CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

(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 statements of financial position as at December 31, 2013 and 2012 and the consolidated statements of operations and comprehensive loss, changes in 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 Consolidated Financial Statements

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

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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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.

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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, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Excelsior Mining Corp.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

April 29, 2014

EXCELSIOR MINING CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at

		December 31, 2013		December 31, 2012
ASSETS				
Current assets				
Cash and cash equivalents	$	**1,640,877**	$	1,364,122
Prepaid expenses		**87,506**		156,503
Receivables		**36,287**		182,966
		1,764,670		1,703,591
Equipment (Note 3)		**127,716**		154,736
Exploration and evaluation assets (Note 4)		**-**		338,077
	$	**1,892,386**	$	2,196,404
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$	**295,107**	$	251,861
Due to related parties (Note 7)		**76,784**		82,672
		371,891		334,533
Equity				
Capital stock (Note 6)		**14,881,678**		13,887,428
Other equity reserves (Note 6)		**4,581,335**		4,089,228
Deficit		**(17,952,677)**		(16,108,720)
Accumulated other comprehensive income (loss)		**10,159**		(6,065)
		1,520,495		1,861,871
	$	**1,892,386**	$	2,196,404

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 13)
Subsequent events (Note 14)

Approved on April 29, 2014 on behalf of the Board Directors:

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

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

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

		2013		2012
Exploration and evaluation (Note 4)	$	**1,392,298**	$	2,544,213
Share-based compensation (Note 6)		**492,107**		800,129
Wages and salaries		**470,145**		624,090
Management fees		**334,685**		309,876
Office and administration		**133,519**		195,723
Rent		**128,690**		120,969
Director fees		**123,578**		100,672
Investor relations		**102,404**		295,175
Travel and entertainment		**79,634**		135,625
Professional fees		**67,238**		86,636
Regulatory fees		**62,387**		71,353
Depreciation (Note 3)		**42,935**		56,974
Insurance		**31,156**		31,579
Consulting fees		**26,500**		202,930
		(3,487,276)		(5,575,944)
Debt settlement (Note 5)		**134,800**		-
Finance income		**14,980**		37,034
Gain (loss) on foreign exchange		**14,501**		(9,181)
Gain on royalty payment (Note 4)		**1,479,038**		-
Unrealized gain on warrants		**-**		446,723
		1,643,319		474,576
Net loss for the year		**(1,843,957)**	$	(5,101,368)
Cumulative translation adjustment		**16,224**		(32,643)
Comprehensive loss for the year	$	**(1,827,733)**		(5,134,011)
Basic and diluted loss per common share	$	**(0.03)**	$	(0.09)
Weighted average number of common shares outstanding		**55,511,165**		58,188,515

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

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

		2013		2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the year	**$**	**(1,843,957)**	$	(5,101,368)
Items not affecting cash:				
Debt settlement		**(134,800)**		-
Depreciation		**42,935**		56,974
Share-based compensation		**492,107**		800,129
Unrealized loss on foreign exchange		**-**		6,915
Unrealized gain on warrants		**-**		(446,723)
Gain on royalty payment		**(1,479,038)**		
Non-cash working capital item changes:				
Receivables		**146,678**		37,055
Due to related parties		**(7,071)**		(87,368)
Prepaid expenses		**71,565**		(52,893)
Accounts payable and accrued liabilities		**168,494**		(32,016)
Net cash used in operating activities		**(2,543,087)**		(4,819,295)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of exploration and evaluation assets		**(156,615)**		(149,235)
Purchase of equipment		**(6,532)**		(139,263)
Royalty option payment received		**2,000,000**		-
Net cash used in investing activities		**1,836,853**		(288,498)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of common shares and warrants, net of costs		**994,250**		1,118,132
Net cash provided by financing activities		**994,250**		1,118,132
Net change in cash and cash equivalents during the year		**288,016**		(3,989,661)
Effect of foreign exchange on cash and cash equivalents		**(11,261)**		(28,321)
Cash and cash equivalents, beginning of the year		**1,364,122**		5,382,104
Cash and cash equivalents, end of the year	**$**	**1,640,877**	$	1,364,122
Cash and cash equivalents consist of:				
Cash	**$**	**632,450**	$	164,122
Liquid short term investments		**1,008,427**		1,200,000
	$	**1,640,877**	$	1,364,122
Cash (paid) received for interest	**$**	**26,794**	$	66,393
Cash (paid) received for income taxes	**$**	**-**	$	-

Supplemental disclosure with respect to cash flows (Note 8)

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

EXCELSIOR MINING CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Canadian Dollars)
As at

	Capital Stock						
	Number of Shares			Other Equity		Accumulated Other	
	Voting shares	Non-Voting	Amount	Reserves (Note 5)	Deficit	Comprehensive Income (Loss)	Total
Balance, December 31, 2011	**49,108,577**	**7,007,876**	**$ 12,731,363**	**$ 3,327,032**	**$ (11,007,352)**	**$ 26,578**	**$ 5,077,621**
Private placement	3,383,334	-	1,015,000	-	-	-	1,015,000
Share issue costs – cash	-	-	(61,935)	-	-	-	(61,935)
Share issue costs – agent warrants	-	-	(8,989)	8,989	-	-	-
Warrant exercises	382,268	-	211,989	(46,922)	-	-	165,067
Share-based compensation	-	-	-	800,129	-	-	800,129
Loss for the year	-	-	-	-	(5,101,368)	-	(5,101,368)
Translation adjustment	-	-	-	-	-	(32,643)	(32,643)
Balance, December 31, 2012	**52,874,179**	**7,007,876**	**$ 13,887,428**	**$ 4,089,228**	**$ (16,108,720)**	**$ (6,065)**	**$ 1,861,871**
Private placement	6,250,000	-	1,000,000	-	-	-	1,000,000
Share issue costs – cash	-	-	(5,750)	-	-	-	(5,750)
Share-based compensation	-	-	-	492,107	-	-	492,107
Loss for the year	-	-	-	-	(1,843,957)	-	(1,843,957)
Translation adjustment	-	-	-	-	-	16,224	16,224
Balance, December 31, 2013	**59,124,179**	**7,007,876**	**$ 14,881,678**	**$ 4,581,335**	**$ (17,952,677)**	**$ 10,159**	**$ 1,520,495**

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"), and trades under the symbol "MIN". The address of the Company's registered office is #1240 - 1140 West Pender Street, Vancouver, BC, Canada V6E 4G1.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at December 31, 2013, the Company had a working capital surplus of $1,392,779 (December 31, 2012 - $1,369,058) and an accumulated deficit of $17,952,677 (December 31, 2012 - $16,108,720). The Company intends to finance its future requirements through a combination of debt and/or equity issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. These uncertainties may cause significant doubt on the Company's ability to continue as a going concern.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

The Company is in the process of exploring and evaluating its exploration and evaluation assets and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete the development of those mineral reserves and upon future production or proceeds from the disposition thereof.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Statement of compliance

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

Basis of measurement

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

The consolidated financial statements are presented in Canadian dollars, unless otherwise stated.

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

Principles of consolidation

These consolidated financial statements include the financial statements of the Company and the entity controlled by the Company (see below). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

Details of the Company's subsidiary are as follows:

Name	Place of incorporation	Interest %	Principal activity
Excelsior Mining Arizona, Inc. ("Excelsior Arizona")	United States	100%	Exploration and evaluation of mineral property interests

The functional currency of the Company is the Canadian dollar, and the functional currency of Excelsior Arizona is the United States dollar.

Critical accounting estimates and judgments

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

Critical Judgments

The preparation of the consolidated financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in Note 1, as well as the determination of functional currency. The functional currency is the currency of the primary economic environment in which an entity operates, and has been determined for each entity within the Company.

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:

Share-based payments

Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of the share-based compensation expense for the period along with the assumptions and model used for estimating fair value for share-based compensation transactions are disclosed in Note 6.

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

Critical accounting estimates and judgments (cont'd…)

Key Sources of Estimation Uncertainty (cont'd…)

Deferred Tax Assets & Liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

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

The Company is in the process of exploring and evaluating its exploration and evaluation assets and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete the development of those mineral reserves and upon future production or proceeds from the disposition thereof.

Cash and cash equivalents

The Company considers all highly liquid short-term investments with a maturity of three months or less to be cash and cash equivalents. At December 31, 2013, the Company has $1,008,427 (2012 - $1,200,000) in short-term liquid investments.

Financial Instruments

All financial instruments are initially recognized at fair value on the statement of financial position. The Company has classified each financial instrument into one of the following categories: (1) financial assets or liabilities at fair value through profit or loss ("FVTPL"), (2) loans and receivables, (3) financial assets available-for-sale, (4) financial assets held-to-maturity, and (5) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

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

Financial assets "held-to-maturity", "loans and receivables", and "other financial liabilities" are subsequently measured at amortized cost using the effective interest rate method.

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

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

Financial Instruments (Cont'd…)

Asset or Liability	Category	Measurement
Cash and cash equivalents	FVTPL	Fair value
Receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Due to related parties	Other liabilities	Amortized cost

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

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

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

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

The carrying value of the Company's receivables, accounts payable and accrued liabilities, and due to related parties, approximate their fair values due to their short terms to maturity.

Cash and cash equivalents have been measured at fair value using Level 1 inputs.

Equipment

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

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

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

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

Exploration and Evaluation Assets

Before legal rights to explore a property have been acquired, costs are expensed as incurred. Costs related to the acquisition of exploration and evaluation assets 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 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. Costs related to the exploration and evaluation of mineral properties are recognized in profit or loss as incurred.

Any option payments or royalty sales received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the mineral interest. If payments received exceed the capitalized cost of the mineral interest, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets 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 exploration and evaluation, and future profitable production or proceeds from the disposition thereof.

Future Reclamation Costs

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement or reclamation of mineral interest (exploration and evaluation assets). The net present value of future rehabilitation cost estimates is capitalized to the related assets along with a corresponding increase in the reclamation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the reclamation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the year.

The Company does not have any significant future reclamation costs for the years presented.

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

Foreign Currency Translation

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency of the Company is the Canadian dollar and the functional currency of Excelsior Arizona is the United States dollar.

Accordingly, the accounts of Excelsior Arizona are translated into Canadian dollars as follows:

- all of the assets and liabilities are translated at the rate of exchange in effect on the date of the statement of financial position;
- 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 (loss).

Transactions occurring in currencies other than the functional currency of the entity recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities that are denominated in foreign currencies are translated at the rate of exchange at the date of the statement of financial position while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of operations and comprehensive loss.

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 period. 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.

Share-Based Payment Transactions

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

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

The Company recognizes the fair value of all warrants issued, recording the amount as an expense in the period, and addition to a related asset, or a cost of issue of shares, as appropriate. Where warrants have been issued in a currency that is different from the functional currency of the issuer, the warrants are included in the definition of a derivative and included under liabilities, unless the warrants are equity instruments and included in equity reserve. Warrants are measured at the time of issue using the Black-Scholes option-pricing model to determine their fair value. At each subsequent reporting period, warrants that are derivatives are re-measured in accordance with the accounting policy for

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

Share-Based Payment Transactions (cont'd…)

financial instruments. Warrants that are equity instruments are not re-measured subsequent to grant unless the terms and conditions of the warrants are substantially amended.

Income Taxes

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

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

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

Impairment of Long-lived Assets

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Comprehensive income (loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. The Company's translation of its subsidiary into to Canadian dollars is the only item currently affecting comprehensive income (loss) for the year presented.

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

New accounting pronouncements

The following new accounting standards issued by the IASB have been applied in preparation of these consolidated financial statements with effect from January 1, 2013.

Amendments to IFRS 7, *Financial Instruments: Disclosures* ("IFRS 7") introduce enhanced disclosure around the transfer of financial assets and associated risks.

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements* ("IFRS 10"), which builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of a parent company. IFRS 10 also provides additional guidance to assist in the determination of control where this is difficult to assess.

In May 2011, the IASB issued IFRS 11, *Joint Arrangements* ("IFRS 11"), which enhances accounting for joint arrangements, particularly by focusing on the rights and obligations of the arrangement, rather than the arrangement's legal form. IFRS 11 also addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities and prohibits proportionate consolidation.

In May 2011, the IASB issued IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12"), which is a comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles.

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement* ("IFRS 13"), which defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions).

In June 2011, the IASB amended IAS 1, *Presentation of Financial Statements* ("IAS 1"), to change the disclosure of items presented in other comprehensive income into two groups, based on whether those items may be recycled to profit or loss in the future.

Amendments to IAS 27, *Separate Financial Statements* ("IAS 27"), and IAS 28, *Investments in Associates and Joint Ventures* ("IAS 28") have been made. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13.

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

Future accounting pronouncements

The following accounting pronouncements have been made but are not yet effective for the Company as at December 31, 2013. The Company is currently evaluating the impact of these new and amended standards on its consolidated financial statements.

In October 2010, the IASB issued IFRS 9, *Financial Instruments* ("IFRS 9"), which represents the completion of the first part of a three-part project to replace IAS 39, *and Financial Instruments: Recognition and Measurement*, with a new standard. Per the new standard, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income or loss section of the entity's statement of comprehensive loss, rather than within profit or loss. Additionally, IFRS 9 includes revised guidance related to the derecognition of financial instruments. IFRS 9 applies to financial statements for annual periods beginning on or after January 1, 2018, with early adoption permitted.

Amendments to IAS 32, *Financial Instruments: Presentation*, are effective for annual periods beginning on or after January 1, 2014. This provides for amendments relating to offsetting financial assets and financial liabilities.

3. EQUIPMENT

	COMPUTER AND OFFICE EQUIPMENT	COMPUTER SOFTWARE	EXPLORATION EQUIPMENT	FURNITURE	TOTAL
COST					
Balance at December 31, 2011	$ 10,892	$ 30,038	$ 53,480	$ -	$ 94,410
Additions	1,992	102,190	20,453	14,628	139,263
Balance at December 31, 2012	12,884	132,228	73,933	14,628	233,673
Additions	2,024	-	4,508	-	6,532
Balance at December 31, 2013	$ 14,908	$ 132,228	$ 78,441	$ 14,628	$ 240,205
ACCUMULATED DEPRECIATION					
Balance at December 31, 2011	$ 3,956	$ 7,172	$ 8,996	$ -	$ 20,124
Depreciation for the year	2,107	41,274	11,053	2,540	56,974
Balance at December 31, 2012	6,063	48,446	20,049	2,540	77,098
Depreciation for the period	2,169	28,860	10,511	1,395	42,935
Balance at December 31, 2013	$ 8,232	$ 77,306	$ 30,560	$ 4,746	$ 120,033
EFFECTS OF FOREIGN CURRENCY TRANSLATION					
For the year ended December 31, 2012	$ (166)	$ (445)	$ (1,240)	$ 12	$ (1,839)
For the year ended December 31, 2013	$ 290	$ 4,876	$ 2,370	$ 6	$ 7,542
NET BOOK VALUE					
At December 31, 2012	$ 6,655	$ 83,337	$ 52,644	$ 12,100	$ 154,736
At December 31, 2013	$ 6,966	$ 59,798	$ 50,251	$ 10,699	$ 127,714

4. EXPLORATION AND EVALUATION ASSETS AND EXPENSES

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

Gunnison Project

The Company, through Excelsior Arizona, entered into a series of option agreements to purchase the Gunnison Project, located in Cochise County, Arizona. Under the amended option agreement, Excelsior Arizona has the exclusive right to acquire 100% of the Gunnison Project for US$350,000 to be paid as follows:

- US$150,000 to be paid on the execution of the amended option agreement (paid in December 2012);
- US$150,000 to be paid on the earlier of;
  - thirty days of the closing of an equity financing greater than US$2,000,000; and
  - on or before January 1, 2014 (paid in August 2013); and
- US$50,000 payable on or before January 1, 2015.

A further US$300,000 is payable to certain land holders of the North Star Deposit with US$150,000 of the US$300,000 due on exercise of the option on the Gunnison Project and the remaining US$150,000 due on or before December 31, 2016.

On July 19, 2013, the Company entered into a Share Purchase and Royalty Option Agreement (the "Callinan Agreement") with Callinan Royalties Corporation ("Callinan"). Under the terms of the Callinan Agreement, Callinan is to invest $1.0 million in the Company by way of a non-brokered private placement and up to a further $21.0 million 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 $0.16 per common share for aggregate consideration of $1,000,000 (cash received and common shares issued in July 2013) (Note 6); and
- Paid $2,000,000 to the Company in exchange for 0.5% GRR (the "Initial GRR") (received).

Callinan has the right to require the Company to repurchase all or part of the Initial GRR for $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 $0.25 per common share at any time so long as such issuance does not result in Callinan owning more than 19.9% of the issued and outstanding common shares of the Company after such issuance (Note 6). This right expires at the earliest of 24 months from the closing date of the Callinan Agreement or the exercise of the first feasibility and permit royalty option.

Callinan has the option to invest up to an additional $19 million into the Company in exchange for a further 2.5% GRR on the Gunnison Project based on development milestones (1.5%) and a construction option (1%).

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

Gunnison Project (cont'd…)

Development Milestones

1.5% of the additional GRR is staged and based upon the Company meeting specific development milestones leading up to the construction of a mining facility including completion of a prefeasibility study and successful raise of additional financing from other sources, completion of hydrology and metallurgy models to feasibility study level and successful administrative review of the key permits (Aquifer Protection Permit and the Underground Injection Control and Aquifer Exemption Permit). Upon the completion of each milestone, Callinan will have the option to purchase an additional 0.5% GRR for $3.0 million each.

Construction Option

The construction option gives Callinan the right to buy a 1% GRR for $10.0 million 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 quarter (0.25%) of the construction option will vest with each $3 million paid by Callinan to the Company pursuant to the initial investment or upon the exercise of any of the royalty options. Should all the royalty options be exercised, Callinan would acquire a 3% GRR on the Gunnison Project for total proceeds of $21.0 million.

The exercise price of the construction option may be adjusted if the feasibility study recommends the construction of a plant with capacity lower than 80 million pounds of copper per year based on an agreed upon schedule.

Exploration and evaluation assets		**Gunnison Property**
Balance at December 31, 2011	**$**	**193,037**
Addition to acquisition costs		149,235
Effect of foreign currency translation		(4,195)
Balance at December 31, 2012	**$**	**338,077**
Addition to acquisition costs		156,615
Effect of foreign currency translation		26,270
Royalty payment (received) (1)		(520,962)
Balance at December 31, 2013	**$**	**-**

(1) The company recognized a gain on sale of royalty of $1,479,038, which represents the difference between the $2,000,000 and its cost.

A breakdown of exploration and evaluation expenses for the year is as follows:

	For the years ended December 31,			
Exploration and evaluation expenses		**2013**		**2012**
Administration	$	81,293	$	68,983
Camp maintenance		71,363		-
Drilling		162,198		1,172,652
Geology		154,637		286,427
Geophysics		-		97,013
Hydrology		101,273		569,888
Mineralogy		-		2,466
Metallurgy		90,976		316,077
Petrology		-		7,778
Pre-feasibility		682,851		-
Resource estimate		47,707		22,929
	$	1,392,298	$	2,544,213

5. DEBT SETTLEMENT

During the year the Company settled a third party debt that dated back to August 2012. As a result a gain of $134,800 on debt settlement was recorded.

6. CAPITAL STOCK AND OTHER EQUITY RESERVES

Share issuances

The Company issued the following common shares during the year ended December 31, 2013:

- On July 31, 2013, the Company issued 6,250,000 common shares priced at $0.16 per common share for gross proceeds of $1,000,000 in relation to the Callinan Agreement (Note 4). The Company paid share issue costs in the amount of $5,750 related to this share issuance.

The Company issued the following common shares during the year ended December 31, 2012:

- The Company issued 382,268 common shares for proceeds of $165,067 in connection with the exercise of 140,000 finance warrants with an exercise price of US$0.65; 237,018 agent warrants with an exercise price of US$0.30; 1,750 agent warrant with an exercise price of US$0.50; and 3,500 agent warrants with an exercise price of US$0.65 per warrant. An amount of $46,922 was reclassified from other equity reserve to capital stock on exercise. Upon the exercise of the 1,750 compensation warrants, 875 agent warrants with an exercise price of US$0.65 per warrant were issued. These 875 additional warrants were exercised during the year, and included in the 3,500 agent warrants exercised at a price of US$0.65 per warrant.

- On June 28, 2012, the Company closed a non-brokered private placement offering of units of the Company for aggregate gross proceeds of $1,015,000 through issuance of 3,383,334 units at a price of $0.30 per unit. Each unit consists of one common share and one half of one common share purchase warrant. Due to fractional rounding, 1,691,666 finance warrants were issued as a result of this private placement. Each warrant is exercisable into one common share for a period of 24 months at an exercise price of $0.50.

  The Company paid a cash finder's fee on certain subscriptions equal to 5% of the gross proceeds received from such subscriptions and other cash costs of $11,185. The Company also issued 152,500 non-transferrable agent warrants. Each agent warrant is exercisable into one common share for a period of 24 months at an exercise price of $0.50. An amount of $8,989 representing the fair value of these warrants on granting was recorded as share issuance costs.

Escrow shares

Pursuant to TSX Venture Exchange policies, Nil (December 31, 2012 - 6,329,286) common shares and Nil (December 31, 2012 - 3,854,335) non-voting common shares were held in escrow as at December 31, 2013. These common shares were held in escrow pursuant to the terms of an escrow agreement dated October 14, 2010

6. CAPITAL STOCK AND OTHER EQUITY RESERVES (cont'd…)

Warrants

The following is a summary of warrants outstanding as at December 31, 2013:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2011	**10,972,758**	**$0.87**
Issued	1,845,041	$0.50
Exercised	(382,268)	$0.44
Expired	(3,280,100)	$0.63
Outstanding, December 31, 2012	**9,155,431**	**$0.90**
Expired	(7,311,265)	$1.00
Outstanding, December 31, 2013	**1,844,166**	**$0.50**

As at December 31, 2013, the Company had the following warrants outstanding:

Outstanding	Exercise Price	Remaining life (years)	Expiry Date
1,691,666	$0.50	0.49	June 28, 2014
152,500[1]	$0.50	0.49	June 28, 2014
1,844,166			

[1] Agents warrants

The following weighted average assumptions were used for the Black-Scholes valuation of the agent warrants granted during the year ended December 31, 2013 and the year ended December 31, 2012:

	December 31, 2013	December 31, 2012
Risk-free interest rate	-	2.25%
Expected life of warrants	-	2 years
Annualized volatility	-	90%
Dividend rate	-	0%

The risk-free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed warrant life. The expected average term is the average expected period to exercise, based on historical activity patterns. The expected volatility is based on the historical share prices of the Company.

Stock options

The Company's stock option plan (the "Plan), provides for the grant of incentive stock options to employees, consultants, officers, and directors of the Company. Currently, the number of shares authorized for issuance under the Plan is 11,073,560. Options granted under the Plan have a maximum term of ten years. The exercise price of the options shall be determined by the Board of Directors, but shall not be less than the closing price of the common shares on the last trading day preceding the date the options are granted. The vesting terms are at the Board of Directors' discretion.

6. CAPITAL STOCK AND OTHER EQUITY RESERVES (cont'd…)

The following is a summary of stock options outstanding as at December 31, 2013:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2011	**7,526,001**	**$0.47**
Granted	4,141,333	$0.45
Forfeited	(682,000)	$0.64
Cancelled	(30,000)	$0.60
Outstanding, December 31, 2012	**10,955,334**	**$0.45**
Forfeited	(182,000)	$0.52
Expired	(117,334)	$0.30
Outstanding, December 31, 2013	**10,656,000**	**$0.29**

At December 31, 2013 the following stock options were outstanding and exercisable:

Outstanding	Exercisable	Exercise Price	Remaining life (years)	Expiry Date
2,800,000	2,800,000	US$0.25	0.96	December 18, 2014
58,667	58,667	$0.30	1.37	May 14, 2015
3,006,000[1]	3,006,000	$0.30	1.79	October 14, 2015
150,000[1]	150,000	$0.30	1.84	November 1, 2015
200,000[1]	200,000	$0.30	2.09	February 1, 2016
150,000[1]	150,000	$0.30	2.32	April 25, 2016
100,000[1]	100,000	$0.30	2.59	August 2, 2016
100,000[1]	100,000	$0.30	2.68	September 6, 2016
1,441,333[1]	1,081,000	$0.30	3.13	February 15, 2017
2,650,000	1,325,000	$0.30	3.72	September 18, 2017
10,656,000	8,970,667			

[1] During the year ended December 31, 2013, 5,147,333 stock options ranging in price from $0.50 to $0.73 were re-priced at $0.30 per share. Where stock options are re-priced, new fair values were calculated based on the new exercise price and this new fair value is used in determining compensation expense over the remaining vesting periods of the options. Due to re-pricing the options, an additional $60,452 was recorded as share-based compensation. The re-pricing of options issued to insiders remains subject to disinterested shareholder approval in accordance with the rules and policies of the TSX Venture Exchange and insiders may not exercise the options at the new price until such approval is obtained.

The weighted average exercise price of the outstanding and exercisable options is $0.29 and $0.28 respectively.

6. CAPITAL STOCK AND OTHER EQUITY RESERVES (cont'd…)

Share-based compensation (cont'd…)

The Company recognizes share-based 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, forfeiture rate, and expected life of the options. During the year ended December 31, 2013, the Company recognized share-based compensation of $492,107 (December 31, 2012 - $800,129). The weighted average fair value for options granted during the period is $Nil (December 31, 2012 - $0.29) per option.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted or repriced during the year ended December 31, 2013 and the year ended December 31, 2012:

	December 31, 2013	December 31, 2012
Risk-free interest rate	1.61%	1.22%
Expected life of options	4.11 years	3.07 years
Annualized volatility	86%	107%
Expected forfeitures	4%	4%
Dividend rate	0%	0%

The risk free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche. The expected volatility is based on the historical volatility of the Company and expected forfeitures are based on forfeitures of comparable companies.

Other equity reserves

	Options and agent warrants	Finance warrants	Total
Balance, December 31, 2011	**$ 1,674,146**	**$ 1,652,886**	**$ 3,327,032**
Fair value of agents warrants	8,989	-	8,989
Fair value of warrants exercised	(30,010)	(16,912)	(46,922)
Share-based compensation	800,129	-	800,129
Balance, December 31, 2012	**$ 2,453,254**	**$ 1,635,974**	**$ 4,089,228**
Share-based compensation	492,107	-	492,107
Balance, December 31, 2013	**$ 2,945,361**	**$ 1,635,974**	**$ 4,581,335**

7. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying consolidated financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

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

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

	Years Ended December 31,			
		2013		**2012**
Share-based compensation	$	425,781	$	694,058
Short-term benefits*		462,538		409,876
	$	**888,319**	**$**	**1,103,934**

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

Other related parties

King & Bay West Management Corp., formerly Forbes West Management Corp. ("King & Bay") is an entity owned by Mark Morabito, the Chairman of the Company and provides administrative, management, geological, regulatory, tax, corporate development and investor relations services to the Company.

Cassels Brock & Blackwell LLP ("Cassels"): John Vettese, a director of the Company, is the Deputy Managing Partner of Cassels, which acts as lead external counsel for the Company. Cassels advises the Company with respect to corporate, securities, infrastructure, finance and regulatory matters.

Kinley Exploration LLC ("Kinley") is an entity owned by Colin Kinley, a director of the Company and provides services related to the wellfield design including costs and design of the bores.

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

	Years Ended December 31,			
		2013		**2012**
King & Bay	$	601,145	$	1,032,579
Cassels Brock & Blackwell LLP		3,667		14,969
Kinley Exploration LLC		37,226		-
	$	**642,038**	$	**1,047,548**

7. RELATED PARTY TRANSACTIONS (cont'd…)

Amounts due to related parties at December 31, 2013 included the following:

- Directors fees – $Nil (December 31, 2012 - $33,680)
- King & Bay – $39,558 (December 31, 2012 - $48,992)
- Kinley Exploration LLC, a company controlled by a director – $37,226 (December 31, 2012 - $Nil)

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There were no significant non-cash transactions affecting cash flows from operating, investing, and financing activities during the year ended December 31, 2013.

The following were significant non-cash transactions affecting cash flows from operating, investing, and financing activities during the year ended December 31, 2012:

- 140,000 finance warrants with an exercise price of US$0.65, and 237,018 agent warrants with exercise prices in a range of US$0.30 to US$0.65 per warrant were exercised. An amount of $46,922, representing the fair value of warrants on granting was reclassified from other equity reserve to capital stock on exercise.
- The Company issued 152,500 finder's warrants in connection with its financing as described in Note 6, with the fair value of $8,989.

9. SEGMENTED INFORMATION

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

Geographical information is as follows:

	As at December 31, 2013	As at December 31, 2012
Equipment		
United States	$ 126,821	$ 153,481
Canada	895	1,255
	$ 127,716	$ 154,736
Exploration and evaluation assets		
United States	$ -	$ 338,077

10. FINANCIAL INSTRUMENTS

The fair value of the Company's receivables, accounts payable and accrued liabilities, and due to related parties' approximate carrying value which is the amount recorded on the consolidated statement of financial position due to their short term maturity or ability of prompt liquidation. Cash and cash equivalents, under the fair value hierarchy are based on level one quoted prices in active markets for identical assets and liabilities.

As at December 31, 2013, the Company's risk exposures and the impact on the Company's financial instruments are summarized below:

10. FINANCIAL INSTRUMENTS (cont'd…)

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 in interest bearing accounts. The Company has no investments in asset-backed commercial paper.

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

Liquidity Risk

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

The Company manages liquidity risk through its capital management as outlined in Note 10. As at December 31, 2013, the Company has cash and cash equivalents balance of $1,640,877 to settle current liabilities of $371,891. The Company believes it has sufficient cash and cash equivalents to settle current liabilities and to support further advancement of the Gunnison Project and working capital requirements in the next 12 months.

Market Risk

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

(a) Interest Rate Risk

The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The risk that the Company will realize a loss as a result of a decline in the fair value of short-term investments included in cash and cash equivalents is minimal because these investments generally have a fixed yield rate. As of December 31, 2013, the Company did not have any interest bearing debt.

(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; the Company's recent financing and any future equity raised is expected to be predominantly in Canadian dollars. Consequently, the Company is impacted by changes in the exchange rate between the Canadian and United States dollars. As of December 31, 2013, the Company's net US dollar financial assets were US$83,103. Thus, a 10% change in the Canadian dollar versus the U.S. dollar exchange rate would affect other comprehensive income (loss) by $26,217 and net loss by $32,558.

11. 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 evaluation of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

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

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

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

12. INCOME TAXES

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

	December 31, 2013	December 31, 2012
Loss for the year	$ (1,843,957)	$ (5,101,368)
Expected income tax recovery	$ (475,000)	$ (1,275,000)
Permanent difference	(254,000)	94,000
Change in foreign tax and foreign exchange rates	(530,000)	(330,000)
Share issuance costs	(1,000)	(15,000)
Change in unrecognized deductible temporary differences	1,260,000	1,526,000
Total income tax recovery	$ -	$ -

12. INCOME TAXES (cont'd…)

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

	December 31, 2013	December 31, 2012
Exploration and evaluation assets	$ 3,094,000	$ 2,275,000
Equipment	41,000	30,000
Share issuance costs	102,000	165,000
Non-capital losses available for future periods	2,150,000	2,582,000
	5,387,000	5,052,000
Unrecognized deferred tax assets	(5,387,000)	(5,052,000)
Net deferred tax assets	$ -	$ -

The significant deductible temporary differences, unused tax losses and expiry dates are as follows:

	December 31, 2013		December 31, 2012	
Exploration and evaluation assets	$ 8,008,000	no expiry	$ 6,139,000	no expiry
Equipment	$ 105,000	no expiry	79,000	no expiry
Share issuance costs	$ 391,000	2034 - 2037	660,000	2033 - 2036
Non-capital losses available for future periods	$ 7,434,000	2014 - 2033	8,338,000	2014 - 2032
Investment tax credit	$12,000	2020-2033	-	-

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

13. COMMITMENTS AND CONTINGENCIES

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

Fiscal Year End		Office Lease Payments
2014	$	90,353
2015		15,161
Total	**$**	**105,514**

No contingent liabilities have been accrued as of December 31, 2013, nor are any known disputes pending against the Company that could significantly impact the Company's consolidated financial statements.

14. SUBSEQUENT EVENTS

The following reportable events occurred subsequent to the year ended December 31, 2013:

- On January 20, 2014 100,000 stock options were exercised with an exercise price of $0.30
- On January 21, 2014 50,000 stock options were exercised with an exercise price of $0.30
- On February 25, 2014 150,000 stock options were cancelled with an exercise price of $0.30
- On April 7, 2014 50,000 stock options were cancelled with an exercise price of $0.30
- On April 7, 2014 50,000 stock options were exercised with an exercise price of $0.30

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 accompanying notes for the year ended December 31, 2013.

All dollar figures presented are expressed in Canadian dollars unless otherwise noted. The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Boards ("IASB"). Consequently, all comparative financial information presented in this MD&A reflects the consistent application of IFRS.

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 of Directors' 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.

FORWARD LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of the U.S. Private Securities Litigation Reform Act and 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 Prefeasibility 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 completion of a feasibility study and progress on permitting.

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 labour 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, 2013:

- 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 and demand for copper;
- financing, capitalization and liquidity risks, including the risk that the financing necessary to fund the development and construction activities at the Gunnison Project may not be available on satisfactory terms, or at all;
- the Company has no history of mining operations and no revenues from operations and expects to incur losses for the foreseeable future;
- risks 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, labour 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;
- environmental risks;
- reliance on key personnel;
- risks related to increased competition in the market for copper and related products and in the mining industry generally;
- risks related to potential conflicts interests among the Company's directors and officers;
- exchange rate fluctuations between the Canadian and United States dollar;
- the absence of dividends;
- 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.

DESCRIPTION OF BUSINESS AND OVERVIEW

Excelsior was incorporated under the *Business Corporations Act* (British Columbia) on June 9, 2005. The Company is listed on the TSX Venture Exchange ("**TSX-V**") under the symbol "MIN", Frankfurt Stock Exchange under the symbol "3XS", and on QTCQX under the symbol "EXMGF". Currently, the Company is conducting exploration and evaluation activities related entirely to the Gunnison Copper Project located within the copper porphyry belt of Arizona.

MINERAL PROPERTIES

Option Agreements

The Company, through its wholly-owned subsidiary, entered into a series of option agreements to purchase the Gunnison Copper Project (or the "Property"), located in Cochise County, Arizona. Under the Amended and Restated Option Agreement dated November 12, 2012 (the "Option Agreement"), the Company has the exclusive right to acquire 100% of the Gunnison Copper Project for US$350,000 to be paid as follows:

- US$150,000 to be paid on the execution of the Option Agreement (paid in December 2012);

- US$150,000 to be paid on the earlier of;

    - thirty days of the closing of an equity financing greater than US$2,000,000; and
    - on or before January 1, 2014 (paid in August 2013); and

- US$50,000 payable on or before January 1, 2015.

A further US$300,000 is payable to certain land holders of the North Star Deposit with US$150,000 of the US$300,000 due on exercise of the option on the Gunnison Project and the remaining US$150,000 due on or before December 31, 2016.

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"). Under the terms of the Callinan Agreement, Callinan is to invest $1.0 million in the Company by way of a non-brokered private placement and up to a further $21.0 million 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 $0.16 per common share for aggregate consideration of $1,000,000 (cash received and common shares issued in July 2013); and

- Paid $2,000,000 to the Company in exchange for 0.5% GRR (the "Initial GRR") (received).

Callinan has the right to require the Company to repurchase all or part of the Initial GRR for $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 $0.25 per common share at any time so long as such issuance does not result in Callinan owning more than 19.9% of the issued and outstanding common shares of the Company after such issuance. This right expires at the earliest of 24 months from the closing date of the Callinan Agreement or the exercise of the first feasibility and permit royalty option.

Callinan has the option to invest up to an additional $19 million into the Company in exchange for a further 2.5% GRR on the Gunnison Project based on development milestones (1.5%) and a construction option (1%).

1.5% of the additional GRR is staged and based upon the Company meeting specific development milestones leading up to the construction of a mining facility including completion of a prefeasibility study and successful raise of additional financing from other sources, completion of hydrology and metallurgy models to feasibility study level and successful administrative review of the key permits (Aquifer Protection Permit and the Underground Injection Control and Aquifer Exemption Permit). Upon the completion of each milestone, Callinan will have the option to purchase an additional 0.5% GRR for $3.0 million each.

The construction option gives Callinan the right to buy a 1% GRR for $10.0 million 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 quarter (0.25%) of the construction option will vest with each $3 million paid by Callinan to the Company pursuant to the initial investment or upon the exercise of any of the royalty options. Should all the royalty options be exercised, Callinan would acquire a 3% GRR on the Gunnison Project for total proceeds of $21.0 million.

The exercise price of the construction option may be adjusted if the feasibility study recommends the construction of a plant with capacity lower than 80 million pounds of copper per year based on an agreed upon schedule.

Summary of Results & Highlights

The Gunnison Copper Project is located within the copper porphyry belt of Arizona, 65 miles southeast of Tucson and approximately one mile southeast of the Johnson Camp Copper Mine. The Property is located near the I-10 freeway and covers 6,405 acres (2,592 hectares). The North Star Deposit contains a Measured & Indicated mineral resource estimate of 3.21 billion pounds of oxide copper and an additional Inferred mineral resource estimate of 0.83 billion pounds of oxide copper and remains open for expansion (refer to subsequent table for grade and tonnage details).

The oxide copper portion of the deposit has the potential to be mined using in-situ recovery ("ISR") methods. This could 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.

The following represents a brief summary of recent key activities, milestones and deliverables associated with the ongoing advancement of the Gunnison Copper Project. Information related to prior periods is included where contextualization for recent activities is deemed appropriate.

On January 11, 2012, Excelsior announced the results of an Economic Impact Study ("**EIS**") of the Gunnison Project. The study, completed by researchers at the L.W. Seidman Research Institute, W.P. Carey School of Business, Arizona State University, Tempe, AZ, illustrates that the project would generate significant positive economic benefit at both the State and County level.
Highlights of the Gunnison Copper Project EIS include:

- Creation of an average of **704 jobs** annually state-wide
  - *131 direct, on-site jobs; 573 in-direct or "secondary" jobs*
- **US$2.35 billion** added to Arizona's Gross State Product
- **US$214 million** in additional State revenues generated directly from the project

The numbers and dollar values quoted above are all based on the 2011 PEA and Excelsior building its own acid plant and span the entire 28 year life of the project.

Hydrological test results were released on February 5, 2013 and confirm the deposits amenability for In-Situ recovery. The results demonstrate Excelsior's ability to predict hydrological conditions using the 3-D structural model, and also the ability to reproduce earlier results demonstrating the viability of In-Situ recovery on the Gunnison Project.

On February 14, 2013 Excelsior announced the results of its metallurgical test program that demonstrates positive recovery and acid consumption numbers that were used in the pre-feasibility study.

The geological component of the program, designed to upgrade and expand the existing mineral resource, was completed with a total of 10,502 feet (3,150 metres) having been drilled. The program was successful in upgrading 34% of the mineralization from the Indicated to Measured category. See table below for details.

Resource Category	Tons[1] (Mton)	Grade[2] (% Copper)	Cu Metal (Billion lbs)
Measured	136.1	0.41	1.10
Indicated	362.3	0.29	2.11
Measured + Indicated	**498.4**	**0.32**	**3.21**
Inferred	156.2	0.27	0.83

Notes: [1] US short ton, [2] total copper

For further details on the upgraded mineral resource estimate, please refer to the PFS Technical Report (defined below) which is filed on SEDAR at www.sedar.com.

On January 17, 2014, the Company announced the results of the Prefeasibility Study ("PFS") on the North Star Deposit of the Gunnison Copper Project. The PFS was completed by M3 Engineering & Technology Corporation ("**M3**") of Tucson, AZ and is effective as of January 13, 2014. The complete report is entitled "Gunnison Copper Project NI 43-101 Technical Report Prefeasibility Study, Cochise County, Arizona, USA" and dated effective January 13, 2014 (the "**PFS Technical Report**"). The PFS Technical Report is filed on SEDAR at www.sedar.com.

The PFS results are positive and support Excelsior's contention that copper extraction at Gunnison via ISR has the potential to generate positive financial returns. The study showed that the low capital costs and low per pound operating costs provide the project with significant margins.

Highlights of the PFS include:

- Pre-tax Net Present Value ("NPV") of $1.24 billion (after-tax $0.824 billion) at a 7.5% discount rate (using a copper price of $2.75/lb);
- Pre-tax Internal Rate of Return ("IRR") of 59.7% (after-tax 44.7%);
- Pre-tax payback period of 1.8 years (after-tax 2.4 years);
- Initial estimated capital cost (excluding sustaining capital) of $284.84 million;
- Average life-of-mine operating costs of US$0.69 per pound;
- Other costs of $0.13 per pound, including Royalties of $0.029 per pound;
- Annual production rate of 110 million pounds of copper for the first 14 years, then declining for a 20 year mine life, with a total of 1.682 billion pounds of copper produced over the life of the mine.

As noted above, this PFS is effective as of January 13, 2014 and was based on a resource estimate dated January 13, 2014, which recorded an Indicated and Measured oxide copper mineral resource estimate of 3.91 billion pounds (683 million tons at 0.29% copper) and an additional Inferred oxide copper mineral resource estimate of 1.40 billion pounds (338 million tons at 0.21% copper).

The PFS mineral reserve dated January 13, 2014 is based on an economic analysis of the mineral resource using the costs developed during the 2011 PEA, test work to estimate the recovery factors and a $2.75/lb copper price. The economic optimization was performed on Measured and Indicated Resources. Probable Mineral Reserve estimates for oxide and transition copper are 3.61 billion pounds (632 million tons at 0.29% copper).

The PFS was completed using the following parameters over the 20 year life of the project:

- copper selling price of $2.75 per pound,
- total copper recovery of approximately 47% (based on a combination of metallurgical recovery and sweep efficiency),
- average of 8.14 pounds of acid consumed for every pound of copper produced,
- acid price of $45.47/ton for the Acid Plant option and $125/ton for the Non-Acid Plant option,
- state tax rate of 6.97%, and
- a federal tax rate of 35%.

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 can be found in the PEA Technical Report filed on SEDAR at www.sedar.com.

OUTLOOK

The next steps for Excelsior include collecting geological, hydrological and metallurgical data to support the Company with respect to initiating and completing a feasibility study and permitting. The results from all the recently completed field activities, as well as the technical data previously acquired and newly collected data will be used to optimize all aspects of the Gunnison Project, including well field design and leaching solution composition. In addition, these results will provide critical information for groundwater quality control and ultimately, project reclamation. Optimization of the Gunnison Project will enable Excelsior to improve on the positive results already produced from the PFS, as well as provide data that will be critical as the Gunnison Project moves into the permitting phase.

SELECTED ANNUAL INFORMATION

The following financial data are selected information for the Company for the three most recently completed financial years:

	December 31, 2013	December 31, 2012	December 31, 2011
Net loss for the year	$ 1,843,957	$ 5,101,368	$ 6,182,631
Net comprehensive loss for the year	1,827,733	5,134,011	6,184,438
Basic and diluted loss per share	0.03	0.09	0.12
Total assets	1,892,386	2,196,404	5,973,815

REVIEW OF FINANCIAL RESULTS

Results of operations for the year ended December 31, 2013 compared to the year ended December 31, 2012:

For the year ended December 31, 2013, the Company reported a net loss of $1,843,957 ($0.03 per common share), compared to a net loss of $5,101,368 ($0.09 per common share) for the year ended December 31, 2012.

The Company's expenses for the year ended December 31, 2013 decreased compared to the same period of the prior year as a direct result of decreased exploration and evaluation, personnel costs, professional fees, investor relation, travel costs and other general business activities.

Significant changes in the Company's expenses for the year ended December 31, 2013 compared to the same period of the prior year are described as follows:

Exploration and evaluation expenses which represent approximately 42% of the net loss for the year, decreased by $1,151,915 to $1,392,298 (2012 - $2,544,213) as a result of decreased exploration activities during 2013. The Company focused on conserving cash prior to the financing completed in July 2013.

The following table summarizes exploration and evaluation expenses which relate solely to the Gunnison Project:

	For the years ended December 31,	
Exploration and evaluation expenses	**2013**	**2012**
Administration	$ 81,293	$ 68,983
Camp maintenance	71,363	-
Drilling	162,198	1,172,652
Geology	154,637	286,427
Geophysics	-	97,013
Hydrology	101,273	569,888
Mineralogy	-	2,466
Metallurgy	90,976	316,077
Petrology	-	7,778
Pre-feasibility	682,851	-
Resource estimate	47,707	22,929
	$ 1,392,298	$ 2,544,213

In connection with the decreased exploration activities with respect to the Gunnison Project, corporate and general administrative expenses also decreased significantly. Wages and salaries of $470,145 (2012 - $624,090), office and administration of $133,519 (2012 - $195,723), travel and entertainment of $79,634 (2012 - $135,625), professional fees of $67,238 (2012 - $86,636) and consulting fees of $26,500 (2012 - $202,930) all decreased compared to the same period of the prior year as a direct result of the Company actively managing to reduce costs and conserve cash.

Investor relations costs of $102,404 (2012 - $295,175) decreased by $192,771 in an effort to conserve cash during the year the Company reduced its marketing and investor relation activities.

Share-based compensation expense decreased to $492,107 from $800,129 due to fewer options vesting during this year when compared to last year. This expense had no effect on the Company's cash flows and represented 15% of the net loss for the year ended December 31, 2013.

During the year ended December 31, 2013, the Company recorded director fees of $123,578 which represents an increase of $22,906 compared to the same period of the prior year due to a new director compensation policy which was implemented during the second quarter of fiscal 2012.

Other items for the year ended December 31, 2013 compared to the same period of the prior year are described as follows:

Gains of $14,501 were made on foreign exchange during the year ended December 31, 2013 compared to a loss of $9,181 for the prior year. Finance income decreased by $22,054 as the Company's cash and cash equivalent balances decreased during 2013, resulting in decreased interest income.

During the year ended December 31, 2013, the Company recognized a gain on settlement of a third party debt in the amount of $134,800.

During the year ended December 31, 2013, the company recorded a gain of $1,479, 038 which represents the difference between option payments received and the book value of mineral properties.

During the year ended December 31, 2012, the Company recorded an unrealized gain on warrants of $446,723. No such gain was recorded during the current period.

SELECTED QUARTERLY INFORMATION

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

	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Net income (loss) for the period	**295,727**	(847,768)	(522,069)	(769,847)
Loss per share (basic and diluted)	**0.01**	(0.02)	(0.01)	(0.01)
Total assets	**1,892,386**	3,393,835	1,108,323	1,162,545

	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
Net income (loss) for the period	**(996,797)**	(973,205)	(2,141,607)	(1,085,518)
Loss per share (basic and diluted)	**(0.02)**	(0.02)	(0.04)	(0.02)
Total assets	**2,196,404**	3,052,677	3,700,397	4,976,794

The quarterly results presented above do not necessarily reflect any recurring expenditure patterns or predictable trends. The Company's losses have generally been lower for the last four quarters due to decreased exploration and evaluation, personnel costs, professional fees, investor relation, travel costs and other general business activities. In the second quarter of 2012, the Company's loss was much higher than the other quarters due to an unrealized gain (non-cash) on warrants of approximately $500,000. During the fourth quarter of 2013 the Company had income of $295,727, which was directed related to the sale of a royalty as discussed below.

Fluctuations in net loss for each quarter are generally based on the amount of exploration activities that the Company undertook on the Gunnison Copper Project during each quarter.

FOURTH QUARTER

Results of operations for the three month period ended December 31, 2013 compared to the three month period ended December 31, 2012:

For the three month period ended December 31, 2013, the Company reported net income of 295,727 ($0.01 per common share) compared to a loss of $996,797 ($0.02 per common share) for the three month period ended December 31, 2012, representing a total increase of $1,292,524. The net income was a result of the Company recognizing a $1,479,038 gain on the sale of a royalty, which was offset by exploration expenditures and other general and administrative expenses.

Significant changes in the Company's expenses for the three month period ended December 31, 2013 compared to the same period of the prior year are described as follows:

Consulting fees, management fees and wages and salaries amount to $195,415 for the three month period ended December 31, 2013 (2012 - $241,643), representing a total decrease of $46,228 due to fewer personnel providing services to the Company.

Exploration and evaluation expenditures increased during the fourth quarter of fiscal 2013 to $684,897 (2012 - $475,314) as a result of increased activities on the Gunnison Copper Project, including pre-feasibility work.

Investor relation expenses of $16,346 (2012 - $31,937) decreased by $15,591 as the Company reduced its marketing and investor relations activities during the period.

Travel and entertainment of $21,806 (2012 - $10,638) and regulatory fees of $10,355 (2012 - $13,130) decreased during the three month period ended December 31, 2013.

The company recognized a gain on sale of royalty of $1,479,038, which represents the difference between the payment received and the property's carrying cost.

Share-based compensation expense decreased to $142,627 from $167,316 due to a decrease in recognition of share-based compensation expense.

Office and administration expenses of $38,913 (2012 - $25,990) and rent of $33,562 (2012 - $27,708) increased during the three month period ended December 31, 2013 as the Company increased its corporate activities to support the advancement of the Gunnison Copper Project.

LIQUIDITY, FINANCING, AND CAPITAL RESOURCES

The Company had cash and cash equivalents on hand of $1,640,877 as of December 31, 2013 (December 31, 2012 - $1,364,122) and working capital of $1,392,779 (December 31, 2012 - $1,369,058).

Cash used in operating activities during the year ended December 31, 2013 amounted to $2,543,087, compared to $4,819,295 during the prior year. The decrease in cash outflow is largely attributable to a reduction in cash expenditures during the year.

Cash used by investing activities for the year ended December 31, 2013 was $1,836,853 compared to $288,498 for the prior year. This was a result of the option agreement with Callinan Royalties Corporation; 6,250,000 common shares were issued at $0.16 per common share and a Royalty option payment in the amount of $2,000,000 was received.

Cash provided by financing activities for the year ended December 31, 2013 was $994,250 compared to $1,118,132 for the prior period.

At present, the Company has no producing properties and consequently has no current operating income or cash flows. The Company intends to finance its future requirements through a combination of debt and/or equity issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. These uncertainties cast significant doubt on the Company's ability to continue as a going concern.

The Company's cash and cash equivalents are held in a Schedule 1 Canadian financial institution and its affiliated brokerage house in highly liquid accounts and interest bearing investments. No amounts have been or are invested in asset-backed commercial paper.

The Company's working capital requirements for the past year are discussed in detail above. Fixed costs to maintain operations and property title are about $50,000 per year. Corporate and general costs to maintain the requirements of a listed company have been about $950,000 per year. Therefore, minimum working capital requirements are estimated at $1 million per year.

As at December 31, 2013, the Company's cash and cash equivalents were $1.6 million. The Company has access to sufficient funds to meet its current overhead requirements. However, the Company does not currently have sufficient resources to carry on with it planned future work which includes collecting geological, hydrological and metallurgical data to support the Company with respect to initiating and completing a feasibility study and permitting. Therefore, the Company's continued development is contingent upon its ability to raise sufficient financing. There are no guarantees that additional sources of funding will be available to the Company; however, management is committed to pursuing all possible sources of financing in order to execute its business plan.

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, and has securities outstanding as follows:

Security Description	December 31, 2013	Date of report
Common shares, voting	59,124,179	61,655,179
Common shares, non-voting	7,007,876	4,676,876
Stock Options	10,656,000	10,256,000
Warrants	1,844,166	1,844,166

The Company issued the following common shares during the year ended December 31, 2013:

- On July 31, 2013, the Company issued 6,250,000 common shares priced at $0.16 per common share for gross proceeds of $1,000,000 in relation to the Callinan Agreement. The Company paid share issue costs in the amount of $5,750 related to this share issuance.

The Company issued the following common shares during the year ended December 31, 2012:

- The Company issued 382,268 common shares for proceeds of $165,067 in connection with the exercise of 140,000 finance warrants with an exercise price of US$0.65; 237,018 agent warrants with an exercise price of US$0.30; 1,750 agent warrant with an exercise price of US$0.50; and 3,500 agent warrants with an exercise price of US$0.65 per warrant. An amount of $46,922 was reclassified from other equity reserve to capital stock on exercise. Upon the exercise of the 1,750 compensation warrants, 875 agent warrants with an exercise price of US$0.65 per warrant were issued. These 875 additional warrants were exercised during the year, and included in the 3,500 agent warrants exercised at a price of US$0.65 per warrant.

- On June 28, 2012, the Company closed a non-brokered private placement offering of units of the Company for aggregate gross proceeds of $1,015,000 through issuance of 3,383,334 units at a price of $0.30 per unit. Each unit consists of one common share and one half of one common share purchase warrant. Due to fractional rounding, 1,691,666 finance warrants were issued as a result of this private placement. Each warrant is exercisable into one common share for a period of 24 months at an exercise price of $0.50.

  The Company paid a cash finder's fee on certain subscriptions equal to 5% of the gross proceeds received from such subscriptions and other cash costs of $11,185. The Company also issued 152,500 non-transferrable agent warrants. Each agent warrant is exercisable into one common share for a period of 24 months at an exercise price of $0.50. An amount of $8,989 representing the fair value of these warrants on granting was recorded as share issuance costs.

RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying consolidated financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

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

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

	Year Ended December 31,			
		2013		2012
Share-based compensation	$	425,781	$	694,058
Short-term benefits*		462,538		409,876
	$	**888,319**	**$**	**1,103,934**

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

Other related parties

King & Bay West Management Corp, ("King & Bay") is an entity owned by Mark Morabito, the Chairman of the Company and provides administrative, management, geological, regulatory, tax, corporate development and investor relations services to the Company. These services are provided to the Company on an as-needed basis and are billed based on the cost or value of the services provided to the Company. The amount set out in the table below represents amounts paid to King & Bay for the services of King & Bay personnel and for overhead and third party costs incurred by King & Bay on behalf of the Company.

Cassels Brock & Blackwell LLP ("Cassels"): John Vettese, a director of the Company, is the Deputy Managing Partner of Cassels, which acts as lead external counsel for the Company. Cassels advises the Company with respect to corporate, securities, infrastructure, finance and regulatory matters.

Kinley Exploration LLC ("Kinley") is an entity owned by Colin Kinley, a director of the Company and provides services related to the wellfield design including costs and design of the bores.

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

	Years Ended December 31,			
		2013		2012
King & Bay	$	601,145	$	1,032,579
Cassels Brock & Blackwell LLP		3,667		14,969
Kinley Exploration LLC		37,226		-
	$	**642,038**	$	**1,047,548**

Amounts due to related parties at December 31, 2013 included the following:

- Directors fees – $Nil (December 31, 2012 - $33,680)
- King & Bay – $39,558 (December 31, 2012 - $48,992)
- Kinley Exploration LLC, a company controlled by a director – $37,226 (December 31, 2012 - $Nil)

Transactions with related parties were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All services were made on terms equivalent to those that prevail with arm's length transactions.

ACCOUNTING ESTIMATES

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 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

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, 2013.

The preparation of consolidated 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 consolidated 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 consolidated financial statements are presented fairly and in accordance with IFRS.

New accounting pronouncements

The following new accounting standards issued by the IASB have been applied in preparation of these consolidated financial statements with effect from January 1, 2013.

Amendments to IFRS 7, *Financial Instruments: Disclosures* ("IFRS 7") introduce enhanced disclosure around the transfer of financial assets and associated risks.

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements* ("IFRS 10"), which builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of a parent company. IFRS 10 also provides additional guidance to assist in the determination of control where this is difficult to assess.

In May 2011, the IASB issued IFRS 11, *Joint Arrangements* ("IFRS 11"), which enhances accounting for joint arrangements, particularly by focusing on the rights and obligations of the arrangement, rather than the arrangement's legal form. IFRS 11 also addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities and prohibits proportionate consolidation.

In May 2011, the IASB issued IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12"), which is a comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles.

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement* ("IFRS 13"), which defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions).

In June 2011, the IASB amended IAS 1, *Presentation of Financial Statements* ("IAS 1"), to change the disclosure of items presented in other comprehensive income into two groups, based on whether those items may be recycled to profit or loss in the future.

Amendments to IAS 27, *Separate Financial Statements* ("IAS 27"), and IAS 28, *Investments in Associates and Joint Ventures* ("IAS 28") have been made. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13.

Future accounting pronouncements

The following accounting pronouncements have been made but are not yet effective for the Company as at December 31, 2013. The Company is currently evaluating the impact of these new and amended standards on its consolidated financial statements.

In October 2010, the IASB issued IFRS 9, *Financial Instruments* ("IFRS 9"), which represents the completion of the first part of a three-part project to replace IAS 39, *and Financial Instruments: Recognition and Measurement*, with a new standard. Per the new standard, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income or loss section of the entity's statement of comprehensive loss, rather than within profit or loss. Additionally, IFRS 9 includes revised guidance related to the de-recognition of financial instruments. IFRS 9 applies to financial statements for annual periods beginning on or after January 1, 2018, with early adoption permitted.

Amendments to IAS 32, *Financial Instruments: Presentation*, are effective for annual periods beginning on or after January 1, 2014. This provides for amendments relating to offsetting financial assets and financial liabilities.

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: completing a feasibility study, 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 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.

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. 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 will not be challenged. Excelsior may not have, or may not be able to obtain, all necessary surface rights to develop 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. The Gunnison Project 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 as permitted or being unable to enforce its rights with respect to all or part of the Gunnison Project. This could result in Excelsior not being compensated for its prior expenditures relating to the property.

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 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, 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 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 Vice President, Exploration, 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.

Excelsior's securities are subject to price volatility.

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations that have not been necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in Excelsior's share price will not occur. It may be anticipated that any quoted market for our common shares will be subject to market trends generally, notwithstanding any potential success in creating revenues, cash flows or earnings. The value of Excelsior's common shares will be affected by such volatility.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

FINANCIAL INSTRUMENTS

All financial instruments are initially recognized at fair value on the statement of financial position. The Company has classified each financial instrument into one of the following categories: (1) financial assets or liabilities at fair value through profit or loss ("FVTPL"), (2) loans and receivables, (3) financial assets available-for-sale, (4) financial assets held-to-maturity, and (5) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

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

Financial assets "held-to-maturity", "loans and receivables", and "other financial liabilities" are subsequently measured at amortized cost using the effective interest rate method.

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

Asset or Liability	Category	Measurement
Cash and cash equivalents	FVTPL	Fair value
Receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	other liabilities	Amortized cost
Due to related parties	other liabilities	Amortized cost

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

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

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

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

The carrying value of the Company's receivables, accounts payable and accrued liabilities, and due to related parties, approximates their fair values due to their short terms to maturity.

Cash and cash equivalents have been measured at fair value using Level 1 inputs.

As at December 31, 2013, 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 in interest bearing accounts. The Company has no investments in asset-backed commercial paper.
The Company's receivables 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.

Liquidity Risk

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

The Company manages liquidity risk through its capital management as outlined in Note 10 to the audited consolidated financial statements. As at December 31, 2013, the Company has cash and cash equivalents balance of $1,640,877 to settle current liabilities of $371,891. The Company believes it has sufficient cash and cash equivalents to settle current liability and to support further advancement of the Gunnison Project and working capital requirements in the next 12 months.

The Company continues to rely on successfully completed equity or other form of financing to further the evaluation, exploration, and development of its mineral properties. There can be no assurance that the company will be successful in obtaining the necessary financing.

Market Risk

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

a) Interest Rate Risk

   The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The risk that the Company will realize a loss as a result of a decline in the fair value of short-term investments included in cash and cash equivalents is minimal because these investments roll over daily. As of September 30, 2013, the Company did not have interest bearing debt.

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; the recent Company's financing and any future equity raised is expected to be predominantly in Canadian dollars. Consequently, the Company is impacted by changes in the exchange rate between the Canadian and United States dollars. As of December 31, 2013, the Company's net US dollar financial assets were US$83,103. Thus, a 10% change in the Canadian dollar versus the U.S. dollar exchange rate would affect other comprehensive income (loss) by $26,217 and net loss by $32,558.

COMMITMENTS AND CONTINGENCIES

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

Fiscal Year End		Office Lease Payments
2014		90,353
2015		15,161
Total	**$**	**105,514**

No contingent liabilities have been accrued as of December 31, 2013, nor are any known disputes pending against the Company that could significantly impact the Company's consolidated financial statements.

SUBSEQUENT EVENTS

The following events occurred subsequent to the nine months ended December 31, 2013:

- On January 20, 2014 100,000 stock options were exercised with an exercise price of $0.30
- On January 21, 2014 50,000 stock options were exercised with an exercise price of $0.30
- On February 25, 2014 150,000 stock options were cancelled with an exercise price of $0.30
- On April 7, 2014 50,000 stock options were cancelled with an exercise price of $0.30
- On April 7, 2014 50,000 stock options were exercised with an exercise price of $0.30

ADDITIONAL INFORMATION

Additional disclosure concerning the Company's general and administrative expenses is provided in the Company's consolidated financial statements and notes for the year ended December 31, 2013, which is available on the SEDAR website, www.sedar.com. Additional information relating to the Company is available on SEDAR at www.sedar.com.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

As permitted, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the consolidated financial statements and corresponding accompanying Management's Discussion and Analysis. In contrast to the certificates under National Instrument 52-109 (Certification of Disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting as defined by National Instrument 52-109.

APPROVAL

The Board of Directors of Excelsior Mining Corp. has approved the disclosure contained in this MD&A.