mineral properties (Note 5)		**540,158**		117,015
	$	**4,275,698**	$	1,209,043
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	**$**	**195,642**	$	53,328
Due to related parties (Note 8)		**81,069**		73,052
Current portion of notes payable (Note 6)		**246,072**		2,500
		522,783		128,880
Long-term notes payable (Note 6)		**-**		800,845
		522,783		929,725
Shareholders' equity				
Share capital (Note 7)				
Authorized				
Unlimited number of common shares without par value				
[1]Issued: 41,919,216 (December 31, 2009 - 25,386,000) common shares		**6,365,743**		1,952,013
Commitment to issue shares (Note 7)		**-**		2,676
Contributed surplus (Note 7)		**1,011,851**		474,231
Deficit		**(3,629,649)**		(2,210,176)
Accumulated other comprehensive income		**4,970**		60,574
		3,752,915		279,318
	$	**4,275,698**	$	1,209,043

[1] 7,007,876 of 41,919,216 issued and outstanding common shares are non-voting and non-publicly traded common shares

Nature of operations and going concern (Note 1)
Subsequent events (Note 14)

On behalf of the Board:

"Colin Kinley"	*"Jay Sujir"*
Colin Kinley, Director	Jay Sujir, Director

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

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

		2010		2009
EXPENSES				
Amortization	$	1,550	$	-
Consulting fees		59,093		-
Insurance		2,977		-
Investor relations		9,047		-
Management fees		236,886		164,446
Office and administration		39,847		49,733
Professional fees		541,072		31,118
Regulatory fees		25,517		-
Rent		6,826		-
Stock-based compensation (Note 7)		102,344		474,231
Travel & entertainment		31,697		-
Wages and salaries		88,209		-
Loss before other items		(1,145,065)		(719,528)
Other items				
Debt forgiveness		25,119		-
Foreign exchange loss		(2,331)		(43,509)
Write-off of mineral properties		(237,688)		-
Interest expense		(59,508)		(62,862)
Write-off of deferred costs		-		(706,652)
		(274,408)		(813,023)
Net loss for the year		(1,419,473)		(1,532,551)
Cumulative translation adjustment		(55,604)		60,574
Comprehensive loss for the year	$	(1,475,077)	$	(1,471,977)
Basic and diluted loss per common share		($0.10)		($0.46)
Weighted average number of common shares outstanding		14,790,658		3,360,071

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

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

		2010		2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the year	$	(1,419,473)	$	(1,532,551)
Items not affecting cash:				
Amortization		1,550		-
Debt forgiveness		(25,119)		-
Write-off of mineral properties		237,688		-
Stock-based compensation		102,344		474,231
Unrealized loss on foreign exchange		2,459		-
Penalty shares		-		7,820
Write-off of deferred costs		-		706,652
Changes in non-cash working capital items				
Prepaids		(61,904)		3,636
Receivables		(27,581)		-
Accounts payable and accrued liabilities		(49,614)		(190,044)
Due to related parties		12,361		-
Net cash used in operating activities		(1,227,289)		(530,256)
CASH FLOWS FROM INVESTING ACTIVITIES				
Mineral properties		(391,052)		-
Purchase of equipment		(4,418)		-
Cash acquired from acquisiton		1,088,104		-
Net cash provided by investing activities		692,634		-
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of common shares net of costs		3,442,463		1,256,002
Commitment to issue shares		-		2,676
Long-term notes payable		(366,664)		349,164
Net cash provided by financing activities		3,075,799		1,607,842
Net change in cash during the year		2,541,144		1,077,586
Effect of currency translation adjustments		(62,738)		9,150
Cash, beginning of the year		1,092,028		5,292
Cash, end of the year	$	3,570,434	$	1,092,028

Supplemental disclosure with respect to cash flows (Note 10)

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

EXCELSIOR MINING CORP.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Share Capital			Commitment			Accumulated	
	Number of shares			to issue	Contributed		Other Comprehensive	
	Voting shares	Non-voting	Amount	shares	Surplus	Deficit	Income	Total
Balance, December 31, 2008	**3,325,333**	**-**	**$ 623,759**	**$ -**	**$ -**	**$ (677,625)**	**$ -**	**$ (53,866)**
Private placement	871,667	-	1,256,002	2,676	-	-	-	1,258,678
Shares issued for debt	28,667	-	64,432	-	-	-	-	64,432
Additional shares issued as penalty for debt settlement	5,333	-	7,820	-	-	-	-	7,820
Stock based compensation	-	-	-	-	474,231	-	-	474,231
Loss for the year	-	-	-	-	-	(1,532,551)	-	(1,532,551)
Other comprehensive income	-	-	-	-	-	-	60,574	60,574
Balance, December 31, 2009	**4,231,000**	**-**	**1,952,013**	**2,676**	**474,231**	**(2,210,176)**	**60,574**	**279,318**
Private placement	364,333	-	681,179	-	-	-	-	681,179
Commitment to issue shares	1,667	-	2,676	(2,676)	-	-	-	-
Share issue costs - agent warrants	-	-	(30,547)	-	30,547	-	-	-
Private placement	199,999	-	371,447	-	-	-	-	371,447
Share issue costs - cash	-	-	(73,684)	-	-	-	-	(73,684)
Shares issued for debt	97,510	-	146,974	-	-	-	-	146,974
Capital stock of Excelsior	5,872,167	-	-	-	-	-	-	-
Capital stock of AzTech	(4,894,509)	-	-	-	-	-	-	-
Acqusition of AzTech (Note 3)	22,359,173	7,007,876	1,256,892	-	-	-	-	1,256,892
Finder's fee (Note 3)	650,000	-	341,250	-	-	-	-	341,250
Share issue costs	-	-	(341,250)	-	-	-	-	(341,250)
Private placement	6,030,000	-	2,655,840	-	370,014	-	-	3,025,854
Share issuance costs - agent warrants	-	-	(34,715)	-	34,715	-	-	-
Share issue costs - cash	-	-	(562,332)	-	-	-	-	(562,332)
Stock-based compensation	-	-	-	-	102,344	-	-	102,344
Loss for the year	-	-	-	-	-	(1,419,473)	-	(1,419,473)
Other comprehensive income	-	-	-	-	-	-	(55,604)	(55,604)
Balance, December 31, 2010	**34,911,340**	**7,007,876**	**$ 6,365,743**	**$ -**	**$ 1,011,851**	**$ (3,629,649)**	**$ 4,970**	**$ 3,752,915**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Excelsior Mining Corp. (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on June 9, 2005 and is classified as a Tier 2 issuer on the TSX Venture Exchange ("TSX-V"). The Company was classified as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4.

The Company completed a reverse takeover by acquiring all of the issued and outstanding common shares of Aztech Minerals, Inc. in exchange for 22,359,173 voting common shares and 7,007,876 non-voting and non-publicly traded common shares of the Company (Note 3). The Company is listed on the TSX-V under the new symbol "MIN".

During the current year, the Company consolidated its common shares on a basis of one new common share for every 3 old common shares held. All references to shares and per share amounts, unless otherwise stated, have been retroactively restated to reflect the consolidation.

These annual consolidated financial statements have been prepared using Canadian generally accepted accounting principles ("GAAP") on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

2. SIGNIFICANT ACCOUNTING POLICIES

These annual consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Excelsior Mining Arizona, Inc. ("Excelsior Arizona") and AzTech. All intercompany balances and transactions are eliminated on consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian GAAP 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 years reported. In particular, the Black-Scholes stock price valuation model used to value warrants and stock options require the input of highly subjective assumptions regarding stock price volatility.

Changes in these assumptions can materially affect the fair value estimate, and therefore, the Black-Scholes model does not necessarily provide a reliable measure of fair value.

Other significant estimates used relate to the impairment of resource property interests and the valuation allowance for future income tax assets. Actual results may differ significantly from estimates and assumptions.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd…)

Financial Instruments

All financial instruments are classified into five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: (1) held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income (loss); (2) available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income (loss) until the instrument is derecognized or impaired; and (3) all derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value and changes in fair value are recorded in other comprehensive income.

The Company has classified its cash as held-for-trading. Receivables are classified as loans and receivables. Accounts payable and accrued liabilities, due to related parties, and notes payable are classified as other financial liabilities, all of which are measured at amortized cost. The Company has elected to measure all derivatives and embedded derivatives at fair value and the Company maintained its policy not to use hedge accounting.

The Company also provides the required disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

See Note 12 for relevant disclosure.

Equipment

Equipment is recorded at cost less accumulated amortization. The equipment below is amortized over its useful lives using the following annual rates and methods:

Computer and office equipment	30%	Declining balance
Computer software	45%	Declining balance

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd…)

Mineral Properties

Costs related to the acquisition, exploration and development of mineral properties are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and development costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the mineral property. If payments received exceed the capitalized cost of the mineral property, the excess is recognized as income in the year received. The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Asset Retirement Obligations

An asset retirement obligation is the legal obligation relating to retirement of long lived assets, and arising from the acquisition, construction, development, or normal operation of those assets. Such asset retirement costs must be recognized at fair value, when a reasonable estimate of fair value can be made, in the period in which it is incurred, added to the carrying value of the asset, and amortized into income on a systematic basis over its useful life. Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase to the liability and an accretion expense in the statement of operations. If the fair value of the liability decreases due to changes in future cash flow estimates, a corresponding decrease in the related asset is recorded. If the reduction exceeds the value of the related asset, the remaining amount is reduced through earnings.

The Company does not have any significant asset retirement obligations.

Foreign currency translation

Excelsior Arizona represents an integrated foreign operation and AzTech Mineral represents a self-sustaining foreign operation.

Accordingly, Excelsior Arizona is translated into Canadian dollars as follows:

- monetary items are translated at the rate of exchange in effect at the balance sheet date;
- non-monetary items are translated at historical exchange rates;
- revenue and expense items are translated at the exchange rate approximating those in effect on the date of the transactions; and
- exchange gains and losses arising from translation are included in the statement of operations.

AzTech Minerals is translated into Canadian dollars as follows:

- all of the assets and liabilities are translated at the rate of exchange in effect on the balance sheet date;
- revenue and expenses are translated at the exchange rate approximating those in effect on the date of the transactions; and
- exchange gains and losses arising from translation are included in accumulated other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd…)

Loss per share

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

For diluted per share computations, assumptions are made regarding potential common shares outstanding during the year. The weighted average number of common shares is increased to include the number of additional common shares that would be outstanding if, at the beginning of the year, or at time of issuance, if later, all options and warrants are exercised. Proceeds from exercise are used to purchase the Company's common shares at their average market price during the year, thereby reducing the weighted average number of common shares outstanding. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

Stock-Based Compensation

The Company follows the recommendations of CICA Handbook Section 3870 – "Stock Based Compensation and Other Stock Based Payments" to account for stock-based transactions with officers, directors, and consultants. The Company recognizes stock-based compensation expense based on the estimated fair value of the options on the date of grant, determined using the Black-Scholes option-pricing model. The fair value of the options is recognized over the vesting period of the options granted as both stock compensation expense and contributed surplus. The contributed surplus account is subsequently reduced if the options are exercised and the amount initially recorded is then credited to share capital.

Income Taxes

Income taxes are accounted for using the asset and liability method. Under this method of tax allocation, future tax assets and liabilities are determined based on differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases ("temporary differences") and losses carried forward. Future income tax assets and liabilities are measured using the enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

Impairment of long-lived assets

Long-lived assets include equipment and capitalized acquisition and exploration costs incurred on the Company's mineral properties. A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds its fair value. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd…)

New Canadian Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's existing GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. For the Company, the transition date will be January 1, 2010 and this will require the restatement for comparative purposes of amounts reported by the Company for each of the quarters for the year ended December 31, 2010. The Company has completed the diagnostic phase of planning for the implementation of IFRS. It has determined that the principal areas of impact will be IFRS 1 – first time adoption; presentation of financial statements; share-based payments; exploration costs; impairment of long-lived assets; asset retirement obligations and future income taxes. The Company expects its detailed analysis of relevant IFRS requirements and of IFRS 1 will be complete by the end of its fiscal quarter ending March 31, 2011, along with its determination of changes to accounting policies and choices to be made. The Company has not yet reached the stage where a quantified impact of conversion on its financial statements can be measured. The Company expects to complete its quantification of financial statement impacts by the end of its fiscal quarter ending March 31, 2011.

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary. Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to IFRS 3, Business Combinations (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period which begins on or after January 1, 2011.

Section 1601 establishes standards for the preparation of consolidated financial statements.

Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS International Accounting Standards ("IAS") 27, Consolidated and Separate Financial Statements (January 2008).

Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

Comprehensive Revaluation of Assets and Liabilities (Section 1625) and Equity (Section 3251)

As a result of issuing CICA Handbook sections 1582, 1601, and 1602, CICA Handbook Section 1625 has been amended and is effective prospectively beginning on or after January 1, 2011. Section 3251, Equity, has been amended as a result of issuing Section 1602 and applies to entities that have adopted this section. The Company does not expect any material impact on its financial position, operating results or disclosure on the adoption of this new section.

(Expressed in Canadian dollars)

3. ACQUISITION

Effective October 14, 2010, the Company acquired all of the issued and outstanding share capital of Aztech Minerals, Inc. As consideration, the Company issued two common shares for each share issued and outstanding as at the date of acquisition. The Company also issued two options for each stock option, and two share purchase warrants for each share purchase warrant outstanding immediately prior to the date of acquisition. As a result, the Company issued 22,359,173 common shares and 7,007,876 non-voting and non-publicly traded common shares of the Company. In addition, the Company issued 2,800,000 stock options and 760,018 share purchase warrants.

Legally, the Company is the parent of AzTech. However, as a result of the share exchange described above control of the combined companies passed to the former shareholders of AzTech. This type of share exchange, referred to as a "reverse takeover", deems AzTech to be the acquirer for accounting purposes. Accordingly, the net assets of AzTech are included in the balance sheet at book values and the acquisition of the Company is accounted for by the purchase method with the net assets of the Company recorded at fair market value at the date of acquisition. The expenses and assets and liabilities subsequent to the date of acquisition include accounts of the Company. The expenses and assets and liabilities for the year ended December 31, 2009 are those of AzTech. The net assets of the Company totaled $1,256,892 at the date of acquisition and have been allocated below.

The cost of an acquisition should be based on the fair value of the consideration given, except where the fair value of the consideration given is not clearly evident. In such a case, the fair value of the net assets acquired is used.

The total purchase price of $1,256,892 was allocated as follows:

Cash	$1,088,104
Prepaid expenses	21,914
Accounts receivable	50,075
Equipment	2,720
Mineral properties	223,554
Accounts payable	(129,475)
	$1,256,892

Expenses relating to the reverse takeover totaled $341,250, consisting of the fair value of 650,000 common shares issued as finders' fees and $133,181 in acquisition costs. These costs have been recorded against share capital in accordance with EIC-10 "Reverse Takeover Accounting".

4. EQUIPMENT

	December 31, 2010			December 31, 2009		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Computer and Office Equipment	$ 5,689	$ 1,659	$ 4,030	-	-	-
Computer Software	2,175	723	1,452	-	-	-
	$ 7,864	$ 2,382	$ 5,482	-	-	-

(Expressed in Canadian dollars)

5. MINERAL PROPERTIES

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

Wildhorse Property

On March 5, 2010, the Company entered into an option agreement with Eagle Plains Resources Ltd. ("Eagle Plains"), a corporation incorporated under the laws of Alberta and listed on the TSX Venture Exchange, whereby Eagle Plains has granted the Company an option to acquire up to a 70% interest in the Wildhorse Property, located north of Cranbrook, British Columbia in the Fort Steele Mining Division. The proposed transaction between Excelsior and Eagle Plains was an arm's length transaction and was intended as the "Qualifying Transaction" for Excelsior under the applicable policies of the TSX Venture Exchange. This transaction was approved by the TSX Venture Exchange in May 2010.

On March 21, 2011, the Company terminated the option agreement with Eagle Plains (see note 14), and as a result the related costs of $237,688 were written off to operations.

Gunnison Project

The Company, through AzTech entered into an option agreement to purchase the Gunnison Project, as amended, located in the Johnson Camp Mining District of Arizona. Under the option agreement, Aztech has the exclusive right until January 1, 2012 to acquire 100% of the Gunnison Project for $450,000 and up to a further $300,000 payable to certain landholders, of which $150,000 is payable upon the exercise of the option agreement. The remaining $150,000 is payable on or before December 31, 2016. Acquisition costs to date related to payments made under the previous agreements.

2009	Wildhorse Project	Gunnison Project	Total
Balance, beginning of the year	$ -	$ 81,403	$ 81,403
Additions			
Geology	-	35,612	35,612
Balance end of the year	$ -	$ 117,015	$ 117,015

2010	Wildhorse Project	Gunnison Project	Total
Balance beginning of the year	$ -	$ 117,015	$ 117,015
Additions			
Administration, permitting fees	-	1,421	1,421
Drilling	167,852	178,754	346,606
Geology	4,276	54,183	58,459
Acquisition costs	65,560	188,785	254,345
	237,688	423,143	660,831
Write-offs	(237,688)	-	(237,688)
Balance, end of the year	$ -	$ 540,158	$ 540,158

(Expressed in Canadian dollars)

6. NOTES PAYABLE

Notes payable consists of:

	December 31, 2010	December 31, 2009
Unrelated		
Unsecured notes payable to unrelated parties, bearing interest at 6% accrued monthly into the note, principal plus accrued interest due on December 31, 2011($US196,418, 2009 - $US158,344)	$197,484	$187,121
Unsecured notes payable to unrelated third parties convertible to equity if not paid in full by maturity, interest at prime rate plus 2% accrued monthly into the note, principal plus accrued interest due on December 31, 2011 (2009-$US104,372)	-	109,695
Unsecured notes payable to unrelated third parties, interest rates between 6% and 10% accrued monthly into the note, principal plus accrued interest due on December 31, 2011 or when the Company has over $1,000,000 in cash in bank (2009-$US 2,379)	-	2,500
Related party		
Notes payable to directors and companies controlled by directors of the Company, convertible to equity if not paid in full by December 31, 2011, interest at rate between 6% and 10% accrued monthly into the note, principal plus accrued interest due on December 31, 2011 (2009-$US 441,464)	-	458,254
Unsecured notes payable to a director and a company controlled by a director of the Company, interest rates between 6% and 10% accrued monthly into the note, principal plus accrued interest due on December 31, 2011 ($US48,326, 2009 - $US57,804)	48,588	45,775
Total	246,072	803,345
Less current portion	(246,072)	2,500
Long-term portion	$ -	$800,845

Certain of the notes payable include contingent pay-off provisions prior to the maturity dates listed. These contingent payments include the Company's right to prepay any debt prior to maturity without penalty and other early payment provisions dependent on the Company's obtaining financing.

Interest expense incurred on long-term debt for the year ended December 31, 2010 and 2009 was $41,332 and $52,727, respectively.

7. SHARE CAPITAL

Share issuances:

During the year ended December 31, 2010, shares were issued as follows:

- On October 14, 2010 the Company acquired 100% of the issued and outstanding shares of AzTech Minerals, Inc. pursuant to which, each common share of AzTech was exchanged for two common shares of the Company and all issued and outstanding common shares of the Company were consolidated on the basis of one post consolidation common share for every three common shares outstanding. 650,000 common shares were issued as finders' fees with a fair market value of $341,250 in connection with the reverse takeover (Note 3). All references to share amounts have been restated to reflect these transactions.

- On April 20, 2010, 1,667 common shares were issued for commitment to issue shares in 2009.

- On June 1, 2010, the Company issued 364,333 common shares for gross proceeds of $681,179. In connection with the offering the Company paid a finder's fee of $47,683. In addition the Company granted agent warrants entitling the agent to purchase 153,020 common shares of the Company at US$0.30 per common share with a fair market value of $19,760.

- On June 14, 2010 the Company issued 199,999 common shares for gross proceeds of $371,447 and paid $26,001 as a finder's fee. In addition the Company granted agent warrants entitling the agent to purchase 83,998 common shares of the Company at US$0.30 per common share with a fair market value of $10,787.

- On August 15, 2010, $146,974 in related party notes payable (US$141,145) was settled through the issuance of 97,510 common shares of the Company.

- On October 14, 2010, the Company completed a private placement resulting in issuance of 6,030,000 units of the Company for gross proceeds of $3,025,854. Each unit comprised one common share of the Company and one-half of one common share purchase warrant of the Company with an exercise price of US$0.65. The Company paid an agent a cash commission of US$211,050 and granted compensation options entitling the agent to subscribe for 422,100 units at US$1.00 per unit with a fair market value of $34,715.

During the year ended December 31, 2009, shares were issued as follows:

- On October 28, 2009, 34,000 common shares with a fair value of $72,252 were issued as per a debt settlement agreement.

- On December 17, 2009, pursuant to a plan of recapitalization, each common share of the Company was converted into 1,000 common shares of the Company. In addition, the Company issued 871,667 common shares for gross proceeds of $1,256,002. 1,667 shares were still to be issued from this private placement. These shares were issued during the year ended December 31, 2010.

Escrow shares

Pursuant to TSX Venture Exchange policies, 13,225,490 common shares and 6,657,483 non-voting common shares are held in escrow as at December 31, 2010. These common shares are held in escrow pursuant to the terms of three different escrow agreements.

(Expressed in Canadian dollars)

7. SHARE CAPITAL (Cont'd…)

Warrants

The following is a summary of warrants outstanding as at December 31, 2010, and December 31, 2009, and changes during the years then ended.

	December 31, 2010		December 31, 2009	
Outstanding, beginning of year	-	$ -	-	$ -
Granted	7,172,043	0.69	-	-
Outstanding, end of year	7,172,043	$ 0.69	-	$ -

As at December 31, 2010, the Company had the following warrants outstanding:

Outstanding	Exercise Price	Expiry Date
2,766,604	$0.90	November 4, 2011
523,000[1]	US$0.25	December 17, 2011
208,321[1]	$0.45	November 4, 2011
153,020[1]	US$0.30	May 28, 2012
83,998[1]	US$0.30	June 14, 2012
3,015,000	US$0.65	October 14, 2012
422,100[1 2]	US$0.50	October 14, 2012
7,172,043		

[1] Agents warrants
[2] Upon exercise these warrants will yield a holder one share in the Company and one warrant exercisable at US$0.50 until April 14, 2012.

During the year ended December 31, 2010, the Company issued 659,118 (2009 – Nil) compensation warrants with a fair market value of $65,262 (2009-$Nil).

The following weighted average assumptions were used for the Black-Scholes valuation of the compensation warrants granted during the year:

	December 30 2010	December 31 2009
Risk-free interest rate	1.53%	-
Expected life of options	2 years	-
Annualized volatility	75%	-
Dividend rate	0%	-

(Expressed in Canadian dollars)

7. SHARE CAPITAL (Cont'd…)

Stock options

At the Company's annual general meeting held September 17, 2010, shareholders of the Company approved amendments to the Company's stock option plan (the "Plan"), whereby the Plan was amended to make administrative changes to remove certain restrictions that were applicable prior to the completion of the Company's qualifying transaction and to change the number of shares authorized for issuance under the Plan to a fixed 20% of the issued and outstanding shares of the Company. Currently, the number of shares authorized for issuance under the Plan is 8,377,844. Options granted under the Plan have a maximum term of 5 years. The vesting terms are at the Board of Directors' discretion.

The following is a summary of stock options outstanding as at December 31, 2010, and December 31, 2009, and changes during the years then ended.

	December 31, 2010		December 31, 2009	
Outstanding, beginning of year	234,666	$ 0.30	293,333	$ 0.30
Granted	6,308,667	0.44	58,666	0.30
Expired/cancelled	-	-	(117,333)	0.30
Outstanding, end of year	6,543,333	$ 0.44	234,666	$ 0.30

At December 31, 2010 the following stock options were outstanding and exercisable:

Outstanding	Exercisable	Exercise Price	Expiry Date
234,666	234,666	$0.30	February 20, 2013
2,800,000	2,800,000	US$0.25	December 18, 2014
58,667	29,334	$0.30	May 14, 2015
3,100,000	-	$0.60	October 14, 2015
150,000	-	$0.60	November 1, 2015
200,000	-	$0.60	December 1, 2015
6,543,333	3,064,000		

Stock-based compensation

The Company recognizes compensation expense for all stock options granted using the fair value based method of accounting. The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares and expected life of the options. During the year ended December 31, 2010, the Company recognized stock-based compensation of $102,344 (December 31, 2009 - $474,231). The weighted average fair value for options granted during the year is $0.58 (2009- US$0.25) per option.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the year:

(Expressed in Canadian dollars)

7. SHARE CAPITAL (Cont'd…)

Stock-based compensation (Cont'd…)

	December 31 2010	December 31 2009
Risk-free interest rate	1.82%	2.50%
Expected life of options	4.6 years	4.5 years
Annualized volatility	74%	60%
Dividend rate	0%	0%

8. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2010, the Company entered into the following transactions with related parties:

- The Company incurred corporate costs of $166,117 included in investor relations, office and administration, rent, wages and salaries and mineral properties (December 31, 2009 - $Nil) to a company controlled by an officer/director. At December 31, 2010 $82,255 (December 31, 2009 - $Nil) was still owing to this company.

- The Company paid management fees of $226,587 (December 31, 2009 - $164,446) and consulting fees of $36,048 (December 31, 2009 - $Nil) to certain directors of the Company.

- The Company paid legal fees of $148,123 (December 31, 2009 -$Nil) included in professional fees, to a law firm of which a director of the Company is a partner.

- The Company paid rent for a core shed in the amount of $18,013, which is included in mineral properties (December 31, 2009 - $Nil) to a company controlled by a former director of the Company. As at December 31, 2010, $3,090 of this amount (December 31, 2009 - $Nil) was pre-paid for January 2011 rent and included in prepaid expenses.

- The Company paid $149,191 (December 31, 2009 -$Nil) in connection with the extension of the option agreement with a company controlled by a former director of the Company. This amount is included in mineral properties.

- $308,467 of related party notes payable were paid in full and $146,974 in related party notes payable were converted into 97,510 common shares of the Company. As at December 31, 2010 $48,588 (December 31, 2009 - $504,029) in related party notes payable were still owing to directors and companies controlled by directors of the Company.

- The Company incurred interest expense of $41,847 (December 31, 2009 - $25,018) on related party notes payable, and on an amount due to related party, including certain directors and companies controlled by directors and a former director of the Company.

- As at December 31, 2010 $81,069 (2009-$73,052) was due to related parties. These liabilities bear interest of 6% per annum compounded annually with no fixed terms of repayment.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(Expressed in Canadian dollars)

9. INCOME TAXES

The Company's provision for income taxes differs from the amounts computed by applying the combined Canadian federal and provincial income tax rates to the loss as a result of the following:

	2010	2009
Income tax recovery expected	$ (482,621)	$ (521,067)
Non-deductible expenses	53,425	180,098
Differences in foreign tax rates	33,312	-
Unrecognized (recognized) benefit of non-capital losses	395,884	340,969
Future income tax expense / (recovery)	$ -	$ -

The tax effects of temporary timing differences that give rise to significant components of future tax assets and future tax liabilities are as follows:

	2010	2009
Future tax assets		
Non-capital losses carried forward	$ 884,066	$ 523,337
Equipment	746	-
Resource property and related exploration expenditures	(124,241)	(39,785)
Share issue costs	140,777	-
Total gross future income tax assets/(liability)	901,348	483,552
Less: Valuation allowance	(901,348)	(483,552)
Net future income tax assets (liability)	$ -	$ -

At December 31, 2010, the Company had non-capital losses of approximately $2,689,000 (2009 - $1,539,000). These losses, if not utilized, will expire in 2030. Subject to certain restrictions, the Company also has resource expenditures available to reduce taxable income in future years. Future tax benefits which may arise as a result of these non-capital losses have been recognized in these financial statements and have been offset by valuation allowances due to the uncertainty of their realization.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The following were significant non-cash transactions during the year ended December 31, 2010:

- The Company acquired all of the issued and outstanding share capital of AzTech as disclosed in Note 3.
- 97,510 common shares were issued to settle debt in the amount of $146,974 (2009 – 28,667 common shares were issued to settle debt in the amount of $64,432).
- The Company issued warrants in connection with its financings as described in Note 7, with a fair value of $370,014.
- The Company issued agents warrants in connection with its financings as described in note 7, with a fair market value of $34,715.
- $65,785 of mineral properties is included in accounts payable at December 31, 2010 (December 31, 2009 - $Nil).

(Expressed in Canadian dollars)

11. SEGMENTED INFORMATION

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

Geographical information is as follows

	December 31, 2010	December 31, 2009
Equipment		
United States	$ 2,986	$ -
Canada	2,496	-
	$ 5,482	$ -
Mineral properties		
United States	$ 540,158	$ 117,015
Canada	-	-
	$ 540,158	$ 117,015

12. FINANCIAL INSTRUMENTS

The fair value of the Company's receivables, accounts payable and accrued liabilities, due to related parties, and notes payable approximate carrying value which is the amount recorded on the consolidated balance sheet. The Company's other financial instrument, cash, under the fair value hierarchy is based on level one quoted prices in active markets for identical assets and liabilities.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

<u>Credit risk</u>

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 is held at large North American financial institutions in interest bearing accounts. The Company has no investments in asset-backed commercial paper.

The Company's accounts receivable consist mainly of input tax credit receivable due from the Government of Canada, and as a result the Company doesn't believe it is subject to significant credit risk.

<u>Liquidity Risk</u>

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

The Company manages liquidity risk through its capital management as outlined in Note 13 to the consolidated financial statements. Accounts payable and accrued liabilities are due within the one year.

The Company has a cash balance of $3,570,434 to settle current liabilities of $522,783. Management believes that it has sufficient funds to meet its current liabilities as they become due.

12. FINANCIAL INSTRUMENTS (cont'd…)

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 has cash balances and interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of December 31, 2010, the Company did not have any investments in investment-grade short-term deposit certificates. The Company's interest bearing debt bears interest at fixed rates and therefore is not subject to interest rate risk.

(b) Price risk

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

(c) Currency risk

Currency exchange risk is the risk that the future cash flows of financial instruments will fluctuate as a result of changes in foreign exchange rates. The majority of the Company's operations are conducted in U.S. dollars; and the recent Company's financing has been raised in U.S. dollars minimizing the currency risk. However, any future equity raised is expected to be predominantly in Canadian dollars. Consequently, in future the Company will be impacted by changes in the exchange rate between the Canadian and United States dollars. As of December 31, 2010, the Company's net US dollar financial assets were $2,465,420. Thus, a 10% change in the Canadian dollar versus the U.S. dollar exchange rate would give rise to a $236,591 gain or loss.

13. CAPITAL DISCLOSURES

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

In the management of capital the Company considers cash balances and components of shareholders' equity.

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

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

14. SUBSEQUENT EVENTS

The following are the transactions subsequent to the year ended December 31, 2010.

- On March 1, 2011, the Company completed a non-brokered private placement offering resulting in the issuance of 13,333,333 units of the Company for aggregate gross proceeds of $8,000,000. Each unit consists of one common share and one half of one common share purchase warrant. Each warrant shall be exercisable to acquire one common share at an exercise price equal to $1.00 until February 28, 2013.

  In connection with the offering, the Company paid finder’s fees on certain subscriptions equal to 7% of the gross proceeds received from such subscriptions and issued 644,606 non-transferrable warrants. Each finder’s warrant may be exercised for one common share of the Company at an exercise price of $1.00 until February 28, 2013.

- 100,000 compensation warrants with an exercise price of US$0.25 and 1,750 compensation warrants with an exercise price of US$0.50 were exercised into common shares of the Company for gross proceeds of US$25,875. In connection with the exercise of 1,750 compensation warrants, 875 warrants of the Company with an exercise price of US$0.65 were issued.

- 10,000 warrants with an exercise price of US$0.65 per warrant were exercised for gross proceeds of US$6,500.

- On March 21, 2011, the Company terminated the option agreement with Eagle Plains Resources Ltd. with respect to the Wildhorse Property.

- 200,000 stock options with an exercise price of $0.62 and 250,000 stock options with an exercise price of $0.71 were granted to certain employees and consultants of the Company.

GENERAL

Management's discussion & analysis ("MD&A") is intended to supplement and complement the consolidated financial statements of Excelsior Mining Corp. (the "Company" or "Excelsior"). The information provided herein should be read in conjunction with the Company's audited consolidated financial statements and notes for the year ended December 31, 2010.

All dollar figures presented are expressed in Canadian dollars unless otherwise noted. Financial statements and summary information derived therefrom are prepared in accordance with Canadian generally accepted accounting principles.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls 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's audit committee meets with management quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

The reader is encouraged to review the Company statutory filings on www.sedar.com and to review general information including reports and maps on the Company's website at www.excelsiormining.com.

FORWARD LOOKING STATEMENTS

Information set forth in this MD&A may involve forward-looking statements under applicable securities laws. Forward-looking statements are statements that relate to future, not past, events. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as "anticipate", "believe", "plan", "estimate", "expect", and "intend", statements that an action or event "may", "might", "could", "should", or "will" be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein including, without limitation; statements about the details and timing of a potential resource upgrade, details of the planned drill program, the sufficiency of the Company's working capital, in-situ recovery methods, the timing of a Preliminary Economic Assessment and anticipated future expenses are forward-looking statements. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following risks: the need for additional financing; operational risks associated with mineral exploration; fluctuations in commodity prices; title matters; environmental liability claims and insurance; reliance on key personnel; the potential for conflicts of interest among certain officers, directors or promoters with certain other projects; the absence of dividends; competition; dilution; the volatility of our common share price and volume and the additional risks identified in the "Risk Factors" section of this MD&A or other reports and filings with the TSX Venture Exchange and applicable Canadian securities regulations. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date that statements are made and Excelsior undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable securities laws. Investors are cautioned against attributing undue certainty to forward-looking statements.

DESCRIPTION OF BUSINESS AND OVERVIEW

Excelsior was incorporated under the *Business Corporations Act* (British Columbia) on June 9, 2005 and is classified as a Tier 2 issuer on the TSX Venture Exchange ("TSX-V"). The Company was previously classified as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4

On March 5, 2010, the Company entered into an option agreement with Eagle Plains Resources Ltd. ("Eagle Plains"), whereby Eagle Plains granted the Company an option to acquire up to 70% interest in the Wildhorse Property, located north of Cranbrook, British Columbia. The transaction between The Company and Eagle Plains was an arm's length transaction and was the Company's Qualifying Transaction under the applicable policies of the TSX Venture Exchange.

On October 15, 2010, the Company completed a reverse takeover ("RTO") by acquiring all of the issued and outstanding common shares of AzTech Minerals, Inc. ("AzTech") in exchange for 22,359,173 voting common shares and 7,007,876 non-voting and non-publicly traded common shares of the Company. The Company is listed on the TSX-V under the new symbol "MIN".

During the current year, the Company consolidated its common shares on a basis of one new common share for every 3 common old shares held. All references to shares and per share amounts, unless otherwise stated, have been retroactively restated to reflect the consolidation.

ACQUISIITON

Effective October 14, 2010, the Company acquired all of the issued and outstanding share capital of AzTech. As consideration, the Company issued two common shares for each share issued and outstanding as at the date of acquisition. The Company also issued two options for each stock option, and two share purchase warrants for each share purchase warrant outstanding immediately prior to the date of acquisition. As a result, the Company issued 22,359,173 common shares and 7,007,876 non-voting and non-publicly traded common shares of the Company. In addition, the Company issued 2,800,000 stock options and 760,018 share purchase warrants.

Legally, the Company is the parent of AzTech. However, as a result of the share exchange described above control of the combined companies passed to the former shareholders of AzTech. This type of share exchange, referred to as a "reverse takeover", deems AzTech to be the acquirer for accounting purposes. Accordingly, the net assets of AzTech are included in the balance sheet at book values and the acquisition of the Company is accounted for by the purchase method with the net assets of the Company recorded at fair market value at the date of acquisition. The expenses and assets and liabilities subsequent to the date of acquisition include accounts of the Company. The expenses and assets and liabilities for the year ended December 31, 2009 are those of AzTech. The net assets of the Company totaled $1,256,892 at the date of acquisition and have been allocated below.

The cost of an acquisition should be based on the fair value of the consideration given, except where the fair value of the consideration given is not clearly evident. In such a case, the fair value of the net assets acquired is used.

The total purchase price of $1,256,892 was allocated as follows:

Cash	$1,088,104
Prepaid expenses	21,914
Accounts receivable	50,075
Equipment	2,720
Mineral properties	223,554
Accounts payable	(129,475)
	$1,256,892

Expenses relating to the reverse takeover totaled $341,250, consisting of the fair value of 650,000 common shares issued as a finders' fee and $133,181 in acquisition costs. These costs have been recorded against share capital in accordance with EIC-10 "Reverse Takeover Accounting".

MINERAL PROPERTIES

Wildhorse Property

During June 2010, the Company completed a total of 635 meters of drilling in nine holes at the Wildhorse Property in southeastern British Columbia, Canada. Five holes were drilled at the Copper Creek Showing and four holes at the Dardenelles showing. None of the holes returned economically significant gold or copper values. On March 21, 2011, the Company terminated the option agreement with Eagle Plains, the related costs of $237,688 were written off to operations as of December 31, 2010.

Gunnison Property

The Gunnison Copper Project is located within the copper porphyry belt of Arizona, 65 miles southeast of Tucson and 1.5 miles southeast of the historic Johnson Camp mining district. The Property is located near the I-10 freeway and covers approximately 3,800 acres (1,550 hectares). Gunnison contains an NI 43-101 inferred resource of 4.77 billion pounds of copper (refer to table below for grade and tonnage) which remains open for expansion.

Ore Type	North Star (0.1% cut-off)			South Star (0.1% cut-off)			Total Inferred Resources (0.1% cut-off)			
	Tons (Mton)	Grade (TCu%)	Cu metal (Mton)	Tons (Mton)	Grade (TCu%)	Cu metal (Mton)	Tons (Mton)	Grade (TC %)	Cu metal (Mton)	Cu metal (Blb)
Oxide	404	0.35	1.43	62	0.30	0.19	**466**	**0.35**	1.62	**3.23**
Sulphide	312	0.24	0.75	8	0.19	0.02	320	0.24	0.77	1.54
Total	716	0.30	2.18	70	0.29	0.20	**786**	**0.30**	2.39	**4.77**
Note: Mton = million imperial short ton, TCu = total copper assay, Blb = billion pounds										

Over two thirds of the resource is oxide copper, which has the potential to be mined using in-situ recovery methods. This will allow the copper to be recovered at a much lower cost than conventional mining methods. Copper has successfully been extracted using ISR in Arizona on numerous occasions including the San Manuel Mine located less than 70 miles to the northwest of Gunnison.

On January 12, 2011, the Company commenced a 10,000 metre drill program which will also consist of hydrological and metallurgical testing. Approximately 7,000 m of drilling will be targeted towards upgrading the resource from the inferred to the indicated category. Management expects that the majority of the oxide resource will be upgraded. The remaining 3,000 m of drilling will test exploration targets, with the goal of increasing the global copper resource. An updated resource estimate will be carried out following the completion of this drill program.

On February 2, 2011, the Company commenced a metallurgical program. Samples from two holes were shipped to Hazen Laboratory in Denver, Colorado for column leach testing. The column leach tests will greatly improve the current understanding of in-situ copper extraction on the Gunnison Copper Project. Excelsior's metallurgical program will build upon prior work completed by Magma Copper Corporation ("Magma"). Magma drilled eight holes and completed several comprehensive metallurgical tests and hydrological studies. The Magma tests indicated acid consumption and copper recovery were favourable for in-situ mining on the Gunnison Project.

On March 22, 2011, the Company announced the first set of assay results. These holes demonstrate the continuity in terms of thickness and grade of the deposit and are expected to be used in upgrading the resource from the inferred to the indicated category. Highlights include:

- 960 feet (from 530 feet to 1490 feet) of 0.45% total copper in NSD – 1; and

- 981 feet (from 563 feet to 1544 feet) of 0.28% total copper including
  184 feet (from 1360 feet to 1544 feet) of 0.44% total copper in NSD - 3.

Excelsior's exploration work on the Gunnison Property is supervised by Stephen Twyerould, Fellow of AUSIMM, President and CEO of Excelsior and a Qualified Person as defined by NI 43-101. Mr. Twyerould has reviewed and is responsible for the technical information contained in this document.

REVIEW OF FINANCIAL RESULTS

The following table summarizes the Company's financial operations. For more detailed information, please refer to the audited financial statements.

Description	Year ended December 31, 2010	Year ended December 31, 2009	Year ended December 31, 2008
Total asset	$ 4,275,698	$ 1,209,043	$ 896,003
Resource properties	540,158	117,015	108,411
Working capital surplus (deficit)	3,207,275	963,148	(355,283)
Long term liabilities	-	800,845	635,340
Corporate expenses	1,145,065	719,528	320,977
Property write offs	237,688	-	-
Other items	36,720	813,023	3,979
Net income (loss)	(1,419,473)	(1,532,551)	(324,956)
Comprehensive income (loss)	(1,475,077)	(1,471,977)	(324,956)
Income (loss) per share	(0.10)	(0.46)	(0.09)
Income (loss) per share (fully diluted)	(0.10)	(0.46)	(0.09)

Results of operations for the year ended December 31, 2010 compared to the year ended December 31, 2009:

For the year ended December 31, 2010, the Company reported a net loss of $1,419,473 or $0.10 per common share, compared with a net loss of $1,532,551 or $0.46 per common share, for the year ended December 31, 2009.

Administrative and operating expenses increased significantly when compared to 2009 as a direct result of increased Company activities. At the same period last year the Company was inactive and, therefore, not incurring many costs. The Company has since completed the reverse takeover with AzTech, received funds from various financings, and is now focused on building up its core team and focusing on promoting the Company's objectives and projects.

Significant changes in the expense accounts are described below:

Consulting and management fees increased to $295,979 (2009-$164,446) as a result of executing the business combination with AzTech and developing the Gunnison project.

For the same reason wages and salaries increased to $88,209 (2009 - $Nil) and travel and entertainment to $31,697 (2009-$Nil).

Professional fees including audit and accounting and legal increased to $541,072 (2009-$31,118), along with regulatory fees $25,517 (2009-$Nil). This increase is attributable primarily to completion of the RTO transaction and meeting associated regulatory compliance and reporting needs.

Stock based compensation expense decreased to $102,344 (2009-$474,231) because the number of options vested during 2010 were less than those vested in 2009, therefore, resulting in less expense recognition.

These expenses are expected to increase in the following year due to the increased corporate activities to be undertaken in order to move forward with developing the Company's objectives.

Other items that had a significant impact on a net loss for the year are:

Mineral property write-offs totaling $237,688 (2009-$Nil) related to the exploration work carried out on Wildhorse property.

Deferred acquisition costs of $Nil (2009-$706,652) were written off during 2010. The 2009 costs are related to the initial public offering of AzTech that was not completed in 2009.

SELECTED QUARTERLY INFORMATION

Selected financial indicators for the past four quarters are shown in the following table (Expressed in $'s):

	Dec 10 Quarter	Sep 10 Quarter	Jun 10 Quarter	Mar 10 Quarter
Income (Loss) for the period	**(699,088)**	(453,866)	(176,868)	(89,651)
Loss per share	**(0.05)**	(0.31)	(0.01)	(0.01)
Loss per share (fully diluted)	**(0.05)**	(0.31)	(0.01)	(0.01)
Total assets	**4,275,698**	914,329	1,539,874	1,054,966

Results for the 2009 quarters are not presented above as the Company did not prepare quarterly financial statements.

Results of Operations for the three months ended December 31, 2010:

In the three months ended December 31, 2010, the Company reported a net loss of $699,088 or $0.05 per common share. These financial results represent the consolidated entity results after the reverse takeover.

Expenses incurred in this quarter include: wages/salaries $88,209, rent $6,826, consulting services $22,766, transfer agent fees $25,517, insurance $2,977, management fees $75,991, travel/entertainment $14,944, professional fees (legal and accounting) $143,921, office/administration $7,156, investor relations $9,047, stock based compensation $102,344.

The comparative results for the three months ended December 31, 2009 are not presented as these were not prepared by the Company in 2009.

LIQUIDITY, FINANCING, AND CAPITAL RESOURCES

The Company had cash on hand of $3,570,434 as of December 31, 2010 (December 31, 2009 - $1,092,028). As of December 31, 2010, the Company had positive working capital of $3,207,275 (December 31, 2009 - $963,148).

The Company has sufficient working capital to complete its currently planned 2011 drilling and exploration programs on the Gunnison property. It will need additional capital to advance the Gunnison property to the feasibility stage. Future capital will have to be obtained from debt or equity financings. See "Risk Factors".

Share Capital

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

Security Description	December 31, 2010	Date of report
Common shares	41,919,216[1]	55,364,299
Stock Options	6,543,333	6,993,333
Warrants	7,172,043	14,372,441

[1] 7,000,876 of these shares are non-voting and non-publicly traded common shares, 13,225,340 common shares and 6,657,483 non-voting common shares are held in escrow as at December 31, 2010.

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2010, the Company entered into the following transactions with related parties:

- The Company incurred administrative/office costs of $164,077 included in investor relations, office and administration, rent, wages and salaries, and mineral properties (December 31, 2009 - $Nil) to a company controlled by an officer/director (Mark Morabito). At December 31, 2010 $82,255 (December 31, 2009 - $Nil) was still owing to this company.

- The Company paid management fees of $226,587 (December 31, 2009 - $164,446) and consulting fees of $36,048 (December 31, 2009 - $Nil) to certain officers/directors (Stephen Twyerould, Roland Goodgame) of the Company.

- The Company paid legal fees of $148,123 (December 31, 2009 -$Nil) included in professional fees, to a law firm of which a director (John Vettese) of the Company is a partner.

- The Company paid rent for a core shed in the amount of $18,013, which is included in mineral properties (December 31, 2009 - $Nil) to a company controlled by a former director (Kevin Sullivan) of the Company. As at December 31, 2010, $3,090 of this amount (December 31, 2009 - $Nil) was pre-paid for January 2011 rent and included in prepaid expenses.

- The Company paid $149,191 (December 31, 2009 -$Nil) in connection with the extension of the option agreement with a company controlled by a former director (Kevin Sullivan) of the Company. This amount is included in mineral properties.

- $308,467 of related party notes payable were paid in full and $146,974 in related party notes payable were converted into 97,510 shares of the Company. As at December 31, 2010 $48,588 (December 31, 2009 - $504,029) in related party notes payable were still owing to a director (Stephen Twyerould).

- The Company incurred interest expense of $42,186 (December 31, 2009 - $25,018) on related party notes payable, and on an amount due to related party, including certain directors and companies controlled by directors and a former director of the Company.

As at December 31, 2010, $81,069 (2009-$73,052) was due to related parties. These liabilities bear interest of 6% per annum compounded annually with no fixed terms of repayment.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

ACCOUNTING POLICIES

Future Accounting Pronouncements

Business combinations, consolidated financial statements and non-controlling interest

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary. Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to IFRS 3, Business Combinations (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period which begins on or after January 1, 2011.

Section 1601 establishes standards for the preparation of consolidated financial statements.

Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS International Accounting Standards ("IAS") 27, Consolidated and Separate Financial Statements (January 2008).

Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

International Financial Reporting Standards ("IFRS")

Transition to IFRS from GAAP

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") for financial periods beginning on and after January 1, 2011. The Company plans to adopt IFRS with an adoption date of January 1, 2011 and a transition date of January 1, 2010.

IFRS Conversion

The Company's IFRS conversion plan addresses matters including changes in accounting policies, IT and data systems, restatement of comparative periods, organizational and internal controls and any required changes to business processes. To facilitate this process and ensure the full impact of the conversion is understood and managed reasonably, the Company retained an IFRS conversion project manager. The accounting staff has also attended several training courses on the adoption and implementation of IFRS. Through in-depth training and detailed analysis of IFRS standards, the Company's accounting personnel has obtained a thorough understanding of IFRS and possesses sufficient financial reporting expertise to support the Company's future needs. The Company has also reviewed its internal and disclosure control processes and believes they will not need significant modification as a result of the conversion to IFRS. Further, the Company has assessed the impact on IT and data systems and has concluded there will be no significant impact to applications arising from the transition to IFRS.

IFRS 1 First-Time Adoption of International Financial Reporting Standards

Under IFRS 1 *First-time Adoption of International Financial Reporting Standards*, the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under GAAP taken to retained earnings unless certain exemptions are applied. IFRS provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters. Set forth below is the applicable IFRS 1 optional exemption applied in the conversion from Canadian GAAP to IFRS.

Share-based payments

IFRS 1 permits the application of IFRS 2 *Share Based Payments* only to equity instruments granted after November 7, 2002 that had not vested by the date of transition to IFRS. The Company has applied this exemption and will apply IFRS 2 for equity instruments granted after November 7, 2002 that had not vested by January 1, 2010.

Financial Statement Impact on Transition to IFRS

IFRS employs a conceptual framework that is similar to Canadian GAAP; however significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS will not change the cash flows of the Company, the adoption will result in changes to the reported financial position and results of operations of the Company. A summary of the significant accounting policy changes on transition to IFRS and the impact of those changes on the Company's financial statements are provided below.

Share-based payments

The Company has modified its accounting for stock-based compensation in two significant respects to conform with the guidance in IFRS 2 *Share-Based Payments*.

Under Canadian GAAP, the fair value of stock-based awards with graded vesting are calculated as one grant and the resulting fair value is recognized on a straight-line basis over the vesting period. Forfeitures of awards are recognized as they occur.

Under IFRS, a fair value measurement is required for each vesting instalment within the option grant. Each instalment must be valued separately, based on assumptions determined from historical data, and recognized as compensation expense over each instalment's individual tranche vesting period. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods.
The adoption of IFRS 2 *Share-Based Payments* resulted in an increase of $106,000 in the amount of stock-based compensation recognized during the year ended December 31, 2010.

Exploration and Evaluation Accounting

IFRS allows an entity to select an appropriate accounting policy for the treatment of resource properties (known as exploration and evaluation assets under IFRS). Under existing Canadian GAAP, Excelsior followed the policy of capitalizing all mineral property expenditures directly attributable to the exploration or evaluation of each property, including an appropriate allocation of overheads related to the activity. On transition, Excelsior will change the policy to expensing all mineral property expenditures directly attributable to the exploration or evaluation of each property under IFRS. The decision to change this policy was made to streamline the financial reporting process and simplify the presentation of financial information for investors. This change of policy resulted in a decrease of $377,000 in the carrying value of resource properties (exploration and evaluation assets), an increase in exploration expenditures of $549,000 and a reduction of the impairment charge (relating to the Wildhorse property) of $172,000 as at and for the year ended December 31, 2010.

Impairment of assets

Under Canadian GAAP, if there is an indication that an asset may be impaired, an impairment test must be performed. This is a two-step impairment test in which (1) undiscounted future cash flows are compared to the carrying value; and (2) if those undiscounted cash flows are less than the carrying value, the asset is written down to the fair value.

Under IFRS, an entity is required to assess, at the end of each reporting period, whether there is any indication that an asset may be impaired. If such an indication exists, the entity shall estimate the recoverable amount of the asset by performing a one-step impairment test, which requires a comparison of the carrying value of the asset to the higher of value in use and fair value less costs to sell. Value in use is defined as the present value of future cash flows expected to be derived from the asset in its current state.

Additionally, another difference exists as IAS 36, *Impairment of Assets* allows for the reversal of any previous impairment losses where circumstances have changed such that the impairments have been reduced. Canadian GAAP prohibits reversal of impairment losses.

The Company has concluded that the adoption of these standards will not result in a change to the carrying value of its assets on transition to IFRS.

OUTLOOK

The current metallurgical program will be complimented by a hydrological program, which is expected to commence at the end of the second quarter of 2011. Management is expecting the two programs will confirm previous results that demonstrate the Gunnison Project can be mined using in-situ recovery methods.

The current drill program will be followed by an updated NI 43-101 resource estimate, which is expected at the end of the second quarter of 2011. This will be followed by a Preliminary Economic Assessment expected in the fourth quarter of 2011.

RISK FACTORS

Exploration and Development

Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration activities will result in any discoveries of new bodies of commercial ore. There is also no assurance that presently identified mineralization can be mined at a profit. Discovery of mineral deposits is dependent upon a number of factors and significantly influenced by the technical skill of the exploration personnel involved.

The commercial viability of a mineral deposit is also dependent upon a number of factors, some of which are beyond the Company's control such as, commodity prices, exchange rates, government policies and regulation and environmental protection.

Financing

The Company does not currently have any operations generating cash to fund projected levels of exploration and development activity and associated overhead costs. The Company is therefore dependent upon debt and equity financing to carry out its exploration and development plans. There can be no assurance that such financing will be available to the Company. In the future the Company will require additional funding to maintain its mineral properties in good standing. While the Company has been successful in raising funds in the past, there can be no assurance it can continue to do so in the future. The lack of additional financing could result in delay or indefinite postponement of further exploration and possible, partial, or total loss of the Company's interest in its mineral properties.

Commodity Price Volatility

The market prices for commodities, over which the Company has no control, are volatile. There is no assurance that if commercial quantities of these commodities are discovered, a profitable market will exist for a production decision to be made or for the ultimate sale of production at a profit. As the Company is currently not in production, no sensitivity analysis for price changes has been provided.

Foreign Currency Exchange

With the acquisition of AzTech, the majority of the Company's operations are conducted in U.S. dollars which subject to fluctuations between the Canadian and United States currencies. The financings completed by the Company in 2010 have been raised in U.S. dollars minimizing the currency risk. However, any future equity financing raised is expected to be predominantly in Canadian dollars. In order to minimize foreign exchange fluctuations, the Company plans purchasing sufficient US dollars to pay out its US obligations.

Resource Estimates

There is a degree of uncertainty attributable to the calculation of resource tonnages and grades. Resource estimates are dependent partially on statistical inferences drawn from drilling, sampling and other data. The measured and indicated and inferred resource figures set forth by the Company are estimates, and there is no certainty that these resources can be converted into reserves with profitable extraction. Declines in the market prices for metals may adversely affect the economics of converting a resource estimate into a reserve.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, and due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

SUBSEQUENT EVENTS

The following are the transactions subsequent to the year ended December 31, 2010.

- On February 28, 2011, the Company completed a non-brokered private placement offering resulting in issuance of 13,333,333 units of the Company for aggregate gross proceeds of $8,000,000. Each unit consists of one common share and one half of one common share purchase warrant. Each warrant shall be exercisable to acquire one common share at an exercise price equal to $1.00 until February 28, 2013.

  In connection with the offering, the Company paid finder's fee on certain subscriptions equal to 7% of the gross proceeds received from such subscriptions and issued 644,606 non-transferrable warrants. Each finder's warrant may be exercised for one common share of the Company at an exercise price of $1.00 until February 28, 2013.

  All securities issued are subject to a statutory four month hold period expiring on June 29, 2011

- 100,000 compensation warrants with an exercise price of US$0.25 and 1,750 compensation warrants with an exercise price of US$0.50 were exercised into common shares of the Company for gross proceeds of US$25,875. In connection with the exercise of 1,750 compensation warrants, 875 warrants of the Company with an exercise price of US$0.65 were issued.

- 10,000 warrants with an exercise price of US$0.65 per warrant were exercised for gross proceeds of US$6,500.

- On March 21, 2010, the Company terminated the option agreement with Eagle Plains Resources Ltd. with respect to the Wildhorse Property.

- 200,000 stock options with an exercise price of $0.62 and 250,000 stock options with an exercise price of $0.71 were granted to certain employees and consultants of the Company.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional disclosure concerning the Company's general and administrative expenses is provided in the Company's Annual Statement of Operations and Deficit contained in its Financial Statements for December 31, 2010 that is available on the SEDAR website, www.sedar.com.

APPROVAL

The Board of Directors of Excelsior Mining Corp. has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.